



bitfly staking gmbh

Prospectus Supplement No. 1

dated

3 November 2022

relating to the

Public Offer of up to ETH 1 000 000 Floating Rate Investments

This Prospectus Supplement No. 1 ("**Supplement**") is a prospectus supplement pursuant to § 6 of the Austrian Capital Market Act 2019, as amended ("**KMG 2019**"). This Supplement is supplemental to, and should be read in conjunction with, the prospectus dated 17 August 2022 ("**Prospectus**") relating to the offering of up to ETH 1 000 000 floating rate investments of bitfly staking gmbh (FN 569385 g), a limited liability company organized under the laws of Austria ("**Issuer**").

On 17 August 2022, the Prospectus was signed by Moore Interaudit GmbH as prospectus controller in accordance with § 7 (1) KMG 2019 ("**Prospectus Controller**"). The Prospectus was submitted with the necessary signatures to the Oesterreichische Kontrollbank Aktiengesellschaft and published in electronic form on the Issuer's website <https://staking.ethermine.org/investor-relations>.

On 3 November 2022, this Supplement was signed by the Prospectus Controller in accordance with § 6 (1) KMG 2019. This Supplement was submitted with the necessary signatures to the Oesterreichische Kontrollbank Aktiengesellschaft and published in electronic form on the Issuer's website <https://staking.ethermine.org/investor-relations>.

The terms used in the Prospectus shall have the same meaning when used in this Supplement. If there are any differences or inconsistencies between this Supplement and the Prospectus, the information provided in this Supplement shall prevail.

In the Issuer's view, the amendments to the Prospectus as set out in this Supplement are not material new circumstances under § 6 KMG 2019. Nevertheless, as several circumstances have converged, the Issuer has opted to publish this Supplement on a voluntary basis.

To the extent that this Supplement contains a material new circumstance, mistake or inaccuracy with regard to the information included in the Prospectus which might influence the assessment of the Investments, pursuant to § 6 (2) KMG 2019 investors who have already committed themselves to purchase or subscribe to the Investments once the circumstance for the Supplement has happened, but has not yet been published, may withdraw their commitment within two working days following the publication of this Supplement. The final date for such right of withdrawal is 7 November 2022. If the investors are consumers as defined in § 1 (1) (2) of the Austrian Consumer Protection Act, the right of withdrawal exists for seven working days following the publication of this Supplement. In such case the final date for such right of withdrawal is 14 November 2022. Investors may contact the Issuer if they wish to exercise their right of withdrawal.

A. IMPORTANT NOTICES

RESPONSIBILITY STATEMENT

bitfly staking gmbh with its registered office in Vienna, Austria is responsible for the information given in this Supplement.

The Issuer hereby declares that, to the best of the knowledge of the Issuer, the information contained in this Supplement is in accordance with the facts and makes no omission likely to affect its import.

NOTICE

This Supplement does not constitute an offer of, or an invitation by or on behalf of the Issuer to subscribe for, or purchase, any Investments.

No person has been authorized to give any information or to make any representations other than those contained in this Supplement and, if given or made, such information or representations must not be relied upon as having been authorized by or on behalf of the Issuer. Neither the delivery of the Prospectus and/or this Supplement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the financial situation of the Issuer or that the information herein is correct at any time since the date hereof or the date upon which the Prospectus has been most recently amended or supplemented.

The distribution of this Supplement and the offering or sale of the Investments in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Issuer to inform themselves about and to observe any such restriction. In particular, the Participation Rights have not been and will not be registered under the United States Securities Act of 1933.

This Supplement may only be used for the purpose for which it has been published. This Supplement may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

B. CLARIFYING AMENDMENTS TO THE PROSPECTUS

New circumstances have arisen since the initial publication of the Prospectus and are thus herewith included in the Prospectus:

1. The Merge

On 15 September 2022, the Ethereum Network transitioned from a proof-of-work consensus mechanism to proof-of-stake in an event known as "the Merge". During the Merge, the Beacon Chain was joined with the Ethereum Mainnet, making the Ethereum Mainnet the first "shard chain" of the upgraded Ethereum Network. As a result of the Merge, the Beacon Chain now directs Validators to validate the Ethereum Mainnet.

One consequence of the Merge is that Validators are now eligible to receive transaction fees for processing transactions. These transaction fees are included in the calculation of ETH.STORE and have increased the volatility of ETH.STORE since the Merge, as already mentioned as a risk factor in the Prospectus.

