

# AUDITOR'S REPORT OF THE INDEPENDENT AUDITOR

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To DDA ETP GmbH, Frankfurt am Main

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

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### EXAMINATION JUDGEMENTS

We have audited the annual financial statements of DDA ETP GmbH, Frankfurt am Main - consisting of the bi-

balance sheet as of December 31, 2022, and the income statement for the year ended December 31, 2022.

1. January 2022 to December 31, 2022 , the statement of changes in equity, the statement of cash flows, and the notes to the financial statements, including a description of the accounting policies - audited.

We have also audited the management report of DDA ETP GmbH for the fiscal year from January 1, 2022 to December 31, 2022.

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

- the accompanying 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, 2022 and of its results of operations for the fiscal year from January 1, 2022 to December 31, 2022 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.

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 We conducted our audit in accordance with § 317 HGB and the EU Regulation on Auditors (No. 537/2014; hereinafter referred to as " EU-APrVO" ) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those standards is further described in the section "AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT" of our auditor's report.

described. We are independent of the Company in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements.

In addition, we declare pursuant to Article 10 (2) (f) EU-APrVO that we have not performed any prohibited non-audit services pursuant to 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.

## **PARTICULARLY IMPORTANT AUDIT MATTERS IN THE AUDIT OF THE FINANCIAL STATEMENTS**

Key audit matters are those matters that, in our p r o f e s s i o n a l judgment, were of most significance in our audit of the financial statements for the fiscal year from January 1, 2022 to December 31, 2022. These matters were addressed 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.

We have identified the following matter as a key audit matter to be reported in our audit opinion:

### **EXISTENCE AND VALUATION OF THE VALUATION UNIT CONSISTING OF BITCOIN AND BOND**

#### **Facts**

Other assets mainly include bitcoin used to back the bearer bond denominated in and secured by bitcoin (perpetual bitcoin-backed notes without nominal amount, ISIN DE000A3GK2N1). For the valuation, the bitcoins are combined with the bearer bonds redeemable in bitcoin into one valuation unit. The valuation is carried out according to the book-entry method at fair value as of the closing date.

The Bitcoin reported under other assets and the bond reported under liabilities amount to 96% of total assets. Due to the materiality of the bitcoin included in other assets and the bond for the Company's financial position, this is a particularly important audit matter.

Information from DDA ETP GmbH on the bitcoins and the valuation unit formed with the bond is included in the sections "Valuation units" and "Other assets" of the notes.

### **Audit response**

As part of our audit, we examined the holdings of bitcoin on the basis of confirmations from the depositary and on a sample basis by comparing the bitcoin movements in the wallets with the publicly accessible movements on the blockchain. We also verified that the requirements for the formation of valuation units are met. We compared the price information used by the Company to determine the fair values as of the reporting date with publicly available price information and verified the mathematical accuracy of the Company's calculation. We also verified that the gross hedge presentation method was applied correctly and that the bond reported under liabilities was recognized at the same value.

### **RESPONSIBILITY OF THE LEGAL REPRESENTATIVES 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 (i.e., fraud or error in accounting).

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. Furthermore, they are responsible for preparing the financial statements on the basis of the going concern principle, unless factual or legal circumstances indicate otherwise.

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, 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 be able to provide sufficient appropriate evidence for the statements made in the management report.

## AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE 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 opinions 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 EU-APrVO and 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 annual financial statements and the combined management report.

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

- 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 a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 the entity's systems.
- We 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 opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or conditions may  
However, this could result in the Company no longer being able to continue its business activities.
- 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 such a way 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.
- We assess the consistency of the management report with the annual financial statements, its compliance with the law and the view of the Company's position conveyed by it.
- We perform audit procedures on the future-oriented disclosures made by management in the management report. Based on sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking disclosures made by management and assess the appropriateness of the derivation of the forward-looking disclosures 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 significant 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 r e l a t i o n s h i p s and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions or safeguards taken to address independence threats.

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 those matters in our auditor's report unless law or regulation precludes public disclosure.

