

***NB: This English-language document is an unofficial translation of XBT Provider AB's mid year report 2018, which is in the Swedish-language. In the case of any discrepancies between the mid year report and this unofficial English translation, the Swedish-language mid year report shall prevail.***

**XBT Provider AB (publ)**  
559001-3313

Interim Report for  
**XBT Provider AB (publ)**  
559001-3313

For the period

**01/01/2018 – 30/06/2018**

**Development of the Company's business operations, financial results and financial position (amounts in SEK thousands)**

	Jan- June 2018	Jan- June 2017	Jan- June 2016	Full year 2017
Net revenues	3,706	10,931	885	9,781
Operating margin (%)	13.5	63.0	60.9	40.1
Total assets	4,236,811	821,674	126,082	8,708,540
Return on equity (%)	15.1	168.7	45.6	43.8

## **COMMENTS FROM THE CHIEF EXECUTIVE OFFICER**

Despite a significant decline in the price of Bitcoin and Ethereum, along with other leading crypto currencies, in 2018, we continue to see increased demand from investors in our certificates. This is despite the negative price movements in the certificate that took place during the first half of the year. The price of Bitcoin fell some 50.5 percent during that period, versus 47.2 percent in the bitcoin tracker in both Euro and SEK respectively. However, Ethereum fell 37.3 percent while the certificates fell 36.9 percent and 32.9 percent in EUR and SEK certificates respectively.

Asset under management also decreased during the first half of the year in 2018, as we also saw a certain degree of outflows. Total assets under management decreased by 58.3 percent in comparison with the certificate redemption outflows, which was only 18.2 percent for Bitcoin and 6.8 percent for Ethereum. This shows great resilience and strong confidence, as well as good results, for our products in the first half of the year.

I would like to express my thanks to all certificate holders, along with our new investors who have invested in XBT products, for the confidence and trust they have shown in us during this period. The XBT Certificate remains one of the top three best products listed on NASDAQ Stockholm, ranked by issuer and trading volume in that period. The Company has four products listed on NASDAQ Stockholm. This shows the Company's continued healthy financial development after its third anniversary on 18 May 2018.

The Board of Directors has also worked on preparing a new document with informational material in order to highlight some of the changes in the Company's structure and organisation. As a result of an internal reorganisation, XBT Provider AB is now owned by CoinShares (Holdings) Limited, a Jersey-based company owned by Global Advisors (Holdings) Limited and Pursuit Capital Limited. This should reflect the Group's forward-looking and client-oriented approaches when it comes to digital assets. The Company has also acquired a secondary trading name for conducting business: CoinShares Sweden AB.

XBT Provider AB went through a very extensive exercise in order to successfully complete the manual implementation of the cash distribution it had announced earlier in Q4 2017 relating to the Bitcoin Cash Fork (BCH). The operation was considered to be a success by the Board of Directors, which concluded this procedure in mid-March 2018. In addition, the Board of Directors has prepared a fork policy that dictates future material changes similar to the BCH.

The CoinShares Group continues to conduct security audits and has confirmed the stringent and secure internal processes that the Board of Directors had requested and presented as part of its new strategy in July 2017, which is in place and functioning. The Board of Directors has presented its business plan which it continues to proceed along with so as to expand XBT Provider, and we are very much looking forward to presenting additional innovative and new products later on this year.

### **Risks and uncertainty factors.**

The Board of Directors and management of XBT Provider AB (publ) is ultimately responsible for the Company's risk management. The Company's owner is a regulated financial institution in Jersey and XBT Provider AB (publ) is encompassed within and governed by the rules and regulations governing Global Advisors (Jersey) Limited's business operations. Global Advisors (Jersey) Limited's regulatory compliance and risk management unit monitors and controls the Company's business operations. Financial and operational risks are regularly analysed on an ongoing basis.

<b>Profit &amp; Loss Statement (SEK thousands)</b>	<b>Jan- June 2018</b>	<b>Jan- June 2017</b>	<b>Full year 2017</b>
Net revenues	3,706	10,930	9,781
Operating expenses			
General administrative expenses	-3,204	-4,043	-5,799
<b>Operating profit (loss)</b>	<b>501</b>	<b>6,887</b>	<b>3,982</b>
Interest expense and similar items affecting profit/loss	-65	0	-62
<b>Profit (loss) after gains/losses from financial items</b>	<b>436</b>	<b>6,887</b>	<b>3,920</b>
Provision for tax allocation reserves			-980
<b>Profit (loss) before taxes</b>	<b>436</b>	<b>6,887</b>	<b>2,940</b>
Tax on the profit for the period	-96	1,495	-647
<b>Net profit (loss) for the period</b>	<b>340</b>	<b>5,393</b>	<b>2,293</b>

