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Only the German version of the financial statements has been audited by the auditor and is the legally binding version of the financial statements. The English translation is for convenience only.

Please note that the PDF pages may differ from the page designation in the document.

AUDITOR'S REPORT OF THE INDEPENDENT AUDITOR

To Iconic Funds BTC ETN GmbH, Frankfurt a.M.

NOTE ABOUT THE EXAMINATION OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit Opinions

We have audited the financial statements of Iconic Funds BTC ETN GmbH, which comprise the balance sheet as at December 31, 2021, and the income statement, cash flow statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a description of the accounting policies. We have also audited the management report of Iconic Funds BTC ETN GmbH for the financial year from January 1, 2021 to December 31, 2021. In accordance with German legal requirements, we have not audited the content of the declaration by the legal representatives contained in a separate section of the management report.

In our opinion, based on the findings of our audit, the consolidated financial statements are as follows

- the attached annual financial statements comply in all material respects with the provisions of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as of December 31, 2021 and of its results of operations for the fiscal year from January 1, 2021 to December 31, 2021 in accordance with German principles of proper accounting; and
- the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the above-mentioned non-financial statement and corporate governance statement.

In accordance with Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the annual financial statements and the management report.

Basis for the audit judgments

We conducted our audit of the annual financial statements and the management report in accordance with

§ Section 317 HGB and the EU Regulation on Auditors (No. 537/2014; hereinafter "EU-APrVO") in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these

regulations and standards is further described in the section "Auditor's Responsibility for the Audit of the Annual Financial Statements and Management Report" of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law and have fulfilled our other German ethical responsibilities in accordance with these requirements. Furthermore, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we have not performed any prohibited non-audit services as defined in Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

As part of our audit, we considered whether the preparation of the annual financial statements on a going concern basis and the disclosures on going concern in the notes and the management report are appropriate. In particular, we examined the liquidity forecasts and plans of the Board of Management for future measures underlying its forecasts and assessments to determine whether the liquidity forecasts are plausible and the plans of the Board of Management are feasible under the given circumstances. We critically assessed the plausibility of the prospects for success in implementing the planned measures. In addition, we satisfied ourselves as to the adequacy of the disclosures made in the annual financial statements and the management report.

Particularly important audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were considered in the context of our audit of the financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In our view, the following matters were most significant in our audit:

- Balance and valuation of other assets (cryptocurrencies)

We have structured our presentation of these key audit matters as follows:

1. Facts and problem
2. Audit approach and findings
3. Reference to further information

In the following, we present the audit matter of particular importance:

Balance and valuation of other assets (cryptocurrencies)

1. For information on the accounting policies applied, please refer to the section "Valuation units" in the notes.

As of December 31, 2021, the Company holds a portfolio of cryptocurrencies exclusively comprising so-called Bitcoins. The stock of Bitcoins is held in custody at a company independent of the Company. This stock of Bitcoins amounted to 147.7 units as of December 31, 2021, representing 98% of the Company's assets.

Iconic Funds BTC ETN GmbH has been issuing bonds backed by deposited bitcoins since 2021. The Company has formed a valuation unit in accordance with section 254 of the German Commercial Code (HGB) and accounts for this using the gross hedge presentation method. The valuation of the holdings of bitcoins as well as the bearer bonds was carried out at the relevant fair value as of the reporting date December 31, 2021.

The balance sheet values of the holdings of Bitcoins and the outstanding debt securities result from the correct determination of the respective holdings and the fair value. Against this background, there is a risk that incorrectly determined holdings of Bitcoins may materially affect the presentation of the Company's financial position and results of operations and thus its financial statements.

2. Based on our risk assessment and evaluation of the risks of error, we assessed the establishment and design as well as functionality of identified internal controls, in particular with regard to the existence of holdings of Bitcoins, the determination of current market prices and your coverage with issued bearer bonds.

The audit was based on the separate confirmations of the depository for the Bitcoins, the third party appointed as custodian of the assets under custody and the bonds issued. In this context, we also assessed the recording of additions and disposals of bitcoins in the Company's inventory system during the fiscal year with respect to their proper recording and compliance with internal controls.