## **OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS**

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### **NOTE ON THE AUDIT OF THE FINANCIAL STATEMENTS PREPARED FOR THE PURPOSE OF DISCLOSURE ELECTRONIC REPRODUCTIONS OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT PREPARED IN ACCORDANCE WITH SECTION 317 (3A) HGB. 3A HGB**

#### **Audit opinion**

In accordance with Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the reproductions of the annual financial statements and management report (hereinafter also referred to as "ESEF documents") contained in the file " DDA\_ETP\_JA\_2022.zip" and prepared for the purpose of disclosure comply in all material respects with the requirements of Section 328 (1) of the German Commercial Code regarding the electronic reporting format ("ESEF format"). In accordance with German statutory provisions, this audit only covers the conversion of the information in the annual financial statements and the management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the above-mentioned file.

In our opinion, the reproductions of the annual financial statements and management report contained in the aforementioned 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 opinions on the accompanying annual financial statements and the accompanying management report for the fiscal year from January 1, 2022, to January 31, 2022, included in the above-mentioned "REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT".

December 31, 2022, we do not express an opinion on the information included in these statements or on any other information contained in the file referred to above.

#### **Basis for the audit opinion**

We conducted our audit of the reproductions of the annual financial statements and the management report contained in the above-mentioned file in accordance with Section 317 (3a) of the German Commercial Code (HGB) and the IDW Auditing Standard: Auditing of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purposes of Disclosure in Accordance with Section 317 (3a) of the German Commercial Code (HGB) (IDW PS 410 (06.2022)). Our responsibility thereunder is described in the section "Responsibility of the Auditor".

fers for the Audit of the ESEF Documents" described in further detail. Our auditing practice has applied the requirements of the IDW Quality Management Standards, which implement the IAASB's International Standards on Quality Management.

### **Responsibility of the legal representatives for the ESEF documents**

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

Furthermore, the Company's 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.

#### **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 the 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 documentation, i.e. whether the file containing the ESEF documentation complies with the requirements of Delegated Regulation (EU) 2019/815 as amended at the reporting date regarding the technical specification for this file.
- We assess whether the ESEF documentation provides a consistent XHTML representation of the audited financial statements and the audited management report.

## **OTHER DISCLOSURES ACCORDING TO ARTICLE 10 EU-APRVO**

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We were elected as auditors by the shareholders' meeting on January 13, 2023. We were appointed by the management on December 20, 2022. We have acted as auditors of DDA ETP GmbH without interruption since the 2022 financial year.

## **OTHER MATTERS - USE OF THE AUDIT OPINION**

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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 entered in the companies register - are merely electronic reproductions of the audited annual 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**

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The auditor responsible for the audit is Björn Butte.

Hamburg, April 28, 2023

BDO AG  
Auditing firm

Dr. Zemke  
Certified Public Accountant

Butte  
Certified Public Accountant



DDA ETP GmbH, Frankfurt am Main (until December 13, 2022 Iconic Funds BTC ETN GmbH)

Annual financial statements for the fiscal year from January 1 to December 31, 2022

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Balance sheet as of December 31, 2022

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ASSETS				PASSIVA
	31.12.2022	31.12.2021		31.12.2022
	Euro	Euro		Euro
A. Current assets			A. Equity	
I. Receivables and other assets			I. Subscribed capital	25.000,00
1. receivables from affiliated companies	750,00	3.500,00	II. capital reserve	241.487,90
2. receivables from shareholders	20.058,13	0,00	III. loss carried forward	177.355,71
3. other assets	<u>2.996.549,79</u>	<u>6.250.266,50</u>	IV. Net loss for the year	45.716,00
	3.017.357,92	6.250.266,50		
II. cash in hand, Bundesbank balances, bank balances and cheCkM	100.438,39	62.504,44	Total equity	<u>43.416,19</u>
Total current assets	<u>3.117.796,31</u>	<u>6.316.270,94</u>	B. Restorations	
B. Accrual aPaCts	3.062,50	0,00	: t. otHer reCeivABles	68.200,00
C. Deferred tax assets	0,00	83.175,00	C. Liabilities	
			1. bonds	2.993.267,00
			- of which with a residual term of up to 3 years	
			Euro 2,993,267.00 (Euro 6,218,662.90)	6.218.662,90
			2. Trade accounts payable	15.975,62
			- of which with a remaining term of up to 3	
			years Euro 15,975.62 (Euro 23,984.12)	23.984,12
			3. Liabilities to affiliated companies	
			- of which with a remaining term of up to 3	
			years Euro 0.00 (Euro 1,800.00)	0,00
				<u>3.009.242,62</u>
	<u><b>3.120.858,81</b></u>	<u><b>6.399.445,94</b></u>		<u><b>3.120.858,81</b></u>
				<u><b>6.399.445,94</b></u>