Balance Sheet (SEK thousands)	Note	30/06/2018	30/06/2017	31/12/2027
<b>ASSETS</b>				
<b>Current assets</b>				
<b><i>Current receivables</i></b>				
Receivables from Group companies		4,236,323	821,270	8,707,271
Other receivables		0	0	0
Accrued income and prepaid expenses		0	103	0
<b>Total current receivables</b>		<b>4,236,323</b>	<b>821,373</b>	<b>8,707,271</b>
Cash at bank and in hand		488	301	1,269
<b>TOTAL ASSETS</b>		<b>4,236,811</b>	<b>821,674</b>	<b>8,708,540</b>
<b>SHAREHOLDER EQUITY AND LIABILITIES</b>				
<b>Shareholder equity</b>				
Share capital		500	500	500
<b>Total restricted equity</b>		<b>500</b>	<b>500</b>	<b>500</b>
<b><i>Unrestricted equity</i></b>				
Profits carried forward (retained earnings)		3,118	0	825
Net profit for the period		340	5,393	2,293
<b>Total unrestricted equity</b>		<b>3,458</b>	<b>5,393</b>	<b>3,118</b>
<b>TOTAL SHAREHOLDER EQUITY</b>		<b>3,958</b>	<b>5,893</b>	<b>3,618</b>
<b><i>Untaxed reserves</i></b>				
<b>Tax allocation reserves</b>		<b>980</b>	<b>0</b>	<b>980</b>
<b>Short term liabilities</b>				
Accounts payable		0	55	12
Liabilities to Group companies		759	5162	1185
Tax liabilities		504	1,705	760
Certificates	4	4,230,547	808,860	8,701,623
Accrued expenses and prepaid income		63	0	362
<b>Total short term liabilities</b>		<b>4,231,873</b>	<b>815,782</b>	<b>8,703,942</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER EQUITY</b>		<b>4,236,811</b>	<b>821,674</b>	<b>8,708,540</b>
<b>Assets pledged and contingent liabilities for commitments</b>				
Assets pledged and collateral provided		None	None	None
Contingent liabilities for commitments		None	None	None

<b>Changes in Shareholder Equity</b>	<b>30/06/2018</b>	<b>30/06 2017</b>	<b>31/12/2017</b>
Shareholder equity at the beginning of the period	3,618	1,325	1,325
Dividends distributed	0	-825	0
Net profit for the period	340	5,393	2,293
Shareholder equity at the end of the period	5,893	5,893	3,618
<b>Cash Flow Statement (SEK thousands)</b>	<b>Jan- June 2018</b>	<b>Jan- June 2017</b>	<b>Full year 2017</b>
<b>Operating activities</b>			
Profit (loss) after gains/losses from financial items	436	6,887	3,920
Income taxes paid	0	0	-120
<b>Cash flow from operating activities before changes in shareholder equity</b>	<b>436</b>	<b>6,887</b>	<b>3,800</b>
<i>Cash flow from changes in working capital</i>			
Increase (-) / Decrease (+) of current receivables	4,470,948	-561,442	-8,445,020
Increase (-) / Decrease (+) of operating liabilities	-4,472,165	554,695	8,442,328
<b>Cash flow from operating activities</b>	<b>-781</b>	<b>141</b>	<b>1,109</b>
<b>Investment activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flow from investment activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Financing activities</i>			
Dividends paid out	0	0	0
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total cash flow for the year</b>	<b>-781</b>	<b>141</b>	<b>1,109</b>
Cash and cash equivalents at the beginning of the period	1,269	161	161
<b>Cash and cash equivalents at the end of the period</b>	<b>488</b>	<b>301</b>	<b>1,269</b>

## Supplementary Notes

### Note 1 Accounting principles

Amounts are stated in SEK thousands, unless stated otherwise.

#### *General Accounting Principles*

This Interim Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR2 - Accounting for Legal Entities. This Interim Report has been prepared in accordance with the same accounting principles as the Annual Report for 2017. For details about the accounting principles, refer to the 2017 Annual Report. The most significant accounting principles are also specified below.

### Financial assets and liabilities

#### Derivative positions

##### Fair value of financial instruments

30 June 2018	Level 1	Level 2	Level 3
Current financial assets via profit and loss. Derivatives with XIJ		4,230,451	
<b>Total</b>		<b>4,230,451</b>	

  

30 June 2018	Level 1	Level 2	Level 3
Current financial liabilities via profit and loss.			
Bitcoin (SEK)		1,308,234	
Bitcoin (EUR)		1,538,202	
Ethereum (SEK)		543,849	
Ethereum (EUR)		840,166	
<b>Total</b>		<b>4,230,451</b>	

Certificates issued by XBT have been classified and valued according to Level 2, even though they are traded on active markets where one or more market participants provide a binding quotation of price. The reason for a Level 2 classification instead of Level 1 is so as to be careful due to the liquidity of the certificate.

The financial assets represented by hedge agreements with XU are derivative instruments which are calculated based on a formula using the digital currencies' prices as input value based on the average price on the Bitrush, Itbit and Coinbase exchanges for the BTC certificates and the average price on the Bitfinex, Gemini and Coinbase exchanges for the ETH certificate, as defined in the prospectus at the date of valuation. As a result, the financial assets consisting of Bitcoin, Ethereum and other digital currencies have been classified as Level 2.