We compared the market prices used to determine the fair value with publicly available price information. We also verified the mathematical accuracy of the calculations.

Our audit procedures did not reveal any reservations regarding the holdings and valuation of cryptocurrencies.

3. For further information, please refer to the presentation of the Company in the notes to the financial statements

Other information

The legal representatives are responsible for the other information. The other information comprises

"Responsibility Statement by the Management" in the management report,

Our audit opinions on the financial statements and management report do not cover the other information and, accordingly, we do not express an audit opinion or any other form of conclusion thereon.

In connection with our audit, we have a responsibility to read the other information and, in doing so, evaluate whether the other information is

- are materially inconsistent with the annual financial statements, management report or our knowledge obtained in the audit, or
- otherwise appear to be materially misrepresented.

Management's Responsibility for the Financial Statements and the Management Report

Management is responsible for the preparation and fair presentation of these financial statements in accordance with German principles of proper accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern.

In addition, they are responsible for preparing the financial statements on the basis of the going concern principle, unless factual or legal circumstances prevent this.

Furthermore, management is responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position, is consistent in all material respects with the annual financial statements and complies with German legal requirements.

and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it determines are necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the management report.

The shareholders' meeting is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and management report.

Auditor's Responsibility for the Audit of the Annual Financial Statements and the Management Report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides a suitable view of the Company's position and is consistent, in all material respects, with the annual financial statements and the audit findings, complies with German legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- Identify and assess the risks of material misstatement of the annual financial statements and management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements is higher in the case of noncompliance than in the case of inaccuracies, as noncompliance is

may involve fraud, forgery, intentional omissions, misleading representations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the financial statements and the arrangements and actions relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and management report or, if such disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.
- obtain sufficient audit evidence about the Company's accounting information or operations to express opinions on the financial statements and management report. We are responsible for the direction, supervision and performance of the audit. We are solely responsible for our audit opinions.
- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the understanding of the Company's position given by it.

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- We perform audit procedures on the forward-looking statements made by management in the management report. In particular, based on sufficient appropriate audit evidence, we reproduce the significant assumptions underlying the forward-looking statements made by management and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and the safeguards that have been put in place to address them.

From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Note on the examination of electronic reproductions prepared for the purpose of disclosure of the annual financial statements and of the Management Report according to

§ Section 317 (3a) HGB

Audit opinion

In accordance with Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance review to determine whether the reproductions of the annual financial statements and management report (hereinafter also referred to as "ESEF documents") contained in the attached file [E8B51550A0126B35E4CC15EE49CD4C661D47F1AAB454361C4E20745707B6A0D1] and prepared for disclosure purposes comply in all material respects with the requirements of Section 328 (1) of the German Commercial Code. 1 HGB on the electronic reporting format ("ESEF format") in all material respects. In accordance with German legal requirements, this audit extends only to the transfer of information from the annual financial statements and

of the management report into the ESEF format and therefore neither to the information contained in these renditions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the annual financial statements and management report contained in the aforementioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) HGB. We report on this audit opinion and on our audit procedures described in the preceding "Report on the audit of the annual financial statements and the management report" contains the following audit opinions to the attached annual financial statements and to the accompanying management report for the fiscal year from January 1, 2021 to December 31, 2021, beyond that, we do not express any opinion on the information included in those reproductions or on the other information included in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the annual financial statements and management report contained in the above-mentioned attached file in accordance with Section 317 (3a) of the German Commercial Code (HGB) and in compliance with the *IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3a) of the German Commercial Code (HGB) (IDW PS 410 (10.2021))*. Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has met the quality assurance system requirements of the *IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1)* applied.

Responsibility of the legal representatives and the shareholders' meeting for the ESEF documents

The Company's management is responsible for the preparation of the ESEF documents containing the electronic reproductions of the annual financial statements and management report in accordance with section 328 (1) sentence 4 no. 1 HGB.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB regarding the electronic reporting format.

The Company's legal representatives are also responsible for submitting the ESEF documents, together with the auditor's report and the attached audited annual financial statements and audited management report, as well as other documents to be disclosed, to the operator of the Federal Gazette.