DDA ETP GmbH, Frankfurt am Main (until December 13, 2022 Iconic Funds BTC ETN GmbH)

Annual financial statements for the fiscal year from January 1 to December 31, 2022

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Profit and loss account  
from 1 January 2022 to 31 December 2022

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Annual financial statements for the fiscal year from January 1 to December 31, 2022

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	Business year Euro	Previous year Euro
1. sales revenue	47.900,44	41.086,13
2. other operating income	247.459,47	186.614,16
3. cost of materials		
a) Cost of purchased services	96.474,34	247.180,33
4. other operating expenses	161.425,57	145.565,73
5. taxes on income and earnings	83.175,00	83.175,00-
6. earnings after taxes	<u>45.716,00-</u>	<u>81.870,77-</u>
7. net loss for the year	<u>45.716,00</u>	<u>81.870,77</u>

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DDA ETP GmbH, Frankfurt am Main (until December 13, 2022 Iconic Funds BTC ETN GmbH)

Annual financial statements for the fiscal year from January 1 to December 31, 2022

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Cash Flow Statement  
from 1. January 2022 to 31 December  
2022

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**Annual financial statements** for the fiscal year from January 1 to December 31, 2022

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Cash flow statement (direct method) from 01.01.2022 to 31.12.2022

DDA ETP GmbH, Frankfurt am Main

	Business year EUR	Previous year EUR
Cash receipts from customers for the sale of products, goods and services	0,00	0,00
- Payment to suppliers and employees	225.304,06	287.571,14
+ Other cash inflows not attributable to investing or financing activities	269.264,31	186.614,16
- Other cash outflows not attributable to investing or financing activities	4.226,30	8.463,95
-/+ Income tax payments	0,00	0,00
Cash flow from operating activities	<u>39.733,95</u>	<u>-109.420,93</u>
Proceeds from additions to equity	0,00	166.487,90
Proceeds from the issue of bonds and the raising of (financial) loans	588.135,18	365.285,65
Cash outflow from redemption of bonds and (financial) loans	589.935,18	363.485,65
<b>Cash flow</b> from financing activities	<u>-1.800,00</u>	<u>168.287,90</u>
Cash-effect changes in cash and cash equivalents (total cash flows)	<u>37.933,95</u>	<u>58.866,97</u>
+ Cash and cash equivalents at the beginning of the period	62.504,44	3.637,47
Cash and cash equivalents at the end of the period	<u><b>100.438,39</b></u>	<u><b>62.504,44</b></u>

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DDA ETP GmbH, Frankfurt am Alain (until December 13, 2022 Iconic Funds BTC ETN GmbH)

Annual financial statements for the fiscal year from January 1 to December 31, 2022

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Statement of changes in  
equity as of December  
31, 2022

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DDA ETP GmbH, Frankfurt am Main (until December 13, 2022 Iconic Funds BTC ETN GmbH)

Annual financial statements for the fiscal year from January 1 to December 31, 2022

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Statement of changes in equity from 01.01.2022 to 31.12.2022

