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List of abbreviations

AG	Public company in Germany
AB	Aktiebolag. Limited company in Swedish jurisdiction
AMD	Manufacturer of GPU, processing and computing equipment
ASIC	Application-Specific Integrated Circuit, a specialized computer
B.V.	Private limited liability company in the Netherlands
Bafin	German federal financial supervisory authority
Bitfield	Bitfield N.V., Amsterdam/ Netherlands
Block.one / B1	BLOCK.ONE INVESTMENTS 1, George Town/ Cayman Islands
Decentric Europe	Decentric Europe B.V. , Amsterdam/ Netherlands
EUR / €	Euro
GIGABYTE	Manufacturer of server and computing equipment
GmbH	Limited company in Germany
GPU	Graphic Processing Unit
HGB	German commercial code
HPC	High Performance Computing
IFRS	International Financial Reporting Standards
IFRS 15	reporting standard for revenue from contracts with customers
Inc.	Incorporated
KPMG	Northern Data's auditor for the consolidated financial statements
LLC.	Limited liability company in the United States
Ltd.	Limited company in United Kingdom
MW	Megawatt
N.V.	Public company in the Netherlands
NDS	Northern Data Software GmbH, a subsidiary of Northern Data AG
Northern Data	Northern Data AG and its subsidiaries
PACER	Public Access to Court Electronic Records
PP&E	Property, plant and equipment
Riot Blockchain	Riot Blockchain Inc
SEC	United States Securities and Exchange Commission
SPA	Sale and Purchase Agreement
US GAAP	United States generally accepted accounting principles
USD / \$	United States dollar

List of references

All citations, references and sources are publicly available. Annual reports and other official documents were obtained through the respective issuer's website, through regulatory filings and commercial registries. Documents are cited as follow:

< company name >, < document title >, < year of publication >, < page >, (for online source) < url >

Some SEC filings were retrieved through direct URLs within the EDGAR system and those filings are quoted directly. As annual reports sometimes have the same ubiquities title, we have added the year for better distinction.

List of figures

If not stated otherwise all figures are obtained through the quoted references in the footnotes and can be found in the respective source.

Translations

All translations were done by our team or are based on Google Translate and DeepL.

Executive summary

We are short Northern Data AG (Ticker: NB2) because the company defrauded investors and acted in a fraudulent way to enrich a small group of shareholders and company insiders, which led to concealed insolvency.

With the help of several holding companies, major shareholders Marco Beckmann, Christian Angermayer, Mike Novogratz and Brendan Blumer as well as company insiders Aroosh Thillainathan, Andreas Lange and Stefan Sickenberger

- used related party acquisitions and exclusive capital increases **to enrich themselves of >900 million euro** and
 - used
 - affiliates and related companies,
 - aggressive revenue accounting,
 - forged financial statements,
 - concealed related-party transactions and hidden shareholder structures and
 - excessive ad-hoc communication,
- to pump and dump the company's stock.**

This was done by

- **not disclosing related-party transaction and shareholder structures** in regards of the Whinstone acquisition
- initiating and participating in **related-party transactions to forge revenue** with Decentric Europe B.V. and Bitfield N.V.
- using **related party companies to pose as future customers** (e.g. Block.one and Innoplexus AG)
- not disclosing **hidden backers in related-party transactions** and companies (e.g. SBI Crypto, GMO Internet, Block.one, Apeiron Investment Group, Beckmann Capital, Aroosh Thillainathan, Andreas Lange and Stefan Sickenberger)
- **overstating future benefits of target companies** owned by related parties and hidden backers (e.g. Whinstone, Decentric Europe and Bitfield)
- **using aggressive accounting methods** in connection with non-disclosed objectives in its annual report to recognize revenue prematurely within the Northern Data Group
- **breaching accounting standards** in the acquisition of Decentric Europe and prior to that
- **forging financial statements to overstate assets and understate liabilities** within the Northern Data Group
- **particular shareholders solely participating in capital increases** (Block.one and Apeiron Investment Group) for their own benefit
- using **excessive ad-hoc announcements** to boost share prices
- **diluting the company's stock** from 7.4m to 23.8m shares through several capital increases

In the end all those actions led to that Northern Data is bankrupt and the management conceals this as of the date of this publication.

The stock is worthless and we see its share price at €0 apiece.

Northern Data AG	
Ticker:	NB2
Market Cap:	€1.243bn
Share Price:	€52.00
Consensus	€208.00
Our price target:	€0.00
P/E:	-7.22
P/B:	3.47
P/S:	37.41
P/CF:	-8.26



Northern Data AG – Fake it till you have cashed it.

Northern Data AG passes itself off as a German data center, bitcoin mining and HPC company, which offers servers and data storage to customers.¹ Until early 2020 the company operated under the name Northern Bitcoin AG and offered cryptocurrency solutions – mainly bitcoin mining.

Before being branded as Northern Bitcoin the company was known as Biosilu Healthcare AG. In its hull as a healthcare company it tried to sell Biosimilar in Asia. Biosimilar are in a similar form generics but are highly complex in their molecular structure and innovative biopharmaceutical. Biosilu Healthcare wanted to use patent-expired biosimilar products from the US and Europe and distribute them on the Asian market. Prior Biosilu, the company resided as AMP Biosimilars AG and focused on providing consulting on pharmaceutical development and production.

Northern Data's management is changing at an even faster pace than its names and during our investigation members of the executive management and supervisory board resigned.² Most recently the CFO Mathias Daehn quit after sixteen months.³

Its current business model consists of operating data centers for bitcoin mining and allegedly high-performance computing (HPC).⁴ Deploying this strategy initiated several acquisitions of companies all over Europe and North America.^{5 6}

High-performance computing – what's the fuss about?

But what is HPC? It's a more scientific phrase for a buzzword: supercomputers. These computers are developed by IBM, Lenovo, Dell and other high technology companies for scientific purposes like quantum computing, artificial intelligence and other scientific research.^{7 8}

Known innovative supercomputers are stationed in Italy, Germany, China and India, frequently operated by academic research facilities or government-sponsored / -affiliated research centers.⁹

It is a highly competitive field and all major market participants develop, produce and sell HPC systems only for using its intellectual property developed within the process applied to its much broader and more business oriented segments like retail computing systems and cloud computing. As an analogy: HPC is like Formula 1. Formula 1 racing teams are not profitable and solely develop high-end technology which the parent company can use for its products.

¹ <https://northerndata.de/en/>

² <https://www.bloomberg.com/profile/company/NB2:GR>

³ <https://www.bloomberg.com/press-releases/2022-02-21/dgap-news-northern-data-change-in-the-management-board-christopher-yoshida-takes-over-the-finance-department>

⁴ Northern Data AG, annual report 2020, 2021, p 13.

⁵ <https://ir.northerndata.de/dates-news/>

⁶ Northern Data AG, annual report 2020, 2021, p 20.

⁷ <https://www.usgs.gov/advanced-research-computing/what-high-performance-computing>

⁸ <https://digital-strategy.ec.europa.eu/en/policies/high-performance-computing>

⁹ <https://digital-strategy.ec.europa.eu/en/policies/high-performance-computing>

Actually we think Northern Data redefines its business model with every ad-hoc announcement to match what will attract attention and in any way increase its share price. In some press releases regarding different acquisitions it is HPC and sometimes it is bitcoin mining. In essence, Northern Data AG seems to provide storage space for bitcoin mining customers and in some parts the hardware within its data centers for its own customers.