The Shareholders' Meeting is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. During the audit we exercise professional judgment and maintain a critical attitude. Furthermore

- identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal control relevant to the audit of ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815 as amended at the reporting date regarding the technical specification for this file.
- Do we assess whether the ESEF documentation provides a content equivalent XHTML reproduction of the audited financial statements and the audited management report.

Other information according to Article 10 EU-APrVO

We were elected as auditors by the Annual General Meeting on November 16, 2021 and engaged by the Supervisory Board on February 21, 2022. We have served as the auditors of Iconic Funds BTC ETN GmbH, Frankfurt a.M., without interruption since the 2019 financial year.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (Audit Report).

OTHER MATTERS - USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited annual financial statements and the audited management report as well as the audited ESEF documents. The annual financial statements and management report converted to the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited financial statements and management report.

financial statements and the audited management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

AUDITOR IN CHARGE

The auditor responsible for the audit is Mr. Christian Rüdiger.

Munich, April 29, 2022

Baker Tilly GmbH & Co KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

gez. Abel
Certified Public
Accountant

gez. Rüdiger
Certified Public Accountant

**Balance sheet as of December
31, 2021**

ASSETS

	Euro	Business year Euro	Previous year Euro
A. Umlaufvermögen			
I. Receivables and other assets			
1. Receivables from affiliated companies	3.500,00		
2. other assets	<u>6.250.266,50</u>	6.253.766,50	0.00 <u>11.883,59</u>
- thereof against shareholders Euro 0.00 (Euro 11,883.59)			11.883,59
II. Cash on hand, Bundesbank balances, bank balances and checks		62.504,44	3.637,47
B. Deferred tax assets		83.175,00	0,00
		<u>6.399.445,94</u>	<u>15.521,06</u>

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	Euro	Business year Euro	Previous year Euro
A. Equity			
I. Subscribed capital		25.000,00	25.000,00
II. Capital reserve		241.487,90	75.000,00
III. loss carried forward		95.484,94-	0,00
IV. Net loss for the year		81.870,77-	0,00
V. Unappropriated profit		0,00	95.484,94-
- thereof retained earnings Euro 0.00 (Euro -14,555.82)			
B. Accruals			
1. other provisions		65.866,73	6.250,00
C. Liabilities			
1. Bonds	6.218.662,90		0,00
- of which with a remaining term of up to 3 years Euro 6,218,662.90 (Euro 0.00)			
2. Trade accounts payable	23.984,12		4.756,00
- of which with a remaining term of up to 3 years Euro 23,984.12 (Euro 4,756.00)			
3. Liabilities to affiliated companies	<u>1.800,00</u>		<u>0,00</u>
- of which with a remaining term of up to 3 years Euro 1.800,00 (Euro 0,00)		6.244.447,02	4.756,00
		<u>6.399.445,94</u>	<u>15.521,06</u>

Profit and loss account
from January 1, 2021 to December 31, 2021

	Business year Euro	Previous year Euro
1. sales revenue	<u>41.086,13</u>	<u>0,00</u>
2. total power	41.086,13	0,00
3. other operating income		
a) Income from the reversal of accruals	0,00	28,00
b) Miscellaneous other operating income	<u>186.614,16</u>	<u>0,00</u>
	186.614,16	28,00
4. Cost of materials		
Expenses for purchased services	247.180,33	0,00
5. other operating expenses		
a) Insurance, contributions and levies	6.868,00	200,00
b) miscellaneous operating costs	<u>138.697,73</u>	<u>80.757,12</u>
	145.565,73	80.957,12
6. taxes on income and earnings	<u>83.175,00-</u>	<u>0,00</u>
7. earnings after taxes	<u>81.870,77-</u>	<u>80.929,12-</u>
8. net loss for the year	81.870,77	80.929,12
9. profit carried forward from the previous year	<u>0,00</u>	<u>14.555,82-</u>
10. retained earnings	<u>0,00</u>	<u>95.484,94-</u>

Cash Flow Statement
from January 1, 2021 to December 31, 2021

Cash flow statement from 01.01.2021 to 31.12.