DDA ETP GmbH, Frankfurt am Main

	Subscribed capital	Capital reserve	Loss carried forward	Net loss for the year	Total
	EUR	EUR	EUR	EUR	EUR
Status as of 01.01.2021	25.000,00	75.000,00	-95.484,94	0,00	4.515,06
Result for the period	0,00	0,00	0,00	-81.870,77	-81.870,77
Transfers	0,00	166.487,90	0,00	0,00	166.487,90
Balance as of 12/31/2021	<u>25.000,00</u>	<u>241.487,90</u>	<u>-95.484,94</u>	<u>-81.870,77</u>	<u>89.132,19</u>
Status as of 01.01.2022	25.000,00	241.487,90	-95.484,94	-81.870,77	89.132,19
Appropriation of earnings	0,00	0,00	-81.870,77	81.870,77	0,00
Result for the period	0,00	0,00	0,00	-45.716,00	-45.716,00
Balance at 12/31/2022	<u>25.000,00</u>	<u>241.487,90</u>	<u>-177.355,71</u>	<u>-45.716,00</u>	<u>43.416,19</u>

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DDA ETP GmbH, Frankfurt am Main (until December 13, 2022 Iconic Funds BTC ETN GmbH)

Annual financial statements for the fiscal year from January 1 to December 31, 2022

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Notes as of December 31, 2022

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## General information on the annual financial statements

The annual financial statements of DDA ETP GmbH (until December 13, 2022 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 fiscal year 2021. Pursuant to Section 267 (3) sentence 2 HGB, it is therefore considered a large corporation irrespective of the other size criteria. The Company does not have an audit committee pursuant to

§ Section 324 (1) sentence 1 of the German Commercial Code (HGB), as it makes use of the exemption provision contained in Section 324 (1) sentence 2 no. 1 of the German Commercial Code (HGB). The sole purpose of the Company is to issue 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: Registered office	DDA ETP Ltd.
according to register court:	Frankfurt am Main
Register entry:	Commercial Register
Register court:	Frankfurt am Main
Register number:	HRB 116980

## Disclosures on accounting and valuation methods

### Accounting and valuation principles

Receivables and other **assets** (not Bitcoins) are capitalized at nominal values and taking into account all identifiable risks.

**Other assets (bitcoins)** for which no valuation units were formed are bitcoins which the Company receives as a management fee for custody. These are recognized at the lower of cost or fair value.

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

**Other accruals** were set up for uncertain liabilities and recognized at the settlement amount required according to prudent business judgment. All identifiable risks were taken into account. Provisions with expected remaining terms of less than 3 years are not discounted.

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

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### Valuation units

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

The Company has used the gross hedge presentation method for the valuation of the valuation unit. The development of the value of the valuation unit has been presented in accordance with IDW RS HFA 35, para. 81 without touching the income statement.

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

<b>Valuation units</b>	<b>Amount</b>
	<b>Euro</b>
Assets (bitcoins held) Liabilities (bonds issued)	2.993.267,00
	2.993.267,00

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 from the euro to the dollar, is higher than the carrying amount of the bitcoins, which would otherwise be limited by the historical acquisition costs.

Risks with a total amount of 2,993,267.00 euros were hedged through the valuation unit.

The effects of changes in the bitcoin exchange rate on the bitcoin held and the bonds repayable in bitcoin have an immediate offsetting effect. Further disclosures on hedged risks are included in the management report.

### Deferred taxes

By recognizing deferred tax assets, the Company exercised a capitalization option in the previous year in accordance with Section 274 (1) Sentence 2 HGB. The deferred tax assets in the previous year resulted exclusively from the tax losses expected to be offset within the next five years in accordance with Section 274 (1) Sentence 4 HGB. The following tax rates were used to calculate deferred tax assets in the previous year: 15% corporate income tax, 5.5% solidarity surcharge on corporate income tax and 460% as the assessment rate for trade tax for the city of Frankfurt am Alain. The deferred tax assets were reversed in full in fiscal year 2022, as no use was made of the capitalization option in the reporting year.

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**Annual financial statements** for the fiscal year from January 1 to December 31, 2022

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Accounting policies differing from those of the previous year

In contrast to the previous year, the Company has not made use of the option to recognize deferred tax assets on loss carryforwards in accordance with Section 274 (1) Sentence 2 HGB. The deferred tax assets of the previous year resulted exclusively from tax losses expected to be offset within the next five years in accordance with section 274 (1) sentence 4 HGB. Due to the distortions on the crypto markets in the reporting year, the lower sales of Bitcoin-covered bonds than planned in the previous year and the fact that the break-even point has not yet been reached, there is greater uncertainty than in the previous year as to how long it will take for deferred tax assets to be offset.