The raid started in August 2019 when BlackMars Capital GmbH acquired stocks for at least 25% but less than 50% of Northern Bitcoin AG/Northern Data AG.¹⁰ At the time this company owned at least 1,850,000 and up to 3,699,999 shares. So the hidden backer behind BlackMars Capital Marco Beckmann and his acquaintances used their acquired significant influence.¹¹

1. First steps towards billion dollar valuation

1) The Whinstone deal

In 2019, Northern Data was still named Northern Bitcoin and its share price declined from about €18 to €11.2 within the first eleven months. Its main business segments were bitcoin mining and the development of a Bitcoin wallet called Wallace.¹² As matters stand, the app is defunct.¹³

On November 18th 2019 an ad-hoc announcement was released, revealing the merger with competitor Whinstone US Inc, a bitcoin miner from the United States.¹⁴ Northern Data's share price jumped 50.91% the following day and another 42.17% the next day to €23.6. The single announcement almost doubled the share price within weeks. It was a big deal for the company and its investors, who have been struggling with the company's business model as a crypto miner. The deal closed on February 10th 2020.¹⁵

The acquisition was structured contribution-in-kind by issuing 3,720,750 new shares. At time of the acquisition the shares were valued at €32 contemplating at valuation of almost €120m or \$136m.¹⁶

The merger with Whinstone US, Inc. was executed by issuing 3,720,750 treasury shares, which corresponds to an equivalent value of kEUR 119,808 based on the share price on the acquisition date.

Figure 1 Extract from Northern Data's annual report regarding capital increase for the merger

For further comprehension we would like to point out that Whinstone was sold to Riot Blockchain in May 2021 and our analysis is based on documents and information revealed throughout the sale.

¹⁰ Northern Bitcoin AG, Bekanntmachung gemäß § 20 Abs. 6 AktG, 2019.

¹¹

¹² <https://www.northdata.com/BlackMars+Capital+GmbH,+K%C3%B6nigstein+i.+Taunus/Amtsgericht+K%C3%B6nigstein+HRB+8934>

¹³ <https://www.bloomberg.com/press-releases/2019-09-27/dgap-news-northern-bitcoin-starts-preregistration-for-its-wallet-app-wallace>

¹⁴ <https://wallace.cash/>

¹⁵ <https://ir.northerndata.de/news/adhoc/northern-bitcoin-ag-agrees-merger-with-whinstone-us-inc-by-capital-increase-against-contribution-in-kind/>

¹⁶ <https://ir.northerndata.de/news/corporate-news/northern-data-to-successfully-merge-with-whinstone-us/>

¹⁷ Northern Data AG, annual report 2020, 2021, p 78.

So who labeled Whinstone with a price tag of €119 million and why?

At any contribution-in-kind capital increase the German law requires a formation audit.¹⁷ In February 2020 auditor MSW GmbH reviewed and audited Whinstone. All documents and data used in the audit were provided by Whinstone's founders: CEO Aroosh Thillainathan and CTO Andreas Lange, who were both already appointed to Northern Data AG's executive management at the time.¹⁸

Frankfurt on the Main – November 25, 2019 – Northern Bitcoin AG (XETRA: NB2, ISIN: DE000A0SMU87) plans to expand its Executive Board as part of the merger with its US competitor Whinstone. Henceforth, Aroosh Thillainathan, Co-Founder and Managing Director of the Whinstone Group, will lead Northern Bitcoin AG as CEO. Support on the Executive Board will come from COO Julian Handte and CTO Andreas Lange, Northern Bitcoin's previous CEO, Mathis Schultz, will take over as CFO. The expansion and realignment of the Executive Board are to be completed within the next few days.

Figure 2 Extract from the press release regarding the new executive board

Annex – Target Shareholders / Consideration				
	<u>Class of Stock (Whinstone Inc.)</u>	<u>Number of Shares (Whinstone Inc.)</u>	<u>Percentage of Share Capital (Whinstone Inc.)</u>	<u>New Shares (Northern Data AG)</u>
ART Holding GmbH	A	200	20%	744.150
AL Global Invest GmbH	A	200	20%	744.150
Hashtrend AG	B	200	20%	744.150
Ashton Harris	A	200	20%	744.150
Lyle Theriot	A	200	20%	744.150

Figure 3 Target shareholders of Whinstone, extract from Lock-In Agreement

At the time of the acquisition Northern Data's management did not disclose the fact that at least 40% of the acquired company is owned by its own management: ART Holding GmbH and AL Global Invest GmbH.¹⁹ So a higher price paid, based on the provided documents benefited Northern Data's executive management. Though the management was interested in providing documents and data which would be favorable for a high valuation.

¹⁷ https://www.gesetze-im-internet.de/englisch_aktg/englisch_aktg.html#p0150

¹⁸ <https://ir.northerndata.de/news/corporate-news/northern-bitcoin-expands-executive-board/>

¹⁹ Northern Data AG, Contribution and Lock In Agreement, 2020, p. 16.

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Maybe: The revenue and profitability?

Such a hefty price tag should correspond with synergies, high profitability and recurring revenue. But Northern Data AG paid tens of millions for a company whose revenue accumulated to \$328,922 in 2019 and \$10,209 in the first three months of 2020.^{20 21 22}

Whinstone US, Inc. and Subsidiary Statements of Operations For the Years Ended December 31, 2020 and 2019		
	Consolidated 2020	Unconsolidated 2019
Revenues	\$ 11,815,345	\$ 328,922
Cost of Revenues	22,596,528	2,649,527
Gross Profit (Loss)	(10,781,183)	(2,320,605)

Figure 4 Extract from Whinstone's income statement for FY2019 and FY2020

This was not disclosed at the time of the acquisition. Instead, the revenue guidance for 2020 was communicated as within the range of €120 and €140 million.²³

From \$10,000 to \$120,000,000 would imply a 12,000% growth within 9 months.²⁴

Whinstone US, Inc. and Subsidiary Statements of Operations For the Three Months Ended March 31, 2021 and 2020 (Unaudited)		
	Consolidated 2021	Unconsolidated 2020
Revenues	\$ 4,061,253	\$ 10,209
Cost of Revenues	19,668,816	295,128
Gross Profit (Loss)	(15,607,563)	(284,919)

Figure 5 Extract from Whinstone's income statement of the first quarter of 2020 and 2021

The real revenue fell shy of €120 million at €16 million but was entirely generated by its subsidiary Whinstone.²⁵ Anyway, the company did not make any gross or net profit.²⁶

²⁰ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x2.htm>

²¹ Northern Data AG, annual report 2020, 2021, p 78.

²² <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x1.htm>

²³ <https://ir.northerndata.de/news/adhoc/northern-data-provides-outlook-for-2021-and-announces-capital-increase/>

²⁴ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x2.htm>

²⁵ <https://ir.northerndata.de/news/adhoc/northern-data-publishes-preliminary-ifrs-figures-for-2020/>

²⁶ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x1.htm>

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With approximately \$328,000 and \$10,000 in revenue respectively the multiples were 42 times revenue based on its 2019 income statement and 1,332 times revenue based on its first three month of 2020. **By no means could this be reasonable argued to any investor.**

Maybe: the track record of Whinstone?

Mr. Aroosh Thillainathan, founder and shareholder of Whinstone US and later CEO of Northern Data, praised Whinstone US as a company with mining facilities in Sweden, Netherlands and Louisiana in the United States.²⁷ But we were not able to find any corporations neither in Sweden nor the Netherlands prior to the acquisition. Whinstone US LLC, the predecessor of Whinstone US Inc, was first founded in October 2018.²⁸ Its address being a warehouse in New Orleans, Louisiana, which is used by a US flooring company called Bonitz.²⁹ At the time of **the acquisition offer, the company only had 5 MW of mining capacity which were installed just months before.**^{30 31 32} Prior to that, Whinstone's capacity was shy of 1 MW.³³ **That is fairly small and it does not justify the price tag.**

Maybe: the knowledge and management skills of Whinstone?