Another consequence of the Merge is that the Issuer will now charge the Fee Rate as set out in the Terms and Conditions of the Investments:

"**Fee Rate**" means the number of basis points the Issuer deducts from the ETH.STORE when calculating Interest; the applicable Fee Rate is based on the aggregate Nominal Value of the Units held by the Investor throughout an entire Reward Day. The Fee Rate is expressed in percent of the ETH.STORE. Until the Ethereum Network has been upgraded to proof-of-stake, the Fee Rate will be 0 %. After such upgrade, the Fee Rate will be as follows:

| <u>Investment Amount</u> | <u>Fee Rate</u> |
|--------------------------|-----------------|
| 0.1 to 31.9 ETH | 15 % |
| 32 to 95.9 ETH | 13 % |
| 96 to 959.9 ETH | 10 % |
| 960+ ETH | 8 % |

The Merge, however, has not resulted in an obligation of the Issuer to make Payouts of Accrued Interest. Under the Terms, the Issuer is not obliged to make a Payout until the withdrawal of staking rewards is implemented, or after five (5) years after the investment was made, whichever occurs earlier. As explained in the Prospectus, the Merge did not enable the withdrawal of staking rewards; this is expected to be implemented in a post-Merge cleanup sometime in the future.

On these grounds, the Prospectus is amended as follows:

- (i) On page 7, in the first paragraph the sentence

"However, as of yet the transition to proof-of-stake (i.e., the Merge) has not been completed, and a number of functions are not operational."

shall be replaced with

"Although the transition to proof-of-stake (i.e., the Merge) has been completed, a number of functions are not operational."

- (ii) On page 11, the definition of "Merge" shall be replaced with

"means the merge of the Beacon Chain with the Ethereum Mainnet, transitioning the consensus mechanism of the Ethereum Network from proof-of-work to proof-of-stake, which occurred on 15 September 2022."

(iii) On page 14, in the first paragraph the sentence

"The Issuer expects that it will be possible to withdraw staked Ether sometime after the Merge, which is expected to take place in 2022 or 2023, although this cannot be guaranteed."

shall be replaced with

"The Issuer expects that it will be possible to withdraw staked Ether sometime after the Merge, although this cannot be guaranteed."

(iv) On page 25, in the risk factor beginning "Investors are subject to the exchange rate risk of Ether" the second paragraph

"The Ether price may be particularly volatile on or around the Merge, which is expected to take place in 2022 or 2023. There are several theories about how the Ether price may be affected by the Merge. The Ether price might fall if validators seek to withdraw and sell their staked Ether and rewards. A period of increased volatility is expected in any case."

shall be replaced with

"For example, the Ether price was particularly volatile on and around the Merge. On 14 September 2022, the day before the Merge, the Ether price was about USD 1,600. On 16 September 2022, the day after the Merge, the Ether price was about USD 1,450, decreasing about 9.3 % from 14 September 2022."

(v) On page 37, in the first paragraph the sentence

"It is possible that the transition to proof-of-stake will never occur, that the transition will be only partially implemented, or that the two protocols—the Ethereum Mainnet and the Beacon Chain—will both endure and compete going forward."

shall be deleted.

(vi) On page 69, under "Ethereum 2.0" in the second paragraph the sentence

"Until the Merge (described below), the Beacon Chain will run separately from the current Ethereum proof-of-work network, the Ethereum Mainnet."

shall be replaced with

"On 15 September 2022, the Merge took place, combining the Beacon Chain with the Ethereum Mainnet."

(vii) On page 71, under "The Merge and Beyond" the first paragraph

"The Ethereum Mainnet is expected to merge with the Beacon Chain sometime in 2022 or 2023. During the Merge, the Ethereum Mainnet will transition from a proof-of-work consensus mechanism to proof-of-stake. The Ethereum Mainnet will become the first "shard chain" of the upgraded Ethereum Network. When this occurs, the Beacon Chain will direct Validators to validate the Ethereum Mainnet."

shall be replaced with

"The Ethereum Mainnet merged with the Beacon Chain on 15 September 2022. During the Merge, the Ethereum Network transitioned from a proof-of-work consensus mechanism to proof-of-stake. The Ethereum Mainnet became the first "shard chain" of the upgraded Ethereum Network. As a result of the Merge, the Beacon Chain now directs Validators to validate the Ethereum Mainnet."

2. Formal transfer of staking and trading services

On 28 September 2022, the Issuer entered into a transfer agreement (*Einbringungsvertrag*) with its parent company, bitfly gmbh, for the transfer of certain business activities from bitfly gmbh to the Issuer. Specifically, the activities that were transferred to the Issuer were (i) the operation of an MEV trading bot, and (ii) the operation and maintenance of Validators in connection with a non-custodial staking service for third parties. Under the transfer agreement, the transfer was made with retroactive effect as of 31 December 2021.