In contrast to the previous year, services that were not settled in fiat currencies but in bitcoin have not been taken into account in the cash flow statement, as they are not part of the cash and cash equivalents. In the previous year, these services still had the same effect as cash transactions in the cash flow statement. For a more meaningful presentation, the prior-year comparatives have been adjusted to the new presentation method. As a result of the adjustment, the prior-year comparatives for cash flow from financing activities (cash inflows) and cash flow from operating activities (cash outflows) have each been reduced by 6,218,662.90 euros.

The other accounting policies previously applied have been retained in the annual financial statements.

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## Balance sheet disclosures

The amounts blocked from distribution in accordance with Section 268 (8) of the German Commercial Code (HGB) total EUR 0.

### Other assets

Other assets mainly consist of bitcoins received in the amount of 2,993,267.00 euros (previous year: 6,218,662.90 euros), which are provided for safekeeping as part of the securities business for the issue of bonds. Furthermore, bitcoins from management fees in the amount of 2,674.60 euros (previous year: 31,394.60 euros), which the Company received for the management of the exchange traded product (ETP) in bitcoins, are balanced in other assets as of the balance sheet date.

### Other accrued liabilities

Other accruals mainly include accruals for the preparation and audit of the 3year financial statements.

### Liabilities

#### Information on loans, receivables and liabilities to shareholders

(Section 42 (3) GmbHG / Section 264c (1) HGB)

The following rights and obligations exist vis-à-vis the shareholders:

<b>Facts</b>	<b>2022</b>	<b>2021</b>
	<b>Euro</b>	<b>Euro</b>
Loans	0,00	0,00
Receivables	20.058,13	0,00
Liabilities	0,00	0,00

#### Disclosure on residual maturity notes

The amount of liabilities with a remaining term of up to one year is 3,009,242.62 euros (previous year: 6,244,447.02 euros). This amount includes bonds (callable with indefinite remaining term) in the amount of 2,993,267.00 euros (previous year: 6,218,662.90 euros) and trade accounts payable in the amount of 15,975.62 euros (previous year: 23,984.12 euros).

### Bonds

The bonds in the amount of 2,993,267.00 euros (previous year: 6,218,662.90 euros) consist of the debentures within the meaning of Section 793 of the German Civil Code (BGB) which were issued as part of the hedging transaction and in the form of bearer bonds for the safekeeping of Bitcoins received and, as in the previous year, are not convertible. They are backed by BTC deposited in a custodian (collateral trustee) for safekeeping. These collateral types and forms are linked to the recognized liabilities.

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## Disclosures on the income statement

### Income and expenses of an exceptional size and/or significance

Other operating income totaling 247,459.47 euros (previous year: 186,614.16 euros) consists exclusively of intercompany expense reimbursements by the Pluttergesellschaft DDA Europe GmbH.

### Income and expenses from currency translation

Expenses from currency translation totaling EUR 1,307.18 are reported under other operating expenses and result exclusively from currency losses incurred in connection with foreign currency liabilities.

### **Income and expenses from changes in recognized deferred taxes**

The complete reversal of deferred tax assets resulted in expenses of 83,175.00 euros in fiscal year 2022, which are reported in the income statement under the item "Taxes on income" (previous year: income of 83,175.00 euros).

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DDA ETP GmbH, Frankfurt am Main (until December 13, 2022 Iconic Funds BTC ETN GmbH)

Annual financial statements for the fiscal year from January 1 to December 31, 2022

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## **Other information**

### **Members of the management**

Until Jan. 5, 2023: Mr. Lowry, Patrick Alan, resident in Frankfurt, Management (authorized to represent individually).

As of Jan. 6, 2023: Mr. Poiger, Dominik Josef Walter, resident in Frankfurt, Management (authorized to represent individually).