Mr. Thillainathan had been a self-proclaiming bitcoin expert with a background in the finance industry but we could only verify developing a dating app and working in real estate before founding Whinstone and had neither any recorded mining nor business experience within the industry.^{34 35} Having founded several failed companies in industries like online dating, consulting and real estate.³⁶

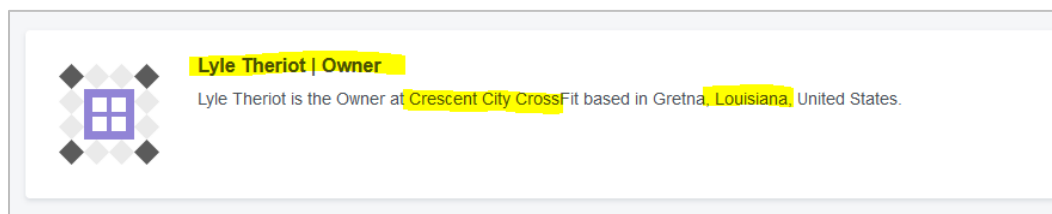


Figure 6 Screenshot from mailhunter.io

²⁷ <https://ir.northerndata.de/news/corporate-news/northern-bitcoin-merges-with-leading-us-competitor/>

²⁸ https://opencorporates.com/companies/us_la/43231155K

²⁹ <https://bonitz.us/solutions>

³⁰ <https://anchor.fm/the-shrimp-society/episodes/Sunday-Dinner-1-The-23-Year-Old-CTO-of-the-Largest-Bitcoin-Miner-in-the-US-Ashton-Harris-e1a8ool/a-a6t6vdu>

³¹ <https://panjiva.com/Whinstone-US-Llc/62179876>

³² <https://www.importgenius.com/importers/whinstone-us-llc>

³³ <https://anchor.fm/the-shrimp-society/episodes/Sunday-Dinner-1-The-23-Year-Old-CTO-of-the-Largest-Bitcoin-Miner-in-the-US-Ashton-Harris-e1a8ool/a-a6t6vdu>

³⁴ <https://anchor.fm/the-shrimp-society/episodes/Sunday-Dinner-1-The-23-Year-Old-CTO-of-the-Largest-Bitcoin-Miner-in-the-US-Ashton-Harris-e1a8ool/a-a6t6vdu>

³⁵ <https://expydoc.com/doc/9058277/startup-breeze-gmbh>

³⁶ <https://www.northdata.com/Thillainathan,+Aroosh+Mayoorathan,+Kreuzlingen/11se>

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Next to Mr. Thillainathan as CEO, Whinstone's COO Mr. Lyle Theriot used to be a CrossFit gym owner before joining the executive board.^{37 38}

His co-founder and CTO³⁹ of Whinstone Ashton Harris describes him as follows "[...] he came into my dad's warehouse where I had the [S-9] machines running. And he was confused. **This guy knew not much about Tech beyond like running a Facebook page [...]**".⁴⁰

Furthermore Whinstone had two CTOs: Andreas Lange⁴¹, a former software engineer employed within the tourism industry before meeting Mr. Thillainathan and Ashton Harris, a college dropout.^{42 43}

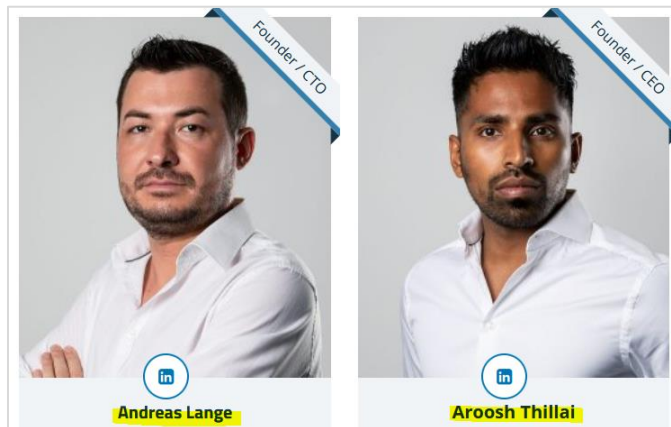


Figure 7 Screenshot of now defunct team website of hashtrend.ch⁴⁴

Mr. Lange and Mr. Thillainathan founded company before: Hashtrend AG.⁴⁵ The dropout, Mr. Harris, had a hands-on attitude, frequently found in the crypto space.⁴⁶

Academic credentials are no valuation metric in the crypto space, but business experience within the field is. **To sum it up, all of them lacked the management quality and so did not vindicate the price tag.**

³⁷ <https://lyletheriot.tumblr.com/>

³⁸ <https://mailhunter.io/profile/fWdJhwOMILZmWclYRIQ8Wg/Lyle-theriot>

³⁹ We do not know who the CTO at Whinstone was because both, Mr. Lange and Mr. Harris, presented oneself solely as the CTO of the company.

⁴⁰ <https://anchor.fm/the-shrimp-society/episodes/Sunday-Dinner-1-The-23-Year-Old-CTO-of-the-Largest-Bitcoin-Miner-in-the-US-Ashton-Harris-e1a8ool/a-a6t6vdu>

⁴¹ Mr. Andreas Lange should not be mistaken for a former acquaintance of Mr. Christian Angermayer. Both men just share the same name.

⁴² <https://se.linkedin.com/in/andreas-lange-2b4a0b135>

⁴³ <https://anchor.fm/the-shrimp-society/episodes/Sunday-Dinner-1-The-23-Year-Old-CTO-of-the-Largest-Bitcoin-Miner-in-the-US-Ashton-Harris-e1a8ool/a-a6t6vdu>

⁴⁴ <https://web.archive.org/web/20180913222814/https://www.hashtrend.ch/>

⁴⁵ On the website of this company Mr. Thillainathan states that he founded Whinstone Mining Ltd., a successful mining company. That is not the same company sold to Northern Data. We are aware, that Hashtrend AG was a shareholder in Whinstone US Inc, but determined it as not relevant for further investigation at the moment.

⁴⁶ <https://anchor.fm/the-shrimp-society/episodes/Sunday-Dinner-1-The-23-Year-Old-CTO-of-the-Largest-Bitcoin-Miner-in-the-US-Ashton-Harris-e1a8ool/a-a6t6vdu>

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Maybe: the assets of Whinstone?

Considering the company's balance sheet Whinstone would have been almost worthless considering its debt and liabilities.⁴⁷ In our opinion, the liabilities and assets accounted for at the purchase are a million dollar energy contract, a warehouse in construction⁴⁸ and leased land opposite a high voltage power facility.⁴⁹

Fair value of identified assets acquired and liabilities assumed as of the acquisition date	
Customer relationships	107.454
Property, plant and equipment and rights of use from leasing agreements	37.351
Other assets	4.104
Cash and cash equivalents	3.074
Trade payables	-627
Contractual liabilities, accruals and deferrals	-6.620
Financial liabilities, liabilities from leasing agreements	-44.093
Other liabilities	-285
Deferred taxes from PPA	-23.021
Total identified net assets	77.337
Goodwill	42.471
Total	119.808

Figure 8 Extract from Northern Data's annual report about its merger with Whinstone

Most assets were financed by high-yield debt. The majority of Whinstone's liabilities consisted of a 2.5 year securitized loan from GMO Internet Inc. at a 7% interest rate.⁵⁰ This way the company could start constructing a mining facility. The debt was secured by "[...] Company stock, as well as the buildings, land lease rights and equipment [...]" and a profit sharing agreement.⁵¹

During 2019, one of the Company's customers provided funding for one of the data centers being constructed. Under the terms of the agreement, the Company will repay the construction debt plus an additional \$2,000,000 for the restoration of lost profit. The restoration of lost profit was recognized as a reduction of revenue in 2019 and fully paid in July 2020. Payments under this agreement began in June 2020 for a period of 30 months at an interest rate of 7.0%. This debt is secured by the Company stock, as well as the buildings, land lease rights and equipment. The estimated maturities based on the debt at December 31, 2020 are as follows:

Figure 9 Extract from the regulatory filing regarding the sale of Whinstone to Riot Blockchain

Photos, which were provided by the company to its auditor at the time of the merger, show a recently started construction site in February 2020.⁵² Liabilities accumulated to €74.646 million and tangible assets

⁴⁷ Northern Data AG, annual report 2020, 2021, p 78.

⁴⁸ Riot Blockchain Inc, 10-Q filing, 2021, p. 7.

