

# **INTERIM FINANCIAL STATEMENTS**

at 30. June 2022

**Iconic Funds BTC ETN GmbH  
Verwaltung des eigenen Vermögens**

Große Gallusstraße 16-18

60312 Frankfurt am Main

WSB International Tax GmbH

Steuerberatungsgesellschaft

Kurfürsten-Anlage 59

69115 Heidelberg

## Interim Balance Sheet as at 30/06/2022

## Iconic Funds BTC ETN GmbH Verwaltung des eigenen Vermögens, Frankfurt am Main

## ASSETS

	EUR	Financial Year EUR	Prior Year EUR
<b>A. Current assets</b>			
I. Receivables and other assets			
1. Receivables from affiliated companies	750.00		3,500.00
2. Receivables from shareholders	50,540.75		0.00
3. Other assets	<u>4,109,997.19</u>		<u>6,250,266.50</u>
		4,161,287.94	6,253,766.50
II. Cash on hand, central bank balances, bank balances, and checks		51,714.38	62,504.44
		<u>4,213,002.32</u>	<u>6,316,270.94</u>
Total current assets			
		109,485.00	83,175.00
<b>B. Deferred tax assets</b>			
		<u><b>4,322,487.32</b></u>	<u><b>6,399,445.94</b></u>

Interim Balance Sheet as at 30/06/2022

Iconic Funds BTC ETN GmbH Verwaltung des eigenen Vermögens, Frankfurt am Main

## TOTAL EQUITY AND LIABILITIES

	EUR	Financial Year EUR	Prior Year EUR
<b>A. Equity</b>			
I. Subscribed capital		25,000.00	25,000.00
II. Capital reserves		241,487.90	241,487.90
III. Accumulated losses brought forward		177,355.71	95,484.94
IV. Net loss for the financial year		56,102.22	81,870.77
Total equity		<u>33,029.97</u>	<u>89,132.19</u>
<b>B. Provisions</b>			
1. Other provisions		87,477.40	65,866.73
<b>C. Liabilities</b>			
1. Bonds	4,075,464.45		6,218,662.90
- of which remaining term up to 1 year EUR 4,075,464.45 (EUR 6,218,662.90)			
2. Trade payables	53,157.48		23,984.12
- of which remaining term up to 1 year EUR 53,157.48 (EUR 23,984.12)			
3. Liabilities to affiliated companies	73,358.02		1,800.00
- of which remaining term up to 1 year EUR 73,358.02 (EUR 1,800.00)			
		<u>4,201,979.95</u>	<u>6,244,447.02</u>
		<b><u>4,322,487.32</u></b>	<b><u>6,399,445.94</u></b>

## Income Statement from 01/01/2022 to 30/06/2022

**Iconic Funds BTC ETN GmbH Verwaltung des eigenen Vermögens, Frankfurt am Main**

	Financial Year EUR	Prior Year EUR
1. Sales	28,736.18	41,086.13
2. Other operating income	185,898.42	186,614.16
3. Cost of materials		
a) Expenses for purchased services	71,406.44	247,180.33
4. Personnel expenses		
a) Wages and salaries	95,079.69	0.00
5. Other operating expenses	130,560.69	145,565.73
- of which currency translation losses EUR 29,989.56 (EUR 0.00)		
6. Taxes on income	26,310.00-	83,175.00-
- of which income from additions to and reversals of deferred taxes EUR 26,310.00 (EUR 83,175.00)		
<b>7. Net income/net loss after tax</b>	<b>56,102.22-</b>	<b>81,870.77-</b>
<b>8. Net loss for the financial year</b>	<b>56,102.22</b>	<b>81,870.77</b>

## Cash Flow Statement (direct) from 01/01/2022 to 30/06/2022

## Iconic Funds BTC ETN GmbH Verwaltung des eigenen Vermögens, Frankfurt am Main

	Financial Year EUR	Prior Year EUR
Payments received from customers for the sale of products, goods and services	28,736.18	41,086.13
- Cash outflows to suppliers and employees	227,209.63	297,262.67
=+ other Cash inflows not attributable to investing or financing activities	2,290,919.95	186,614.16
- Other cash outflows not attributable to investing or financing activities	31,596.13	6,258,521.45
=+ Income taxes paid	0.00	0.00
<b>Cash flow from the operating activities</b>	<b>2,060,850.37</b>	<b>6,328,083.83-</b>
Cash inflows from equity injection or cash outflows to owners	0.00	166,487.90
Cash inflows from issuance of bonds and from short- or long-term borrowings	178,857.67	365,285.65
=- Cash outflows of bonds and short- or long-term loans	2,250,498.10	5,855,177.25-
<b>Cash flow from the financing activities</b>	<b>2,071,640.43-</b>	<b>6,386,950.80</b>
Cash-effective changes of cash funds (total cash flows)	10,790.06-	58,866.97
+ Cash funds at beginning of period	62,504.44	3,637.47
<b>Cash funds at the end of the period</b>	<b>51,714.38</b>	<b>62,504.44</b>