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Iconic Funds BTC ETN GmbH Management of own assets, 60312 Frankfurt am Main, Germany

	Business year Euro	Previous year Euro
Cash receipts from customers for the sale of products, goods and services	41.086,13	0,00
- Payments to suppliers and employees	297.262,67	61.602,31
+Other cash inflows not attributable to investing or financing activities	186.614,16	0,00
- Other disbursements not attributable to investing or financing activities are attributable to	6.258.521,45	24.354,40
Cash flow from operating activities	6.328.083,83-	85.956,71-
Proceeds from additions to equity	166.487,90	75.000,00
+Proceeds from the issuance of bonds and the taking up of (financial) loans	365.285,65	0,00
- Payments from the redemption of bonds and (financial) liabilities Loans	5.855.177,25-	0,00
Cash flow from financing activities	6.386.950,80	75.000,00
Cash-effective changes in cash and cash equivalents (sum of cash flows)	58.866,97	10.956,71-
+Financial resources fund at the beginning of the period	3.637,47	14.594,18
Cash and cash equivalents at the end of the period	62.504,44	3.637,47

**Statement of changes in
equity as of December
31, 2021**

Statement of changes in equity from 01.01.2021 to 31.12.

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Iconic Funds BTC ETN GmbH Management of own assets, 60312 Frankfurt am Main, Germany

	Subscribed capital	Capital reserve	Generated equity	Total
	Euro	Euro	Euro	Euro
Status as of 01.01.2020	25.000,00		14.555,82-	10.444,18
Result for the period			80.929,12-	80.929,12-
Transfers		75.000,00		75.000,00
Balance as of 12/31/2020	25.000,00	75.000,00	95.484,94-	4.515,06
Status as of 01.01.2021	25.000,00	75.000,00	95.484,94-	4.515,06
Result for the period			81.870,77-	81.870,77-
Transfers		166.487,90		166.487,90
Balance as of 12/31/2021	25.000,00	241.487,90	177.355,71-	89.132,19

Tax consulting company

69115 Heidelberg

Notes as of December 31, 2021

General information on the annual financial statements

The annual financial statements of Iconic Funds BTC ETN GmbH have been prepared in EUR in accordance with the provisions of the HGB and the GmbHG. The income statement has been prepared using the nature of expense method. The Company is a capital market-oriented company pursuant to Section 264d HGB, as it issued securities traded on an organized market for the first time in 2021. Pursuant to Section 267 (3) sentence 2 HGB, it is therefore considered a large corporation irrespective of the other size criteria. Accordingly, it has expanded its annual financial statements compared with the previous year and is also preparing a management report for the first time. In this respect, there is a break in the consistency of accounting. The previous year's figures in the financial statements have therefore been adjusted as if the Company had already had to prepare its accounts as a large corporation in the previous year. The Company does not have an audit committee pursuant to § The company was set up in accordance with section 324 (1) sentence 1 of the HGB, as it makes use of the exemption provision in section 324 (1) sentence no. 1 of the HGB. The sole purpose of the Company is to trade in securities as defined in section 2 (1) of the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act). The sole purpose of the Company is to issue securities within the meaning of Section 2 (1) of the German Securities Trading Act (WpHG) that are secured by assets.

Information on the identification of the company according to the registry court

Company name according to register court:	Iconic Funds BTC ETN GmbH
Registered office according to register court:	Frankfurt am Main
Register entry:	Commercial register
Register Court:	Frankfurt am Main
Registration number:	HRB 116980

Disclosures on accounting and valuation methods

Accounting and valuation principles

Receivables and securities were valued taking into account all identifiable risks.

Cash on hand and bank balances are stated at nominal value.

Other provisions were recognized for all other uncertain liabilities. All identifiable risks were taken into account.

Liabilities were recognized at the settlement amount.

Valuation units

A valuation unit was formed between the issued bonds (Iconic Funds Physical Bitcoin ETP; ISIN DE000A3GK2N1) and the Bitcoins held for this purpose.