⁴⁹ <https://www.google.com/maps/@30.5755702,-97.0781002,1090m/data=!3m1!1e3>

⁵⁰ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x2.htm>

⁵¹ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x2.htm>

⁵² MSW GmbH, Bericht über Sachkapitalerhöhungsprüfung, 2020, p. 16.

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accounted for €44.529 million. These assets were part of the securitized loan. Hence, excess liabilities outreached €30 million and the company was over indebted.

In a nutshell, the €120 million dollar price can't be based on its balance sheet either.

Maybe: the customers of Whinstone?

In the end the price was heavily influenced by Whinstone's customer base. At time of the acquisition the future benefits from the customer base were valued at €107 million.⁵³ Such a brass valuation indicates a large, diverse and strong customer base at first sight.

But Whinstone only had three customers at the time of the acquisition – and this number remained after the merger:

Revenue derives predominantly from the sale of hosting services. Invoices for hosting activities are issued monthly and are usually payable within 60 days. Hosting is recorded over a period of time, i.e. according to invoicing. In the 2020 fiscal year, the Group had three major customers based in the USA. The resultant revenues of kEUR 16,154 are divided approximately equally between the three major customers.

Figure 10 Extract from Northern Data's annual report regarding its revenue from customers

These three customers were Whinstone's most valuable asset and the carrying value of this asset was based solely on highly subjective estimates from Northern Data's management. The same executive management which owned at least 40% of Whinstone.

Intangible assets acquired consist of customer contracts, with an estimated useful average life of approximately 8.5 years based on the remaining lives of the customer contracts. Fair value of the contracts was estimated by applying an income approach – multi period excess earnings method. The fair value was determined by calculating the present value of estimated future operating cash flows generated from the existing customers less costs to realize the revenue. The Company applied a discount rate of 21% which reflected the nature of the assets as they relate to the risk and uncertainty of the estimated future operating cash flows. Other significant assumptions used to estimate the fair value of the customer contracts include an assumed income tax rate of 21% and for expiring contracts an estimated renewal probability of 80%. The future quarterly straight-line amortization of the identified intangible assets is estimated to be approximately \$2.6 million.

Figure 11 Extract from Riot Blockchain's quarterly filing regarding customer life time, value and amortization

An independent valuation of these contracts, which was performed after the sale of Whinstone to Riot Blockchain made the same observation of subjectivity, risk and uncertainty. Riot Blockchain amortizes its customer contract with a quarterly straight-line amortization of \$2.6 million based on an average useful life of 8.5 years and a discount rate of 21%.⁵⁴

In conclusion, Riot Blockchain valued the contracts with the three customers at \$88.4 million at time of the acquisition. This suggests that the contract value – based on Riot' estimates – was \$104 million on March 8th 2020 (when Northern Data AG's acquired Whinstone US).

In contrast, Northern Data's AG never revealed the precise estimates used but valued the customer contracts at \$123.1 million at the time of Whinstone's purchase.⁵⁵

⁵³ Northern Data AG, annual report 2020, 2021, p 78.

⁵⁴ Riot Blockchain Inc, 10-Q filing Q2 2021, 2021, p. 19.

⁵⁵ €107.45 million as stated in Northern Data AG's annual report and exchange at EUR.USD of 1.1456 on its acquisition date March 8, 2020.

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We analyzed all statements and estimated a carrying value difference between \$17.51m and \$19.1m, even though Northern Data and Riot applied straight line amortization for their intangible assets and were direct competitors. So fair value should be within a range of 5% to 10%. Depending on the relative measure used, this is a significantly more than a 20% difference.

Date	3/8/2020		12/31/2020		5/26/2021
Northern Data AG	\$	123.10	\$	112.84	\$ 106.69
Riot Blockchain Inc	\$	104.00	\$	95.33	\$ 88.40
valuation differences	\$	19.10	\$	17.51	\$ 18.29

Figure 12 Analysis of customer amortization and impairment value, bold numbers represent values stated by respective company in functional currency, source: Ningi Research

This difference in an assets fair value clearly indicates the overstated value of the customer contracts by the executive management.

Fortunately, based on Riot Blockchain assessment of the average contract life at 8.5 years (for its quarter ending on 06/30/2021), this prompts, that the contracts were concluded on 01/01/2020. Two months later Whinstone was acquired for \$137 million.⁵⁶

As far as our assessment goes, Northern Data's three so called customers in 2020 and thus Whinstone's customers were SBI Crypto, GMO Internet⁵⁷ and Block.one.^{58 59 60} All three were either direct or indirect shareholders of Northern Data through their respective parent companies. **These facts lead us to believe that there were no independent customers in sight at the time of the merger.**

The customers signed service agreements in which PP&E, equity and even future equity swaps were given in pledge or contracts were obtained after a respective customer invested Northern Data's shares.^{61 62 63} **It is obvious that putting a company's asset, future profit and future equity options in pledge for a customer contract, is neither a viable business model nor a real customer relationship.** In our opinion the identifiability of these customer contracts, which are intangible assets, are not given because the contracts cannot be separated from the other obligations, e.g. GMO Internet's loan, or transferred from the entity separately. **We believe these contracts should have been accounted for Goodwill not as an intangible asset.**

The same accounts for an investor who suddenly becomes a customer.

⁵⁶ €119 million as stated in the annual report converted at EUR.USD 1.1456

⁵⁷ GMO Internet was indirect shareholder through a pledge of Northern Data shares by the former shareholders of Whinstone, see further Northern Data Contribution and Lock In Agreement page 6.

⁵⁸ <https://ir.northerndata.de/news/corporate-news/northern-data-and-sbi-crypto-announce-strategic-cooperation/>

⁵⁹ <https://ir.northerndata.de/news/corporate-news/northern-data-announces-new-block-one-backed-customer/>

⁶⁰ MSW GmbH, Bericht über Sachkapitalerhöhungsprüfung, 2020, p. 25.

⁶¹ MSW GmbH, Bericht über Sachkapitalerhöhungsprüfung, 2020, p. 25.

⁶² Northern Data AG, Contribution and Lock In Agreement, 2020, p. 6.

⁶³ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x2.htm>



Figure 13 Extract from SBI Holding's investor presentation for 2021

For example, SBI does not mention Whinstone, Northern Data or Riot Blockchain (as the new parent company of the Whinstone) as a current investment or business relationship in its presentation for the annual report of 2021 – despite being named a strategic investor and customer by Northern Data.^{64 65 66} Being invested in one of the biggest crypto mining companies sounds like an investment, which would be promoted to one's shareholders and investors. However SBI refused to do so.

In 2020 Innoplexus AG, life science start-up, was announced as a customer for Northern Data's HPC segment.⁶⁷ This customer is also backed by Northern Data's major shareholders Block.one and Apeiron Investment Group.^{68 69} Funny enough, we could not find any evidence, if this announcement materialized in any way. We doubt it.

We believe – contrary to Northern Data's ad-hoc announcements – neither did Whinstone have the excessive bitcoin or altcoin mining operations up to the merger nor did Northern Data obtain any mining or HPC business, which was not a related-party transaction, well after the merger.

Whinstone's and post-merger Northern Data's non-existent business is indicated by the lack of balance sheet accounts for crypto currencies, by former employees, by statements within Riot Blockchains quarterly filings, by shareholder announcements, energy supply contracts and by its former management.^{70 71 72 73 74}

The merger was based on cloud-castles. More precisely on

- **non-disclosures of conflicts of interest,**
- **promotion of capacity and management track record**
- **non-disclosure of pawned assets, shares and profit and**
- **fake customer relationships with companies owned by or directly with its shareholders.**

⁶⁴ <https://www.sbigroup.co.jp/english/investors/disclosure/presentation/pdf/220131presentations.pdf>

⁶⁵ <https://ir.northerndata.de/news/corporate-news/northern-data-and-sbi-crypto-announce-strategic-cooperation/>

⁶⁶ Northern Data AG, annual report 2020, 2021, p 24.