## Statement Of Changes In Equity as at 30/06/2022

## Iconic Funds BTC ETN GmbH Verwaltung des eigenen Vermögens, Frankfurt am Main

	Subscribed capital	Unpaid uncalled contributions	Purchased treasury shares	Capital reserves	Revenue reserves	Total comprehensive income	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 01/01/2021	25,000.00			75,000.00		95,484.94-	4,515.06
Profit or loss for the period						81,870.77-	81,870.77-
Reclassifications				166,487.90			166,487.90
<b>Balance at 31/12/2021</b>	<b>25,000.00</b>			<b>241,487.90</b>		<b>177,355.71-</b>	<b>89,132.19</b>
Balance at 01/01/2022	25,000.00			241,487.90		177,355.71-	89,132.19
Profit or loss for the period						56,102.22-	56,102.22-
<b>Balance at 30/06/2022</b>	<b>25,000.00</b>			<b>241,487.90</b>		<b>233,457.93-</b>	<b>33,029.97</b>

## **Iconic Funds BTC ETN GmbH**

### **Management Report**

For the period from 1 January to 30 June 2022

#### **Basic company information**

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

On 15 April 2021, the Company will issue its first bonds (the "Bonds", "Securities" or "XBTI", ISIN DE000A3GK2N1, Security Identification Number A3GK2N, Bloomberg ticker XBTI), subject to approval by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin). XBTI are collateralised bonds fully backed by Bitcoin. The bonds do not have a fixed maturity date. The bonds do not bear interest. Each Bond evidences the right of the Bondholder to require the Company to deliver Bitcoin in accordance with the Bondholder's claim in respect of each Bond expressed in terms of the amount of BTC per Bond ("Cryptocurrency Claim"). In certain circumstances, Bondholders may instead be required to pay a specified amount of cash in USD. XBTI was listed on XETRA of Deutsche Börse on 12 May 2021 and the notification procedure has been carried out in several jurisdictions, including Germany, Austria, Italy, Denmark, Finland, Ireland, Luxembourg, the Netherlands, Norway, Spain, Sweden, Cyprus, the Czech Republic, Estonia, France, Greece, Malta, Poland, Portugal, Slovakia and Slovenia ("Passporting"). In addition, XBTI is approved for distribution in Switzerland.

Should certain events occur, as further described in the Terms and Conditions of the Notes, the Company may at any time, in its sole and absolute discretion, decide (but will not be obliged) to call all of the Notes and redeem them at their mandatory redemption price. Such mandatory redemption events include, but are not limited to, the enactment of new laws or regulations requiring the acquisition of licences in order for the Company to fulfil 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 effect a mandatory redemption. Any such termination will necessarily result in the redemption of the Bonds for the Bondholders.

As a service company, the company does not conduct any research and development. The company had one branch office in Germany during the reporting period.

#### **Report on the economic situation**

##### **Economic framework conditions**

As for 2021 as a whole, the economic environment for the company in the past six months was primarily characterised by the impact of the spread of the coronavirus (SARS-CoV-2) and the associated national and international public measures to contain the pandemic. As a capital market-oriented company, however, the company benefited

of the fact that, unlike in the service sector and stationary trade, the protective measures introduced had no direct impact on the company's business activities.

The macroeconomic and interest rate environment proved challenging for the company. The Federal Reserve's rate hike path impacted all risk assets, including equities, bonds and cryptocurrencies, which affected demand for bonds backed by cryptocurrencies and other digital assets, particularly in Q2 2022. In addition, the ongoing debate on ESG and the environmental impact of Bitcoin further affects demand for bonds backed by cryptocurrencies and other digital assets.

While external shocks contributed to higher volatility in cryptocurrency prices, specific shocks to digital assets such as the collapse of algorithmic stable coin UST, lending platform Celsius and hedge fund Three Arrows Capital (3AC) added selling pressure in the first half of 2022.

The company issues collateralised bonds fully backed by Bitcoin, a market in which there are already some competitors. The main competitors are: 21Shares, ETC Group, CoinShares and WisdomTree.

### **The earnings situation of the company**

Management considers the Company's situation to be satisfactory after the first full year of operations and for the remaining period until the end of the second quarter of 2022. In the first half of 2022, the Company generated revenue of EUR 215 thousand (year-end 2021: 228), which is mainly attributable to revenue from management fees. The management fees are the company's main source of income and are determined by the amount of assets held and the price of the cryptocurrencies.