In Section 3.2.2 of the Prospectus, the transferred business activities were already listed among the activities that the Issuer currently pursues or intends to pursue. The conclusion of the transfer agreement formalizes the Issuer's pursuit of such activities.

The main consequence of the transfer is that it effects the financial statements of bitfly gmbh and the Issuer. The contracting parties determined that the transferred services had a book value for tax purposes in the amount of EUR 3,185,608.96 as of 31 December 2021. Accordingly, the key financial figures of the Issuer changed from 31 December 2021 to 1 January 2022.

On these grounds, the Prospectus is amended as follows:

- (i) On page 62, Section 2.21 (Financial Statements) shall be replaced in its entirety with:

"The latest financial statements of the Issuer as per 31 December 2021 are attached as Schedule 2. Since these financial statements concern the year of incorporation of the Issuer, they have not been audited. The unaudited balance sheet of the Issuer as per 1 January 2022, showing the effects of the transfer agreement (*Einbringungsvertrag*) entered into between the Issuer and bitfly gmbh, is attached as Schedule 5. More information on the transfer agreement is available in Section 3.2.1 (History and Development of the Issuer) below.

Key financial figures as per 31.12.2021 and 1.1.2022 are:

| (figures in EUR) | as per 31.12.2021 | as per 1.1.2022 |
|---------------------|-------------------|-----------------|
| Share capital | 35,000.00 | 35,000.00 |
| Total assets | 33,254.77 | 3,220,421.99 |
| Equity | 26,138.07 | 3,211,747.03 |
| Equity ratio | 78.60 % | 99.73 % |
| Balance sheet loss | -8,861.93 | -8,861.93 |
| Operating result | -8,861.93 | -- |
| Earnings before tax | -8,861.93 | -- |
| Earnings after tax | -8,861.93 | -- |

Source: unaudited financial statements 2021 (see Schedule 2); unaudited balance sheet as per 1.1.2022 (Schedule 5).

Figures for operating result, earnings before tax and earnings after tax as per 1.1.2022 are not included in the above table because these items would be shown on the income statement and would reflect a period of time rather than a particular day."

- (ii) On page 68, the following paragraph shall be added to the end of Section 3.2.1 (History and Development of the Issuer):

"On 28 September 2022, the Issuer entered into a transfer agreement (*Einbringungsvertrag*) with its parent company, bitfly gmbh, for the transfer of certain business activities from bitfly gmbh to the Issuer. Specifically, the activities that were transferred to the Issuer were (i) the operation of an MEV trading bot, and (ii) the operation and maintenance of

Validators in connection with a non-custodial staking service for third parties. Under the transfer agreement, the transfer was made with retroactive effect as of 31 December 2021. The contracting parties determined that the transferred services had a book value for tax purposes in the amount of EUR 3,185,608.96 as of 31 December 2021. For an indication as to how the transfer affects the key financial figures of the Issuer, see Section 2.21 (Financial Statements) above."

3. Appointment of new managing director

The sole shareholder of the Issuer, bitfly gmbh, has decided to appoint Mr. Axel Schuster, CFA, born on 11 April 1973, as managing director of the Issuer. The appointment became effective as of 7 October 2022. Mr. Axel Schuster, CFA has joint power to represent the Issuer alongside Ing. Peter Pratscher, born on 27 August 1985, who also has joint power to represent the Issuer as of 7 October 2022.

As of 7 October 2022, Mr. Axel Schuster also became managing director of other companies in the bitfly Group.

On these grounds, the Prospectus is amended as follows:

- (i) On page 76, under Section 3.3 (Management Bodies) in the first paragraph:

"At the date of this Prospectus, the management board has one member who has sole power of representation, namely Ing. Peter Pratscher."

shall be replaced with

"The management board has two members: (i) Ing. Peter Pratscher, who has joint power of representation, and (ii) Mr. Axel Schuster, CFA, who has joint power of representation."