⁶⁷ <https://ir.northerndata.de/news/corporate-news/northern-data-ai-leader-innoplexus-chooses-northern-data-hpc-solutions-to-accelerate-drug-discovery-and-development-against-covid-19/>

⁶⁸ <https://www.innoplexus.com/news/founder-fights-cancer-with-artificial-intelligence/>

⁶⁹ <https://b1.com/portfolio/#1>

⁷⁰ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x3.htm>

⁷¹ https://www.sbigroup.co.jp/news/2021/0319_12372.html

⁷² MSW GmbH, Bericht über Sachkapitalerhöhungsprüfung, 2020, p. 25.

⁷³ Riot Blockchain Inc, 10-Q filing Q2 2021, 2021, p. 19.

⁷⁴ Northern Data AG, annual report 2020, 2021, p 24.

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In connection with Northern Data's loud communication strategy this lead to two goals: boosting their own stock price and expand the hidden backers influence by overstating Whinstone's value. A higher valuation leads to more shares in a contribution-in-kind capital increase. BlackMars Capital reduced its share in Northern Data to less than 25% in April 2020 because with the share increase of 3.7 million influence was still significant at 50% of ownership.⁷⁵ This was done solely for the monetary and personal advantage of a small group of shareholders and company insiders.

⁷⁵ 25% of 11.1 million shares plus 3.7 million by the Whinstone founders equal 6.475 million.

II) Building another cloud-castle in Sweden

During the sale negotiation of its subsidiary Whinstone, the executive management anticipated that Northern Data would not have any revenue after its divestiture.

So within its strategy swift Northern Data bought a data center called Hydro66 UK Limited and its subsidiaries Hydro66 Svenska AB, Hydro66 Svenska Services AB and Hydro66 Property Services AB in Boden, Sweden from a company called Hydro66 Holdings Corporation (now: SIXTY SIX Capital Inc.) for €25 million (€4 million in cash and €21 million in shares).⁷⁶ We think: an expensive ad-hoc acquisition.

“We need replacement. Now!”⁷⁷

The formation auditor Gertraud Dirscherl even stated in her report that constructing a similar data center would cost less than the purchase price but due to its “time-to-market” nature Hydro66 was worth the purchase price.⁷⁸

Darüber hinaus hat die Gesellschaft eine Vergleichsbetrachtung der Substanz des Datencenters vor dem Hintergrund eines jedenfalls grundsätzlich möglichen Neubaus eines Rechenzentrums vorgenommen. Auch wenn bei Neuerrichtung die Kosten mit rd. EUR 10 Mio. unter dem Kaufpreis für die UK Ltd. liegen, würde die Errichtung allerdings mindestens ein Jahr oder länger dauern.

Figure 14 Extract from the Hydro66 valuation report, translation below

[...] Even if the cost of building a new data center is around EUR 10 million lower than the purchase price for UK Ltd, construction would take at least one year or longer. [...]

As stated in a press release announcing the purchase, Hydro66’s site in Boden consisted of six data centers on 2.5 hectares.⁷⁹

authorities access to the stored data of large American hyperscalers. The data sovereignty we can offer in comparison is another selling proposition that makes us particularly attractive to certain customers and drives demand.”

The site in Boden currently consists of six data center facilities on an area of 2.5 hectares. Awarded for its ultra-efficiency, the site meets the highest requirements with various ISO certifications and was only completed by data center operator Hydro66 in 2019 before being acquired by Northern Data Group. Located around

Figure 15 Screenshot from the announcement of the Hydro66 acquisition

⁷⁶ <https://www.hydro66.com/news/hydro66-announces-sale-of-data-centre/>

⁷⁷ This is not a quote by any person. It’s for illustrative purposes

⁷⁸ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Hydro66 UK Ltd., London/Großbritannien, 2021, p. 16.

⁷⁹ <https://ir.northerndata.de/news/corporate-news/northern-data-closes-acquisition-of-data-center-site-in-northern-sweden-and-continues-successful-expansion-driven-by-enormous-demand/>

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Unfortunately, pictures obtained from Google Maps paint a different picture.



Figure 16 Screenshot of the land and current facility in Boden, Sweden, source: Google Maps



Figure 17 Screenshot of the facility in construction in Boden, Sweden, source: Google Maps

Dated August 2021 the photos show facilities which are still in construction.⁸⁰ The current construction is funded by Northern Data AG itself with about 65 million Swedish kronas (roughly €6 million).⁸¹

⁸⁰ <https://goo.gl/maps/y95e5U7tPiEK38Ug9>

⁸¹ Hydro66 Svenska AB, Årsredovisning för Hydro66 Svenska AB 2020, 2021, p. 1.

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[...] *The new owner has also decided to invest approximately SEK 65 million in 2021 as a first step to expand the company's capacity* [...]



Figure 18 Screenshot of site in construction in Boden, Sweden, source: Google Maps



Figure 19 Screenshot of unfinished data center in Boden, Sweden, source: Google Maps

The newly constructed facilities are an extension of current wooden structure. Due to the fact that in the summer the average temperature is about 18° Celsius and missing ventilation corridors on the front of the buildings we doubt if the architecture of the new constructed facilities will be able to cool down servers. The company even stated costs for cooling in its existing facility as a reason for higher than expected losses in 2018.⁸²

⁸² Hydro66 Svenska AB, Årsredovisning för Hydro66 Svenska AB 2018, 2019, p. 1.

Das Datacenter besteht gegenwärtig aus sechs Rechenzentrumshallen auf einer Fläche von 2,5 Hektar, erbringt eine Leistung von 20 Megawatt (MW) und soll im Anschluss an die Transaktion weiter ausgebaut werden. Der Standort des Datacenters ist aufgrund der niedrigen Jahresdurch-

Figure 20 Extract from the Hydro66 valuation report, translation below

[...] The data center currently consists of six data center halls on an area of 2.5 hectares, has a capacity of 20 megawatts (MW) and is to be further expanded following the transaction. [...]

The promoted six facilities are really just one building and this was constructed years ago. The facility only has the capacity of 20 MW per year.⁸³ To be clear, the site is one data center with wings and not six independent buildings. Not quite what Northern Data had announced.

Unprofitable businesses are good for business expansion

Väsentliga händelser under räkenskapsåret

2020 har fortsatt präglats av arbetet med att hitta nya kunder för fylla den utökade kapacitet som företaget investerade i under 2018. Jämfört med 2019 så minskade företagets omsättning med 20 % då effekterna av Covid-19 gjort det svårt att bedriva sälj- och marknadsaktiviteter samtidigt som ett större kundkontrakt löpte ut under slutet av 2019.

Bolaget har under 2020 fortsatt finansierats av Hydro66 UK Ltd som äger 100% av aktierna. Moderbolaget har i sin tur finansierats av koncernmoderbolaget Hydro66 Holdings Corp som är noterat på Canadian Securities Exchange (CSE) med ticker symbolen: SIX.

Den 4 mars 2021 såldes 100% av Hydro66 UK Ltd och därmed indirekt även Hydro66 Svenska AB till Northern Data AG. Northern Data AG är ett tyskt bolag noterat på frankfurt börsen med ticker symbolen: NB2. I och med försäljningen så har bolaget fått två nya storkunder och i dagsläget är bolagets datahallskapacitet i princip fullt utnyttjad. Den nya ägaren har även valt att investera ca 65 mkr under 2021 i ett första steg för att utöka bolagets kapacitet.

Bolaget har en pågående skatterevision för perioden 2016-2019 samt en skatteförfrågan för 2020 avseende bolagets rätt till avdrag för ingående moms på delar av dess verksamhet. Skatteverket har ännu inte kommit med något slutligt besked men har uttryckt en avsikt att återkräva delar av den moms som bolaget dragit av med motiveringen att Hydro66 Svenska AB bryter kryptovalutor för eget bruk. Bolaget

Figure 21 Extract from the Swedish annual report of Hydro66⁸⁴, translation below and next page

Significant events during the financial year

2020 continued to be characterised by efforts to find new customers to fill the expanded capacity that the company invested in during 2018. Compared to 2019, the company's revenue decreased by 20% as the impact of Covid-19 made it difficult to conduct sales and marketing activities while a major customer contract expired at the end of 2019. [...]