The income generated was offset by expenses for purchased services totalling EUR 133 thousand (year-end 2021: EUR 247 thousand). This includes in particular the costs for the maintenance of the securities and expenses for the consulting and service companies used below.

### **Financial situation of the company**

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

As at 30 June 2022, the Company had cash and cash equivalents of TEUR 52 (31 December 2021: TEUR 3) held in the accounts receivable with banks. The company's equity as at 30 June 2022 amounted to TEUR 33 (31 December 2021: TEUR 89), consisting of TEUR 25 share capital (31 December 2021: EUR 25 thousand), a loss carryforward of EUR 177 thousand (31 December 2021: 95 TEUR) and the realised net loss of 56 TEUR (31 December 2021: loss of 82 TEUR).

As at 30 June 2022, the company holds the realised management fees as non-cash assets. These amount to approximately TEUR 22 (31 December 2021: TEUR 31).

Cash flow from operating activities amounted to TEUR 2,060 in the first half of 2022 (financial year 2021: TEUR -6,328). The cash flow from financing activities amounted to TEUR -2,071 in the first half of 2022 (financial year 2021: TEUR 6,386). In this context, it should be noted that as part of the bond issues, the company, which will have a

balance sheet value of 4,075 kEUR, did not receive any liquid funds, but the equivalent value in cryptocurrencies.

### **Net assets**

The total assets of the Company decreased from EUR 6,399 thousand as at 31 December 2021 to EUR 4,322 thousand as at 30 June 2022, due to the decrease in the total cryptocurrency holdings held in custody to hedge the bonds issued and the change in the bitcoin price.

Other assets as at 30 June 2022 mainly comprise bitcoin holdings of EUR 4,075 thousand (31 December 2021: EUR 6,218 thousand) held by Coinbase Germany GmbH, the Company's regulated depositary, and bitcoin holdings from settled management fees.

Overall, both the company's earnings, financial and asset situation in the first half of 2022 are assessed as positive and stable, and the company was always able to meet its payment obligations in the first half of 2022.

### **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

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

#### **i) Business risks**

Although the Company is not exposed to any market risk in connection with the coverage of the Bonds with Bitcoin, a strong negative development and a sustained price decline of Bitcoins could have a negative impact on the Company. Demand for the Bond could decline significantly if the attractiveness of Bitcoin as an underlying asset declines. It is also possible that redemptions (to repay the coin entitlement of XBTI bonds) will increase. This could result in a reduction in the Company's assets under management and related revenues. The Company carefully monitors and analyses deviations in financial performance from budget and accordingly may take timely action to reduce costs and maintain profit margins at required levels.

At the same time, Bitcoin's volatility could benefit the company. A sharp rise in the price of Bitcoin would benefit assets under management (and thus increase related revenues) while triggering increased demand for bonds backed by cryptocurrencies. This would lead to higher issuance volumes and further increase assets under management.

## ii) Regulatory risks

In recent years, many large and established banks and asset managers have invested in cryptocurrency companies or invested in cryptocurrency. This trend now appears to be significant and ongoing, 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 in cryptocurrencies by the investment community. However, it is difficult to predict how the regulatory outlook and policy regarding cryptocurrencies could and will change. A shift towards a generally more negative view could lead to a reduction in investor interest and a decline in related business activity. The Company's objective is to make its products available to a wider audience in part to mitigate this risk.

However, the product structure with its integration into the traditional financial system allows the company to sell its services even if regulation becomes stricter or increases.

## iii) Operational risks

The Company has put structures and processes in place to ensure that operations run smoothly and that assets under management are represented regularly, accurately and verifiably. The Company has taken the additional step of appointing an independent administrator to address the increased operational risk associated with cryptocurrencies. As clearing houses such as Clearstream Banking AG do not (yet) treat 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 authorised participants free of payment (FOP) and the corresponding transactions of cryptocurrencies must be made independently accordingly. Any movement of cryptocurrencies must not only be overseen by the Company's operational team, but must also be carefully monitored and approved by a dedicated independent trustee of the Company, without whose approval no transfers of Bitcoin (or other cryptocurrencies) may be made from the Company's account with the Custodian. The same applies to the transfer of bonds from the company's issuing account. Furthermore, strict measures have been taken to ensure the security and integrity of these operational processes.

## iv) 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 connection with the issuance of the Bonds, as the Company can only receive cryptocurrency and not fiat currency such as EUR or USD for the issuance of Bonds.

As a result, the Company is only exposed to market risk, where the price of the underlying asset determines the Company's income. Due to the same operating model, the Company is exposed to very limited counterparty risk, as it must first receive the cryptocurrency that is deposited with the depositary before the bonds are issued. The same applies to redemptions, as the company must first have received the bonds intended for redemption from the bondholder for call before the corresponding redemption of the cryptocurrency (coin claim by bond) can take place. In addition, the Company will only issue the Bonds to the Eligible Participants referred to above.

v) Outlook

The management is satisfied with the situation of the company.