### **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 that holds 100% of the shares in the reporting company is DDA Europe 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.

The sole shareholder of the parent company is DDA GmbH, with its registered office in Frankfurt am Main. DDA GmbH is registered with the Frankfurt Local Court under the registration number HRB 109756.

No transactions are conducted with related parties at non-arm's length conditions.

### **Auditor's fee**

In the annual financial statements, an expense of 60,000 euros (previous year: 64,765.75 euros gross) has been recognized for the anticipated total fee of the auditor for the past financial year. Of this amount, 60,000 euros (previous year: 64,765.75 euros gross) are expected to be attributable to auditing services, 0 euros to other certification services, 0 euros to tax consulting services and 0 euros to other services.

### **Supplementary report**

On March 20, 2023, the sole shareholder - DDA Europe GmbH - increased the equity of DDA ETP GmbH by EUR 170 thousand through a payment into the capital reserve.

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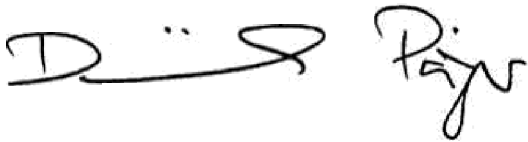
DDA ETP GmbH, Frankfurt am Main (until December 13, 2022 Iconic Funds BTC ETN GmbH)

Annual financial statements for the fiscal year from January 1 to December 31, 2022

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Signature of the management

Frankfurt am Main, April 20, 2023

A handwritten signature in black ink, consisting of a stylized first name 'D. J. W.' followed by a more legible last name 'Poiger'.

Poiger, Dominik Josef Walter

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Management Report  
from 1 January to 31 December 2022

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DDA ETP Ltd.

### **Management Report**

For the period from January 1 to December 31, 2022

#### **Basic company information**

DDA ETP 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, Germany. 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 April 15, 2021, the Company issued 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 (BaFin). XBTI are collateralized 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 be required to pay a specified cash amount in USD instead. XBTI was listed on XETRA of Deutsche Börse on May 12, 2021 and the notification process has been completed 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.

If certain events occur, as more fully described in the terms and conditions of the Notes, the Company may at any time, in its sole and absolute discretion (but is not obligated to do so), elect 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 licenses in order for the Company to fulfill 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 redemption of the Bonds for the Bondholders.

As a service company, the Company does not conduct any research and development. The company was headquartered in Germany in the reporting period.

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

##### **Economic environment**

The macroeconomic and interest rate environment proved challenging for the company. The path of interest rate hikes by the Federal Reserve and other central banks, as well as the inflation environment and the war in Ukraine, impacted all risk assets, including equities, bonds, and cryptocurrencies, which reduced demand for bonds backed by cryptocurrencies

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and other digital assets collateralized, particularly from the second quarter of 2022, impacted. In addition, the ongoing debate about ESG and the environmental impact of bitcoin mining continues to influence demand for bonds backed by cryptocurrencies and other digital assets.

While external shocks contributed to higher volatility in cryptocurrency prices, specific shocks in digital assets such as the collapse of algorithmic stablecoin UST and LUNA, lending platforms Celsius and BlockFi, hedge fund Three Arrows Capital (3AC), and finally the bankruptcy of crypto exchange FTX and trading arm Alameda created strong selling pressure in 2022.

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

Accordingly, assets under management are the key financial performance indicator for the Company. All other key performance indicators (e.g., revenues) are derived directly or indirectly from assets under management. There are no non-financial key performance indicators.

#### **The earnings position of the Company**

The management assesses the situation of the company after the first two years of operation as satisfactory. In fiscal year 2022, the Company collected revenues of EUR 295 thousand (year-end 2021: EUR 228 thousand), of which EUR 48 thousand (year-end 2021: EUR 41 thousand) represent revenues from management fee income. Management fees are the Company's main source of revenue and are determined by the amount of assets held and the price of cryptocurrencies. Revenues increased slightly in line with our previous year's forecast, despite the slump in the bitcoin price. As of the balance sheet date on Dec. 31, 2022, there were 1,973,000 units (year-end 2021: 1,478,000) of bitcoin-backed notes outstanding. This corresponds to an increase of 33%.