Above all, Hydro66 struggled for years to find and retain customers. The company was never profitable with its business model – still Northern Data claims this business model is highly profitable for them.⁸⁵

⁸³ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Hydro66 UK Ltd., London/Großbritannien, 2021, p. 22.

⁸⁴ Hydro66 Svenska AB, Årsredovisning för Hydro66 Svenska AB 2020, 2021, p. 1.

⁸⁵ <https://ir.northerndata.de/news/corporate-news/northern-data-closes-acquisition-of-data-center-site-in-northern-sweden-and-continues-successful-expansion-driven-by-enormous-demand/>

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Net revenue declined by 54% from 2018 to 2020 and solvency only increased because they booked receivables from a still unsolved dispute with the Swedish Tax Authorities as income.^{86 87}

Flerårsöversikt (Tkr)	2020	2019	2018	2017
Nettoomsättning	23 955	30 288	49 029	13 226
Resultat efter finansiella poster	-9 407	-29 227	-13 587	-3 604
Soliditet (%)	12,0	4,1	3,1	19,1

Figure 22 Extract from Swedish annual report of Hydro66 regarding key business metrics: net revenue, retained earnings, solvency

Northern Data AG paid €25 million for a deficient company, which was debt-ridden, in dispute with the local tax authorities and expiring customer contracts.⁸⁸ The former investors and management was never able to develop a profitable business model with its bitcoin mining operation or its HPC data centers.⁸⁹

However, Northern Data AG found new customers instantly:

[...] In 2020, the Company continued to be funded by Hydro66 UK Ltd, which owns 100% of the shares. The parent company was in turn funded by the group parent company Hydro66 Holdings Corp, which is listed on the Canadian Securities Exchange (CSE) with the ticker symbol: SIX.

On 4 March 2021, 100% of Hydro66 UK Ltd and thus indirectly Hydro66 Svenska AB was sold to Northern Data AG. Northern Data AG is a German company listed on the Frankfurt Stock Exchange with the ticker symbol: NB2. With the sale, the company has gained two new major customers and at present the company's data hall capacity is almost fully utilized. The new owner has also decided to invest approximately SEK 65 million in 2021 as a first step to expand the company's capacity [...]

Hydro66's capacity in 2021 will only be fully utilized due to two new customers.⁹⁰ The annual reports do not state which companies the customers are but we believe these are Decentric Europe B.V. and Bitfield N.V. – two companies which we will analyze later in our report. So Decentric Europe and Bitfield should push Northern Data AG's revenue growth via its subsidiary in Sweden.

In our opinion Hydro66 has a legit, yet unprofitable and debt-ridden past. Even the auditors determined the financial situation of the company had deteriorated and going-concern was only possible through enhanced liquidity.⁹¹

Die Abschlussprüfer der Hydro66 Holdings Corp Group haben die Testate für 2019 und 2018 nur mit Einschränkungen erteilt (Bereitstellung erheblicher zusätzlicher Liquidität durch die Gesellschafter).

Figure 23 Extract from the valuation report of Hydro66, translation below

[...] The auditors of Hydro66 Holdings Corp Group issued the unqualified opinions for 2019 and 2018 only with reservations (provision of significant additional liquidity by the shareholders). [...]

⁸⁶ Hydro66 Svenska AB, Årsredovisning för Hydro66 Svenska AB 2020, 2021, p. 1.

⁸⁷ Sixty Six Capital Inc, annual report 2020, 2021, p. 25.

⁸⁸ Hydro66 Svenska AB, Årsredovisning för Hydro66 Svenska AB 2020, 2021, p. 1.

⁸⁹ Sixty Six Capital Inc, annual report 2020, 2021, p. 9.

⁹⁰ Hydro66 Svenska AB, Årsredovisning för Hydro66 Svenska AB 2020, 2021, p. 1.

⁹¹ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Hydro66 UK Ltd., London/Großbritannien, 2021, p. 13.

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The valuation report's auditor, Mrs. Dirscherl, called the future plans outlined by Northern Data's management very ambitious.⁹²

Vor dem Hintergrund der bisherigen Geschäftsentwicklung und der Planverfehlung in 2020 ist diese Planung als sehr ambitioniert einzustufen. Da das Datacenter künftig vollständig durch das Geschäftsmodell der ND... ersetzt sein wird, erfolgte für die... ..

Figure 24 Extract from the valuation report of Hydro66, translation below

[...] In view of the business performance to date and the shortfall in 2020, this plan must be regarded as very ambitious. [...]

All facts do not justify the price paid for this acquisition and ambitions won't be met in the future. We believe the company was only acquired to book any revenue for 2021. Hydro66 was never profitable even though crypto currency prices increased dramatically. And we think, this won't change with Northern Data's involvement.

⁹² Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Hydro66 UK Ltd., London/Großbritannien, 2021, p. 21.

III) Third time's a charm – buying Decentric Europe BV

After Northern Data purchased Hydro66 in March 2021, the company also bought Decentric Europe B.V. in August 2021 for €365 million. Northern Data's management explicitly stated that Decentric Europe was acquired because of its hardware of 24,000 GIGABYTE servers and 223,000 AMD GPUs.⁹³ This has been Northern Data's biggest acquisition to date and we believe its biggest fraud.

Decentric Europe's main purpose was to mine the cryptocurrency Ether for its owner Block.one.⁹⁴

Zweck der Gesellschaft, ist der mit Hardware Sale and Purchase Agreement und Master Cloud Computing Services Agreement zwischen B1 und Decentric vereinbarte Betrieb der Server zur Erzeugung der Kryptowährung Ethereum. Die Server stehen in Datacentern der Northern Data AG in den Niederlanden, Deutschland, Schweden und Norwegen. Demzufolge hat die Decentric Betriebsstätten in Deutschland, Schweden und Norwegen.

Figure 25 Extract from Decentric Europe valuation report, translation below

[...] agreed between B1 and Decentric to operate the servers for the generation of the cryptocurrency Ethereum. [...]

Buy now, pay later never

Interestingly enough, Decentric Europe B.V. was incorporated on Christmas Eve 2020 in the Netherlands and established a subsidiary in March 2021 in Norway.⁹⁵

Over the holidays Northern Data AG delivered products for almost €34 million to Decentric Europe B.V. and another company called Bitfield Group.⁹⁶

in addition to prepayments for hardware, primarily for the data centers in Texas and the Netherlands (kEUR 27,524) and, in an amount of kEUR 33,846, to the hardware delivered to Decentric and the Bitfield Group in December 2020, which, in the absence of a transfer of control, continues to be recog-

Figure 26 Extract from Northern Data's annual report for 2020

Surprisingly, it is well documented in the cash flow statements, accounts and reports: **Northern Data bought the hardware and shipped it directly to Decentric Europe without any exchange of monetary value.**⁹⁷ In a document reviewing the intrinsic value of Decentric Europe it is stated that \$28.2 million of payables for this hardware was still outstanding at the time of the acquisition:⁹⁸

⁹³ <https://ir.northerndata.de/news/corporate-news/northern-data-acquires-server-systems-with-some-223000-gpus-from-block-one-for-a-total-price-in-the-amount-of-approximately-eur-365-million/>

⁹⁴ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 11.

⁹⁵ <https://opencorporates.com/companies/nl/81250983>

⁹⁶ Northern Data AG, annual report 2020, 2021, p. 49.

⁹⁷ Northern Data AG, annual report 2020, 2021, p. 49.

⁹⁸ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 14.