Financial assets, hedge agreements with XIJ and financial liabilities, certificates issued by XBT Provider AB, are classified as current assets or liabilities. The reason for such classification is that the certificate has no maturity and can therefore be purchased back by XIJ at any time, which trades for and on behalf of XBT Provider AB. The same applies to the hedge contract with XIJ, which reflects the number of certificates so as to ensure a perfect hedge.

The certificates issued by XBT Provider AB have no maturity, however as XBT Provider AB may be required to repurchase them upon request.

### **Revenues**

Income is recognised on an accrual basis to the extent that they are likely to flow into the Company, regardless of when it occurs. Revenues are valued at fair value of income or receivable received.

The following criteria must also be fulfilled before the revenues are reported:

i) Service charges. XBT Provider AB has a security management agreement with Global Advisors (Jersey) Limited, XBTInhouse (Jersey) Limited (XIJ) and XBT Inhouse AB, and a service agreement with Global Advisors (Jersey) Limited (GAJL).

The effect of these contracts is that GAJL maintains the guarantee for the investors in the XBT certificate via a hedge arrangement with XBT Provider AB by XIJ, and that GAJL guarantees the certificates that are issued by XBT Provider AB.

The security management agreement is attached as Appendix 1 and the service agreement as Appendix 2.

According to the service agreement, XBT Provider AB is classified as a limited risk supplier and therefore entitled to an ongoing return on its operating expenses. This is defined as a full cost compensation plus 4 percent. The management of certificates concerning reconciliation, administration, security management, custody, guarantees and security is provided by Jersey via GAJL and XIJ.

ii) Interest income is recognised as accrued interest income using the effective interest rate method.

### **Management of liquidity risk**

XBT Provider AB ensures that it has sufficient liquidity if investors request a redemption via hedge agreements with XIJ. XIJ hedges XBT Provider AB's certificates by holding the corresponding number of Bitcoin and Ethereum.

If XBT Provider AB would have to repay investors in XBT Provider AB's certificate, XIJ will sell the relevant number of XBT Provider AB certificates in order to (i) generate the required liquidity and (ii) maintain a perfect hedge, as the Bitcoin and Ethereum crypto exchanges are traded in liquid markets.

In addition, as it is expected that XBT Provider AB's certificate holders are most likely to primarily sell their certificates on the NASDAQ exchange, provided that there is sufficient liquidity on the exchange, due to that the use of the sales option has a number of disadvantages: the inconvenience to wait 40 days for payment [receipt of proceeds], the extra 2 percent cost to use the option and assurance as to price in that the redemption price is determined at the end of the following month.

In this regard, the liquidity of XBT Provider AB's certificates on NASDAQ has always been very good, both during the high inflow period in 2017 and the period of high outflow in early 2018.

Based on these 2 extreme scenarios, XBT products have shown their robustness and liquidity, due to that the underlying investments in Bitcoin and Ethereum are liquid.

*Assuming investors choose to use the sales option instead of trading on the market, investors would be required to make a notification on the last day of the month and provided that a notice has been duly provided and the transfer is concluded in this manner, then it is the holder who determines that the end date shall be the last trading day of the calendar month immediately after the holder's final request date ("conclusive determination of the date for the holder") and the Certificates in question will be redeemed by the issuer on the 10th following business day from when the holder establishes conclusive fixing date ("Holder's Settlement Date"). On this basis, XIJ should have one calendar month plus 10 days to close the position.*

**Maturity analysis of financial assets and liabilities**

Both the assets (derivative contracts with XIJ) and liabilities (XBT Provider AB's certificates issued to third-party investors) pay both upon request, with the repurchase of XBT Provider AB certificates, which leads to a request for reimbursement from XIJ.

**Note 2 Information about the Group**

The Company is a wholly-owned subsidiary of CoinShares (Holdings) Ltd, company registration number 123711, domiciled in Jersey. CoinShares (Holdings) Ltd is part of a Group where Global Advisors (Jersey) Ltd, company registration number 102184, is the parent company.

Of the Group's total purchases and sales measured in SEK, 0 percent (23) of the purchases and 0 percent (0) of revenues relate to transactions with companies within the Group.

Information in parentheses refer to the previous year.

**Note 3 Employees and personnel costs**

The Company has not had any employees during the financial year. No directors fees or other remuneration has been paid to the members of the Board of Directors.

**Note 4 Certificates**

	30/06/2018	30/06/2017	31/12/2017
Certificates BTC - SEK	1,308,234	846,130	3,603,096
Certificates BTC - EUR	1,538,202	322,730	2,997,884
Certificates ETH - SEK	543,849	-	845,729
Certificates ETH - EUR	840,166	-	1,254,915
<b>Total</b>	<b>4,230,451</b>	<b>1,168,860</b>	<b>8,701,623</b>



**CERTIFICATION**

The Chief Executive Officer warrants that this Interim Report provides a true and fair view of the Company's business activities, financial position and financial results, and describes the significant risks and uncertainties faced by the Company.

Stockholm 03/08/2018

A handwritten signature in black ink, appearing to read 'Laurent Kssis', written over a horizontal line.

Laurent Kssis  
Chief Executive Officer

**Audit Report**

This report has not been reviewed by the Company's Auditor.