The income generated was offset by expenses for purchased services totaling EUR 96 thousand (year-end 2021: EUR 247 thousand) and other operating expenses of EUR 161 thousand (year-end 2021: EUR 146 thousand). These include, in particular, costs for the maintenance of securities and expenses for consulting and service companies.

Although the company has not yet reached an operating break-even, the operating result has improved compared to the previous year. In addition, the Company's operations are to be considered as part of the DDA group of companies. The parent company and 100% shareholder DDA Europe GmbH has so far compensated the Company for all costs related to the issuance of the bonds, as a result of which the Company has received other operating income in the amount of EUR 247 thousand in 2022.

In the current reporting year, management came to the conclusion that the realization of deferred tax assets is subject to increased uncertainties compared to the previous year. This resulted in a charge to the income statement from the reversal of deferred tax assets in the amount of EUR 83 thousand and thus - in deviation from the previous year's forecast - led to a net loss for the year in the amount of EUR 46 thousand.

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#### **Financial position of the company**

The main focus was on the company's solvency and the maintenance of positive equity. Both of these were achieved in the reporting period thanks to grants from the shareholder that impacted both income and cash flows.

As of December 31, 2022, the Company has cash and cash equivalents of EUR 100 thousand (December 31, 2021: EUR 62 thousand), which are held in accounts receivable with banks.

The Company's equity as of December 31, 2022 amounts to EUR 43 thousand (December 31, 2021: EUR 89 thousand), consisting of EUR 25 thousand share capital (Dec. 31, 2021: EUR 25 thousand), capital reserves of EUR 241 thousand (Dec. 31, 2021: EUR 241 thousand), a loss carryforward of EUR 177 thousand (Dec. 31, 2021: EUR 95 thousand) and the realized net loss of EUR 46 thousand (Dec. 31, 2021: net loss of EUR 82 thousand).

Cash flow from operating activities amounted to EUR 40 thousand in fiscal year 2022 (fiscal year 2021: EUR -109 thousand). The cash flow from financing activities in the financial year 2022 amounted to -

EUR 2 kEUR (fiscal year 2021: 168 kEUR). In this context, it should be noted that the company did not receive any cash as part of the bond issues, which have a balance sheet value of EUR 2,993 thousand as of December 31, 2022 (previous year: EUR 6,218 thousand), but the equivalent value in cryptocurrencies.

In contrast to the previous year, services that were not settled in fiat currencies but in bitcoin have not been included in the cash flow statement. In the previous year, these services were reflected as cash transactions in the cash flow statement. For a more meaningful presentation, the prior-year comparatives have been adjusted to the new presentation method. As a result of the adjustment, the prior-year comparatives for cash flows from financing activities (cash inflows) and cash flows from operating activities (cash outflows) were reduced by EUR 6,218 thousand in each case.

In addition, the shareholder made a contribution of EUR 170 thousand to the capital reserve in March 2023, thus strengthening both the capital and liquidity resources for the Company's operations.

#### **Assets**

The total assets of the company decreased from EUR 6,399 thousand as of 12/31/2021 to EUR 3,121 thousand as of 12/31/2022 as a result of the sharp decline in the price of Bitcoin. It should be emphasized that the number of

"Shares Outstanding" increased by 33% compared to the previous year. This positive development is reflected in a corresponding increase in the number of bitcoin in custody.

Other assets as of December 31, 2022 include bitcoin holdings of EUR 2,997 thousand (December 31, 2021: EUR 6,250 thousand) held by the appointed crypto custodian Coinbase. This is offset by the liability item in the form of bitcoin-backed bonds in the amount of 1,973,000 units (December 31, 2021: 1,478,000 units). The bitcoin holdings are fully pledged to the bond holders.

Overall, both the results of operations, financial position and net assets of the Company in fiscal year 2022 are assessed as stable, and the Company was always in a position to meet its payment obligations in fiscal year 2022.