Leistung des Gesamtkaufpreises erfolgt durch (i) Aufrechnung von USD 28.209.684,47 für ausstehende Hardware-Rechnungen der ND aus dem Hardware Purchase Agreement, (ii) die Ausgabe von neuen Aktien der Gesellschaft in Höhe eines Teilbetrags von USD 200 mio. [...] Der Abschluss ist

Figure 27 Extract from Decentric Europe valuation report, translation below

[...] Payment of the total purchase price will be made by (i) offsetting USD 28,209,684.47 for outstanding hardware invoices of ND under the Hardware Purchase Agreement (ii) [...]

Northern Data's main purpose was being used as a shell company to buy the hardware.⁹⁹ This is also indicated by a press release from Gigabyte in September 2020.¹⁰⁰ The valuation report states that Decentric Europe paid €215 million in prepayments for the 24,000 servers and 223,000 GPUs and all products were delivered within 2021.¹⁰¹

But even though Northern Data delivered some hardware and transferred ownership, it remained on Northern Data's balance sheet as transfer of control was not given.^{102 103} In the end Northern Data bought back the hardware, which was still on its own balance sheet, by purchasing the whole company for €365 million.¹⁰⁴

Wirtschaftlich betrachtet ist der Gegenstand der Transaktion somit der mittelbare (Rück-)Erwerb des Eigentums an der Hardware, die sich bereits im Zugriffs- und Herrschaftsbereich der Gesellschaft an ihren verschiedenen Standorten befindet und von ihr betrieben wird, durch die Gesellschaft (d.h. durch den Erwerb der Zielgesellschaft als unmittelbarer Eigentümer der Hardware) gegen die Leistung des Kaufpreises

Figure 28 Extract from Decentric Europe valuation report, translation below

[...] From an economic point of view, the object of the transaction is thus the indirect (re)acquisition of ownership of the hardware, [...]

We believe contrary to the auditors statements that Decentric Europe never paid any prepayments or tangible cash for the hardware and there is no evidence for the stated cash payments in Northern Data's HGB report.¹⁰⁵

Founding an ether mining company after ether mining becomes obsolete

Northern Data's management explicitly stated that the hardware of 24,000 GIGABYTE servers and 223,000 GPUs determined the acquisition.¹⁰⁶ Since December 1st 2020 it is known and was publicly announced by

⁹⁹ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 12.

¹⁰⁰ <https://www.gigabyte.com/Press/News/1831>

¹⁰¹ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 14.

¹⁰² Northern Data AG, annual report 2020, 2021, p 20.

¹⁰³ Northern Data AG, annual report 2020, 2021, p 25.

¹⁰⁴ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 12.

¹⁰⁵ Northern Data AG, Jahresabschluss 2020, 2021,

¹⁰⁶ <https://ir.northerndata.de/news/corporate-news/northern-data-acquires-server-systems-with-some-223000-gpus-from-block-one-for-a-total-price-in-the-amount-of-approximately-eur-365-million/>

the Ethereum foundation that its consensus algorithms will switch from proof-of-work to proof-of-stake.^{107 108 109 110} Under a proof-of-work consensus algorithms the cryptocurrency Ether can be mined with GPUs – under proof-of-stake Ether cannot be mined with GPUs anymore. Nonetheless Decentric Europe’ sole owner Block.one, a venture capital firm whose main investment focus lies within the cryptocurrency industry, decided to order ether mining equipment for more than \$215 million. We highly doubt that. Northern Data’s general manager Michel Boutouil even tweeted about supporting progmmatic proof-of-work because GPUs are less profitable than ASIC computer:¹¹¹

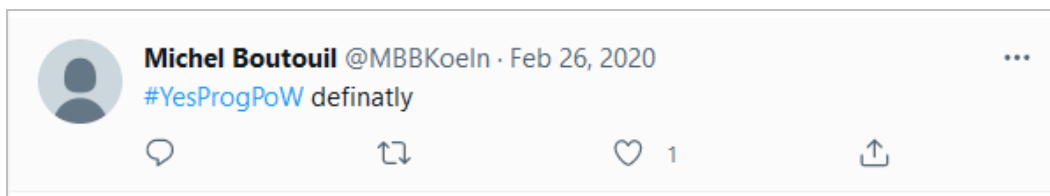


Figure 29 Tweet by Michel Boutouil, general manager of Northern Data Software GmbH

All involved parties – the owner, the buyer and the supplier – were well aware of the redundancy of GPUs for ether mining in the future. A case study by AMD states that Northern Data placed an order for only 4,366 servers and Mr. Boutouil as well as another Northern Data engineer are even quoted for marketing purposes. At the time of the publication of the case study 2,000 servers were already deployed.¹¹²

distributing training workloads, the extremely large bandwidth towards the GPUs really helps,” says Loesch. **These positive results led Northern Data to place a huge order for 4,366 single-socket GIGABYTE servers** powered by AMD EPYC 7402P processors, each one equipped with eight AMD Instinct MI50 GPUs, for a grand total of 34,928 accelerators. **Of these servers, around 2,000 have been deployed so far.**

Figure 30 Extract from the case study released by AMD regarding Northern Data's order

The product specifications match Northern Data’s ad-hoc announcement about the acquisiton and were also mentioned in the report by Gertraud Dirscherl.^{113 114}

A friend of a cousin’s in-law told me that his neighbor saw the hardware

However, in the valuation report the auditor does not state the quantity of servers and GPUs in the inventory of Decentric Europe. Inventory lists with serial numbers or bill of materials were never provided

¹⁰⁷ <https://ethereum.org/en/developers/docs/consensus-mechanisms/pow/mining/>

¹⁰⁸ <https://decrypt.co/74262/what-happens-ethereum-miners-after-eth-2>

¹⁰⁹ <https://www.gemini.com/cryptopedia/what-is-ethereum-pos-proof-of-stake>

¹¹⁰ <https://fortune.com/2020/02/19/ethereum-bitcoin-closest-rival-cryptocurrency/>

¹¹¹ <https://twitter.com/MBBKoeln/status/1232787664082014208>

¹¹² <https://www.amd.com/system/files/documents/northern-data-takes-hpc-to-a-new-level-of-cost-and-energy-efficiency-with-amd-technology.pdf>

¹¹³ <https://www.amd.com/system/files/documents/northern-data-takes-hpc-to-a-new-level-of-cost-and-energy-efficiency-with-amd-technology.pdf>

¹¹⁴ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 11.

by the seller or requested by the auditor. 115 116
It is just vaguely stated that Decentric Europe owns 40MW of hardware.¹¹⁷

Mrs. Discherl could have had the opportunity to visit the data centers in person to verify the presence of the hardware but she states in the first pages of the audit report that the due diligence was done from her office.

nes objektivierten Unternehmenswertes war nicht Gegenstand meines Auftrags. Ich habe meine Arbeiten vom 4. Mai bis 17. August 2021 (mit Unterbrechungen) in meinem Büro durchgeführt. Die

Figure 31 Extract from Decentric Europe valuation report, translation below

[...] I performed the work in my office from May 4 to August 17, 2021 (with interruptions). [...]

In our opinion Decentric Europe had ownership of inventories and hardware in size of the delivery from Northern Data from December 2020.

On the one hand, this can be shown by AMD's case study and on the other hand, Bloomberg Quicktake visited the data center in Norway together with Mr. Boutouil.¹¹⁸ 1,750 servers are shown there. In the case study, 2,000 connected servers were mentioned. Since the publication period of the case study and the video are only one month apart, we assume that this is the delivery from Northern Data to Decentric Europe.

Both Northern Data and Decentric Europe each had a subsidiary in Norway, though Northern Data Nor AS had no operations in 2020, according to its annual report.¹¹⁹ This was of course due to the fact that the first hardware was only delivered over the holidays in December 2020. In balance sheet terms, the hardware shown was allocated to Decentric Europe's Norwegian subsidiary to justify the purchase price. Interestingly Northern Data Nor AS did not record any assets on its balance sheet for 2020.¹²⁰ Even though Northern Data stated otherwise in its annual report for 2020.¹²¹

We believe Decentric Europe was never in control or ownership of 24,000 servers and 223,000 GPUs and that the rest \$173 million of servers are fake. This is even indirectly recoverable from the documents. Firstly through the as above stated open receivables, case study as well as the video and secondly through the depreciation done by Mrs. Dirscherl within the valuation report.