The following balance sheet items were included in the valuation unit:

Valuation units	Amount
	Euro
Assets (bitcoins held)	6.218.662,90
Debt (bonds issued)	6.218.662,90

By forming the valuation unit in fiscal year 2021, the risk was covered that the repayment amount of the liability, due to rising bitcoin rates according to the NYSE BITCOIN INDEX or currency fluctuations euro to dollar, is higher than the carrying amount of the bitcoins, which would otherwise be limited in amount by the historical acquisition costs.

Risks with a total amount of 6,218,662.90 euros were hedged through the valuation unit. The required disclosures on the hedged risks are discussed in the management report.

Accounting policies differing from those of the previous year

In the annual financial statements, the accounting and valuation methods applied to date have largely been adopted.

There was no fundamental change in accounting and valuation methods compared with the previous year.

Balance sheet disclosures

Other assets

Other assets mainly consist of bitcoins received in the amount of EUR 6,218,662.90 (previous year: EUR 0.00), which are provided for safekeeping as part of the securities business for the issuance of bonds.

Furthermore, management fees in the amount of EUR 31,394.60 (previous year: EUR 0.00), which the Company receives for the custody of Bitcoins in Bitcoins, are recognized in other assets.

Bonds

The bonds in the amount of 6,218,662.90 euros (previous year: 0.00 euros) consist of the bonds issued as part of the securities business for the custody of bitcoins received.

Liabilities

The following types and forms of collateral are associated with the liabilities:

Disclosure on residual maturity notes

The amount of liabilities with a remaining term of up to one year is 6,244,447.02 euros.

Other information

Average number of employees during the fiscal year

The average number of employees during the fiscal year was 0.

Members of the management

Mr. Patrick Alan Lowry, Frankfurt am Main, Management (with sole power of representation).

Remuneration of the Executive Board

The Executive Board did not receive any remuneration from the Company in the reporting year.

Information on Group companies and related parties

The parent company holding 100% of the shares in the reporting company is Iconic Funds GmbH, with its registered office in Frankfurt am Main. The parent company is registered with the Frankfurt Local Court under the registration number HRB 116742.

No transactions are carried out with related parties.

Auditor's fee

The auditor charged a total fee of 45,000 euros for the past financial year. Of this amount, 45,000 euros was for auditing services, 0 euros for other certification services, 0 euros for tax consulting services and 0 euros for other services.

Signature of the management

Frankfurt am Main, March 31, 2022



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Lowry, Patrick Alan

Management Report
from January 1 to December 31, 2021

Iconic Funds BTC ETN Ltd.

Management Report

for the period from January 1 to December 31, 2021

Fundamentals of the company

Iconic Funds BTC ETN GmbH ("The Company") is incorporated under the laws of the Federal Republic of Germany and maintains its principal place of business at Große Gallusstraße 16-18, 60312 Frankfurt am Main, Germany. The sole business of the Company is the issuance of Bitcoin-backed Notes. By issuing the Notes, the Company intends to meet investor demand for tradable securities through which an investment in cryptocurrencies and other digital assets is made.

The Company issued its first debt securities (the "Bonds", "Securities" or "XBTI", ISIN DE000A3GK2N1, security identification number A3GK2N, Bloomberg ticker XBTI) on April 15, 2021, following approval by BaFin. XBTI are collateralized debt securities backed 100% by Bitcoin. The notes do not have a specified maturity date. The debentures do not bear interest. Each Debenture evidences the right of the Debentureholder to require the Company to deliver Bitcoin in accordance with the Debentureholder's claim in respect of each Debenture expressed as the amount of BTC per Debenture (so-called cash amount in USD required from the Debentureholders. XBTI was notified on XETRA of Deutsche Börse on May 12, 2021 and in several jurisdictions, including Germany, Austria, Italia, Denmark, Finland, Ireland, Luxembourg, the Netherlands, Norway, Spain, Sweden, Cyprus, Czech Republic, Estonia, France, Greece, Malta, Poland, Portugal, Slovakia and Slovenia ("Passporting"). Furthermore, XBTI is approved for distribution in Switzerland.