Within the framework of proven procedures, the company continuously evaluates and assesses potentially emerging risks. Currently, there are no new or developing risks that could jeopardise the company's operations and economic survival. With regard to the ongoing global coronavirus pandemic, there are no identifiable risks 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 in the past year. As of 30 June 2022, the assets under management of Iconic Funds BTC ETN GmbH amounted to € 4.08 million. Due to the current uncertainties caused by the ongoing coronavirus pandemic, the current state of war in Ukraine and the overall economic environment, it is not possible to reliably forecast the achievable sales and earnings figures for the 2022 financial year. Overall, however, the company expects an increase in turnover and a positive annual result.

Frankfurt am Main, Germany, 30 June 2022

Iconic Funds BTC ETN GmbH

The management

A handwritten signature in black ink, appearing to read 'Patrick Lowry', with a stylized flourish at the end.

Patrick Lowry

## Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Frankfurt am Main, Germany, 30. June 2022

Iconic Funds BTC ETN GmbH

Management

A handwritten signature in black ink, appearing to read 'Patrick Lowry', is positioned above the printed name.

Patrick Lowry

## Notes as at 30 June 2022

### General information on the interim financial statements

The interim 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 profit and loss account has been prepared according to the total cost method. The company is a capital market-oriented company according to § 264d HGB, as it issued securities traded on an organised market for the first time in 2021. Pursuant to § 267 para. 3 sentence 2 HGB, it is thus considered a large corporation regardless of the other size criteria. The Company has not established an audit committee pursuant to § 324 para. 1 sentence 1 HGB, as it makes use of the exemption provision under § 324 para. 1 sentence no. 1 HGB. The sole purpose of the company is to sell securities as defined in § 2 para. 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 register court

Company name according to register court:	IconicFunds 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

## Notes as at 30 June 2022

### Information on accounting and valuation methods

#### Accounting and valuation principles

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

**Cash in hand and bank balances** are stated at nominal value.

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

**Liabilities** were recognised at the settlement amount.

#### Valuation units

A valuation unit was formed between the bonds issued (*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 in EURO
Assets (Bitcoins held)	4.075.464,45
Debt (bonds issued)	4.075.464,45

The formation of the valuation unit covered the risk that the repayment amount of the liability, due to rising Bitcoin prices according to the NYSE BITCOIN INDEX or currency fluctuations Euro to Dollar, is higher than the book value of the Bitcoins, which would otherwise be limited in the amount by the historical acquisition costs.

Risks with a total amount of 4,075,464.45 euros were hedged through the valuation unit.

The required disclosures on the hedged risks are discussed in the management report.

#### Accounting and valuation methods differing from the previous year

In the interim financial statements, the accounting and valuation methods previously applied were essentially adopted.

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

## Notes as at 30 June 2022

### Balance sheet disclosures

#### Other assets

The other assets consist mainly of Bitcoins received to the value of Euro 4,075,464.45 (previous year: Euro 6,218,662.90), which are provided for safekeeping as part of the securities business for the issue of bonds.

Furthermore, management fees amounting to 21,780.77 euros (previous year: 31,394.60 euros), which the company receives for the safekeeping of Bitcoins in Bitcoins, are recognised in other assets.

#### Bonds

The bonds in the amount of 4,075,464.45 euros (previous year: 6,218,662.90 euros) consist of the bonds that were issued as part of the securities business for the safekeeping of Bitcoins received.

#### Liabilities

The following collateral 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 Euro 4,201,979.95 (previous year: Euro 6,244,447.02). Of which are:

Euro 4,075,464.45 (previous year: Euro 6,218,662.90) liabilities from issued bonds, Euro 73,358.02 (previous year: Euro 1,800.00) liabilities to affiliated companies and Euro 53,157.48 (previous year: Euro 23,984.12) trade payables.

## Notes as at 30 June 2022

### Other information

#### Average number of employees

The average number of employees in the company during the financial year was 0.

#### Members of the Management Board

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

#### Remuneration of the management

The management 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 business transactions are carried out with related parties.

#### Auditor's fee

For the financial year 2022, which has not yet ended, the auditor is expected to pay a total fee of 60,000 euros. The following fees are expected to be paid for the audit of the financial statements 60,000 euros, for other certification services 0 euros, for tax consultancy services 0 euros and for other services 0 euros. In the reporting period, a provision of 6/12 of the expected auditor's fee was created.

### Signature of the management

Frankfurt am Main, 30 September 2022



.....  
Lowry, Patrick Alan