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Forecast, opportunity 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

**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 Bonds could decline significantly if the attractiveness of Bitcoin as an underlying asset declines. It is also possible that redemptions (to repay the cryptocurrency entitlement of XBTL bonds) could increase. This could result in a decrease in the Company's assets under management and related revenues. The Company carefully monitors and analyzes deviations of financial performance from the budget and can take timely countermeasures accordingly.

**Regulatory risks**

In recent years, numerous large and established banks and asset managers have invested in cryptocurrency companies or invested in cryptocurrencies directly or indirectly through cryptocurrency-backed debt instruments. Today, this trend appears to be significant and ongoing. Many financial regulators are creating regulatory frameworks, and thus legal certainty, to address the growing interest of the investment community in cryptocurrencies. However, it is difficult to predict how the regulatory outlook and policies related to cryptocurrencies (globally as well as locally) could and will change. A shift towards a generally negative view could lead to a reduction in investor interest and a decline in the Company's related business activities. The Company's goal is to make its products available to a broader audience in part to mitigate this risk.

The product structure, with its integration into the traditional financial system, should make the company more robust against a potentially tighter regulatory environment and allow it to continue offering its services.

**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, bonds must be transferred between the company and authorized participants free of payment (FOP) and the corresponding cryptocurrency transactions are carefully monitored by a dedicated independent trustee of the company. The same applies to the transfer of bonds from the

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emission account of the company. In addition, stringent measures have been taken to ensure the security and integrity of these operational processes.

In the unlikely event of a default of the company, the trustee is entitled to sell the assets (bitcoin) held by the company in order to fulfill the obligations to the investor(s). The bonds grant investors rights to the deposited cryptocurrencies. Cash proceeds are paid out in the order of priority of payments applicable to the products, with the bond investor being first in the order of priority.

As part of its internal control and risk management system, the Company has implemented measures to minimize risks in the accounting process and to ensure the quality of its financial reporting.

These control measures include the implementation of audit routines, structures and processes, as well as a clear segregation of duties, which are designed to ensure the reliable identification, management and containment of risks. Service providers of the Company conduct regular training to ensure that all employees of the Company's service providers are aware of the risks and controls and are able to respond appropriately.

#### **Financial risks**

The business and operating model followed by DDA ETP 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.

The Company is not responsible for buying/selling the cryptocurrencies to back all issued bonds, but purchases them as part of a standardized creation-/Redemption process from Authorized Participants. For operational as well as reporting purposes, the Company and its Administrator use the daily cryptocurrency price reference of the NYSE Bitcoin Index for the respective cryptocurrency so that transparent valuation and value is provided to all participants. The company receives its management fee in bitcoin. Consequently, the equivalent Euro amounts may be impacted as a result of Bitcoin price fluctuations. The Company seeks to reduce market price risks to the extent that the conversion of the management fee that the Company receives in Bitcoin is made into Euros on a monthly basis.

Due to the same operating model, the Company is exposed to very limited counterparty risk as it must first receive the cryptocurrency deposited with the depositary prior to the issuance of the bonds. 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 (cryptocurrency claim by bond) can be made. In addition, the Company issues the Bonds only to the Authorized Participants mentioned above.

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**Outlook**

The management is satisfied with the situation of the company.

Within the framework of established procedures, the company continuously evaluates and assesses potentially emerging risks. At present, no new or developing risks that could jeopardize the company's operations and economic survival have been identified. With regard to the war in Ukraine and other macro-political issues, there are no identifiable risks that would jeopardize the Company's core business. Opportunities may arise in particular from a further increase in the attractiveness of the crypto asset class. In the medium to long term, the Company expects growing demand from institutional investors for Bitcoin and an increase in assets under management. For 2023, the Company expects a sideways development of assets under management. A slight improvement is expected for the annual result.

DDA ETP GmbH would like to thank all XBTI bondholders for their trust and support in the past year. As of December 31, 2022, the assets under management of DDA ETP GmbH amounted to €2.99 million.

Frankfurt am Main, Germany, April 20, 2023

DDA ETP Ltd.

Dominik Poiger (Managing Director)