In the event of the occurrence of certain events, as more fully described in the terms and conditions of the Notes, the Company may at any time, in its sole and absolute discretion, determine (but will not be obligated) to call all of the Notes and redeem them at their so-called mandatory redemption price. Such events of mandatory redemption include, but are not limited to, the enactment of new laws or regulations requiring the Company to acquire licenses in order to perform its obligations under the Notes, changes in the tax treatment of Bitcoin, or the event that the Company is ordered by a court of competent jurisdiction or otherwise required by law to make a mandatory redemption. Such termination will necessarily result in redemption of the Notes for the Noteholders.

As a service provider, the Company does not engage in research and development activities. The Company maintained one branch office in Germany during the reporting period.

Economic Report**Economic framework conditions**

The economic environment for the Company in the past fiscal year was mainly characterized by the effects of the spread of the so-called Corona virus (SARS-CoV-2) and the associated national and international sovereign measures to contain the pandemic. As a capital market-oriented company, however, the Company benefited from the fact that, unlike in the service sector and stationary retail, for example, the

measures introduced had no direct impact on the Company's business activities.

Demand for securities and cryptocurrencies developed positively, but was slowed from Q4 2021 by expectations of interest rate hikes by the U.S. Federal Reserve.

Earnings position of the company

Management assesses the Company's position after the first year of operation as satisfactory. In 2021, the Company generated revenues of EUR 228 thousand (previous year: EUR 28 thousand), mainly from income from management fees. Management fees are the main source of revenue for the company and are determined by the amount of assets under custody and the price of cryptocurrencies.

The revenues generated were offset by expenses for purchased services totaling EUR 247 thousand (previous year: EUR 0 thousand). They related in particular to the costs of issuing the securities and expenses for the consulting and service companies engaged.

Financial position of the company

The main focus was on the solvency of the Company. This was the case at all times during the financial year.

The Company had cash and cash equivalents of EUR 62 thousand as of December 31, 2021 (December 31, 2020: EUR 3 thousand), which were held in accounts receivable with banks.

As of December 31, 2021, the Company's equity amounted to EUR 89 thousand (December 31, 2020: EUR 4 thousand), consisting of EUR 25 thousand share capital (December 31, 2020: EUR 25 thousand) a loss carried forward of EUR 95 thousand (December 31, 2020: EUR 15 thousand) and the realized loss for the year of EUR 81 thousand (December 31, 2020: loss of EUR 80 thousand).

Cash flow from operating activities amounted to EUR -6,328 thousand in fiscal year 2021 (in fiscal year 2020: EUR -85 thousand). Cash flow from investing activities amounted to EUR 0 thousand in fiscal year 2021 (in fiscal year 2020: EUR 0 thousand) and cash flow from financing activities amounted to EUR 6,387 thousand in fiscal year 2021. In this context, it should be noted that the Company did not receive any cash as part of the issuance of the Notes, which have a balance sheet value of EUR 6,218 thousand as of December 31, 2021, but their equivalent value in cryptocurrencies.

Rentals

The Company's total assets increased from EUR 15 thousand as of December 31, 2020 to EUR 6,399 thousand as of December 31, 2021, due to the increase in the total amount of cryptocurrency in custody to hedge the issued bonds and the increase in the bitcoin price.

Other assets as of December 31, 2021 mainly comprise EUR 6,250 thousand (December 31, 2020: EUR 0 thousand) of bitcoin holdings held in custody at Coinbase Germany GmbH, the Company's regulated custodian, and bitcoin holdings from settled management fees. Overall, both the results of operations, the financial position and the net assets of the Company in 2021 are expected to be positive and stable, and the Company was able to meet its payment obligations at all times in the financial year 2021.