- (ii) On page 76, Section 3.3.1 (Names, Business Addressess and Function) shall be replaced with:

"Ing. Peter Pratscher, one of the managing directors of the Issuer, additionally holds the following management functions in the following businesses:

- (a) sole shareholder and sole managing director with sole power of representation of bitfly holding gmbh with its seat in Vienna and the business address Wiedner Gürtel 9, 1100 Vienna, registered with the Commercial Court Vienna under FN 514211v since 12 June 2019.
- (b) joint managing director with sole power of representation of bitfly gmbh with its seat in Vienna and the business address Wiedner Gürtel 9, 1100 Vienna, registered with the Commercial Court Vienna under FN 472953w since 3 October 2017.
- (c) joint managing director with sole power of representation of bitfly immobilien gmbh with its seat in Vienna and the business address Wiedner Gürtel 9, 1100 Vienna, registered with the Commercial Court Vienna under FN 558486d since 8 June 2021.
- (d) joint managing director with sole power of representation of Lupra Süd Immobilien GmbH with its seat in Vienna and the business address Wiedner Gürtel 9, 1100 Vienna, registered with the Commercial Court Vienna under FN 572685i since 25 January 2022.

Mr. Axel Schuster, CFA, one of the managing directors of the Issuer, additionally holds the following management functions in the following businesses:

- (a) joint managing director with sole power of representation of bitfly gmbh with its seat in Vienna and the business address Wiedner Gürtel 9, 1100 Vienna, registered with the Commercial Court Vienna under FN 472953w since 3 October 2017.
- (b) joint managing director with sole power of representation of bitfly immobilien gmbh with its seat in Vienna and the business address Wiedner Gürtel 9, 1100 Vienna, registered with the Commercial Court Vienna under FN 558486d since 8 June 2021.
- (c) joint managing director with sole power of representation of Lupra Süd Immobilien GmbH with its seat in Vienna and the business address Wiedner Gürtel 9, 1100 Vienna, registered with the Commercial Court Vienna under FN 572685i since 25 January 2022."

(iii) On page 77, in Section 3.3.2 (Conflicts of Interest) the third paragraph:

"The sole managing director of the Issuer is at the same time (i) the sole shareholder and sole managing director of bitfly holding gmbh as well as (ii) the sole managing director of bitfly gmbh, the Issuer's sole shareholder. Consequently, the managing director of the Issuer controls the entire 'bitfly Group'. Ownership interests are independent of the interests of the Issuer as a company and are not always in line."

shall be replaced with

"Ing. Peter Pratscher, one of the managing directors of the Issuer, is at the same time (i) the sole shareholder and sole managing director of bitfly holding gmbh as well as (ii) joint managing director with sole power of representation of bitfly gmbh, the Issuer's sole shareholder. Consequently, Ing. Peter Pratscher effectively controls the entire 'bitfly Group'. Ownership interests are independent of the interests of the Issuer as a company and are not always in line."

4. Change of Waiting Period

The Issuer has decided to extend the start of the Waiting Period to twelve (12) hours after the transfer of the Investment Amount has been included in a finalized Epoch (i.e., approx. 96 slots / 19 minutes).

On these grounds, the Prospectus is amended as follows:

(i) On page 13, the definition of "Waiting Period" shall be replaced with:

"means the period of time determined by the Issuer and published under <https://staking.ethermine.org/statistics> that begins twelve (12) hours after the transfer of the Investment Amount has been included in a finalized Epoch (i.e., approx. 96 slots / 19 minutes)."

(ii) On page 57, under Section 2.13 (Subscription Process) in the fourth paragraph:

"The Waiting Period is determined by the Issuer and begins twelve (12) hours after the transfer of the Investment Amount has been confirmed by sixty-five (65) blocks."

shall be replaced with

"The Waiting Period is determined by the Issuer and begins twelve (12) hours after the transfer of the Investment Amount has been included in a finalized Epoch (i.e., approx. 96 slots / 19 minutes)."

(iii) In Schedule 1 (Terms and Conditions of the Investments) under § 2 (Definitions) the following definitions shall be added:

"**Epoch**" means a unit of measure on the Beacon Chain that consists of 32 slots.

"**Epoch, finalized**" means an Epoch that precedes at least two justified Epochs.

"**Epoch, justified**" means an Epoch in which more than two-thirds of the attesting Validators agree on current state of the network.

(iv) In Schedule 1 (Terms and Conditions of the Investments) the definition of "Waiting Period" shall be replaced with:

"means the period of time determined by the Issuer and published at <https://staking.ethernine.org/statistics> that begins twelve (12) hours after the transfer of the Investment Amount has been included in a finalized Epoch (i.e., approx. 96 slots / 19 minutes)."

As the Issuer



bitfly staking gmbh, FN 569385 g
Wiedner Gürtel 9, 1100 Vienna, Austria

Ing. Peter Pratscher
Managing Director

Axel Schuster, CFA
Managing Director

Vienna, 3 November 2022