Forecast, opportunity and risk report

Risk report: Risks and uncertainties

The Company classifies the main risk groups as follows:

- Business risks (or "business risks")
- Regulatory risks
- Operational risks (or "operating risks")
- Financial risks

Because the Company receives the cryptocurrencies for deposit of all bonds to be issued before the bonds can be issued, the Company does not need to independently obtain these cryptocurrencies and therefore is not exposed to any risk associated with market price volatility. For operational and accounting purposes, the Company and its Administrator use the NYSE Bitcoin Index daily cryptocurrency price reference for the relevant cryptocurrency.

i) Corporate risks (business risks)

Although the Company is not exposed to any market risk associated with the deposit of the Bonds by Bitcoin, a strong negative web development and a sustained decline in the price of Bitcoin could, however, negatively affect the Company. Demand for the Bonds could decline significantly if the attractiveness of Bitcoin as an underlying asset declines. Also possible is an increase in redemptions (for repayment of the cryptocurrency entitlement of the XBTI Bonds). This could result in a decrease in the Company's assets under management and related revenues. The Company monitors and analyzes deviations in financial performance from budget very carefully and accordingly can take timely actions to reduce costs and maintain profit margins at the required level.

ii) Regulatory risks

In recent years, numerous large and well-established banks and asset managers have invested in or competed for investments in cryptocurrency companies. This trend appears to be significant and of an adherent nature these days, and numerous financial regulators have generally accepted that cryptocurrencies are likely to remain as an asset class and have accordingly adopted a pragmatic stance to accommodate this growing interest in cryptocurrencies by the investment community. However, it is visibly difficult to predict how the regulatory outlook and policies regarding cryptocurrencies could and will change. A shift to a generally more negative view could lead to a curtailment of investor appetite and a decline in relevant business activities. The Company's objective is to make its products geographically available to a broader audience in part as a diversification strategy to mitigate this risk.

iii) Operational risks

The Company has implemented structures and processes to ensure that operations run smoothly and that assets under management are presented regularly, accurately and verifiably. The Company has taken the additional step of appointing an independent trustee to address the increased operational risk associated with cryptocurrencies. As clearing houses such as Clearstream Banking AG do not (yet) accept Bitcoin

as an accepted and supported currency for DVP (Delivery Versus Payment) / RVP (Receive Versus Payment) processes, the bonds must be transferred between the Company and so-called authorized participating brokers (or "Authorized Participants") on a "Free Of Payment" or "FOP" basis, and the related transactions of cryptocurrencies must take place independently accordingly. Any movement of cryptocurrencies, in addition to being monitored by the Company's operaGve team, must also be carefully monitored and approved by the independent trustee engaged by the Company, without whose approval no transfers of Bitcoin (or other cryptocurrencies) can be made into or out of the Company's account with the Depository. The same applies to the settlement of bonds from the Company's issuance account. Additionally, "implemented stringent measures have been carefully set up to maintain the security and integrity of these operational processes to the fullest extent.

iii) Financial risks

The business and operating model followed by Iconic Funds BTC ETN GmbH ensures that the Company does not need to raise Bitcoins or other cryptocurrencies in relation to the issuance of the Bonds, as the Company can only receive cryptocurrency and not fiat currency such as EUR or USD to issue Bonds. Therefore, the Company is hardly exposed to any market risk. Due to the same operating model, the Company is exposed to very limited counterparty risk as it must first obtain cryptocurrency, which is deposited in the depository, before issuing bonds. The same applies to redemptions, as the Company must first have received the Bonds designated for redemption by the Bondholder for cancellation before the corresponding redemption of the cryptocurrency (Coin Entitlement per Bond) can be made. Furthermore, the Company solely issues the Bonds to the previously mentioned Authorized Participants (Authorized Participants).

iv) Outlook

Through best practices, the Company continuously evaluates and assesses potentially evolving risks. Currently, no novel or evolving risks can be identified that could jeopardize the Company's operations and economic survival. With regard to the ongoing global coronavirus pandemic, no risks can be identified that would challenge the Company's core business.

Iconic Funds BTC ETN GmbH would like to thank all XBTI bondholders for their trust and support during the past year. As of December 31, 2021, Iconic Funds BTC ETN GmbH's assets under management amounted to approximately USD 7.0 million. Overall, the Company expects to increase its revenues and achieve a positive net result for the year.

Frankfun, March 31, 2022

Iconic Funds BTC ETN GmbH

The Business Unit

Patrick Dwyer

Iconic Funds BTC ETN Ltd.