Even though the hardware should be depreciated within three years after activation the depreciation for assets valued at \$215 million was only \$10 million.¹²² Hence, Decentric Europe was in control of about

¹¹⁵ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 6.

¹¹⁶ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 7.

¹¹⁷ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 13.

¹¹⁸ <https://twitter.com/Quicktake/status/1426113478595592194>

¹¹⁹ Northern Data Nor AS, Årsregnskap for regnskapsåret 2020, 2021, p.1.

¹²⁰ Northern Data Nor AS, Årsregnskap for regnskapsåret 2020, 2021, p.3.

¹²¹ Northern Data AG, annual report 2020, 2021, p. 25.

¹²² Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 11.

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Servers/GPUs worth €34 million or roughly \$40 million.¹²³ This can be easily calculated by using straight-line depreciation.

Bilanz der Decentric Europe, B.V.		12.08.2021
		adjusted
		TUSD
Hochleistungs-Rechenhardware, Prozessoren und GPUs etc.		215.339
ab: Abschreibungen		-10.459
Anlagevermögen		204.880
Geleistete Anzahlungen		703
Sonstige Steuerforderungen		260
sonstige Forderungen (Lease deposits)		2
Umlaufvermögen		965
Aktiva		205.845
Gezeichnetes Kapital		-
Kapitalrücklagen		204.620
Ergebnis 1.1.-9.8.2021		916
Eigenkapital		205.536
Rückstellungen für Steuern		305
Sonstige Verbindlichkeiten (unverzinslich)		4
Passiva		205.845

Figure 32 Trial balance from Decentric Europe valuation report,
'Abschreibungen' means depreciation in German language

It had been almost nine months since the delivery and activation of the hardware to the date of the balance sheet. Therefore, depreciation is calculated as stated:

$$\frac{\$10.459 \text{ million}}{\frac{9}{36} \text{ months}} = \$41.836 \text{ million}$$

This is almost the same dollar amount¹²⁴ as the stated €33.846 million¹²⁵ of delivered hardware:

¹²³ Northern Data AG, annual report 2020, 2021, p. 49.

¹²⁴ Euro amount translated at EUR.USD exchange rate on 12/31/2020. We believe the small difference occurs due to unknown exact date of activation on the balance sheet and the currency translation of Decentric Europe accounts from EUR to USD back to EUR.

¹²⁵ Northern Data AG, annual report 2020, 2021, p. 49.

$$€33.846 \text{ million} * 1.2271 \frac{\text{USD}}{\text{EUR}} = \$41.532 \text{ million}$$

We believe that Block.one tried to scam shareholders and investors with this fake revenue, fake inventory and fake liabilities from the beginning. In our opinion \$173 million of GPUs and servers do not exist and all documents, analyses and interviews indicate the same.

Hardware worth \$41 million had to be ordered because employees, suppliers, auditors, investors and minority shareholders, who did not have the technical expertise had to be fooled by some real inventory, transactions and orders.

The fact that accounts payables worth of \$28 million and \$10 million for hosting – which were still due to Northern Data – were not stated on the balance sheet, shows how much the documents and financial statements were doctored.^{126 127} Instead, they are only casually mentioned within the audit report and its footnotes.¹²⁸

Der im Gesamtpreis berücksichtigte Betrag von **USD 10 mio.** für von der Decentric gemäß dem Interim **GPU Hosting Agreement geschuldete Hostingleistungen** der NDS ist in der Trial balance (adjusted) des Managements der Decentric nicht enthalten.

Figure 33 Extract from Decentric Europe valuation report, translation below

*[...] The amount of **USD 10 million** taken into account in the total price for the **NDS 'hosting services provided by the Interim GPU Hosting Agreement** is not included in the Trial balance (adjusted) of the Management of the Decentric. [...]*

Interestingly enough the balance sheet is written in German language and dominated in US currency – indicating its functional currency is the US dollar – even though the company is incorporated in the Netherlands and its operations are based in the Netherlands, Sweden and Norway.¹²⁹ In our opinion this deviates from accounting standards.

We strongly believe that 81 percent of the hardware and inventory of Decentric Europe is fake and non-existent. Decentric Europe was incorporated to fake prepayments of several hundred million, to boost Northern Data's revenue and to scam investors.

There was even different communication on how the purchase should be settled. In the ad-hoc announcement from Northern Data's investor relations, it is said that €195 million should be paid in cash.¹³⁰

¹²⁶ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 14.

¹²⁷ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 15.

¹²⁸ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 15.

¹²⁹ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 11.

¹³⁰ <https://ir.northerndata.de/news/adhoc/northern-data-acquires-server-systems-with-approximately-223000-gpus-from-block-one-for-a-total-price-in-the-amount-of-approximately-eur-365-million-capital-increase-in-the-amount-of-eur-170-milli/>

Leistung des Gesamtkaufpreises erfolgt durch (i) **Aufrechnung von USD 28.209.684,47 für ausstehende Hardware-Rechnungen der ND** aus dem Hardware Purchase Agreement, (ii) **die Ausgabe von neuen Aktien** der Gesellschaft in Höhe eines Teilbetrags **von USD 200 mio.**, (iii) **Barzahlung in Höhe eines Teilbetrags von USD 60 mio.** und (iv) **ein Darlehen des Verkäufers** an die Gesellschaft in Höhe von **USD 130 mio.**

Figure 34 Extract from Decentric Europe valuation report regarding the purchase price, listing of the price components below

In the valuation report Mrs. Dirscherl based her audit and validation of the purchase price on the structure of:¹³¹

- settlement of payables of \$28 million,
- cash payment of \$60 million,
- a loan by Block.one in total of \$130 million and
- new shares in value of \$200 million.

But in the end account payables were settled, new shares worth of \$200 million were issued and most importantly Block.one got a cash payment of \$200 million dollar directly to its Cayman Island bank account.¹³²

Die Gesellschaft hat mit **BLOCK.ONE INVESTMENTS I**, einer Gesellschaft gemäß dem Recht der Cayman Islands, mit Sitz in George Town, Grand Cayman, Cayman Islands, Registernummer 326400, als Verkäufer (der „**Verkäufer**“) am heutigen Tag einen Anteilskauf- und Einbringungsvertrag (*Share Contribution and Acquisition Framework Agreement*, „**SCA**“) betreffend den Erwerb aller Anteile an der Decentric Europe B.V. (das „**Kaufobjekt**“) geschlossen. Dem Abschluss des SCA haben der Vorstand der Gesellschaft mit Beschluss vom heutigen Tag und der Aufsichtsrat der Gesellschaft mit Beschluss vom heutigen Tag zugestimmt. Der Kaufpreis für das Kaufobjekt entspricht gemäß dem SCA einem Gesamtbetrag von USD 428.209.684,43 (der „**Kaufpreis**“). Der Kaufpreis ist gemäß dem SCA

- a. in Höhe von USD 28.209.684,43 mit offenen Forderungen der Northern Data Software GmbH gegen den Verkäufer, die die Northern Data Software GmbH an die Gesellschaft abgetreten hat, zu verrechnen,
- b. in Höhe von USD 200.000.000 in bar zu leisten und**
- c. in Höhe von USD 200.000.000,00 (EUR 170.053.566,87) in Form von neuen Aktien der Gesellschaft unter Zugrundelegung des volumengewichteten arithmetischen Mittelwerts der XETRA®-Schlusskurse der Aktien der Gesellschaft während der letzten 30 Börsenhandelstage vor dem 10. August 2021 von EUR 74,30 (abgerundet auf die nächste ganze Stückzahl) zu leisten.

In Höhe von USD 10.000.000 wird der Kaufpreis reduziert um den Betrag der noch offenen Forderungen gegen das Kaufobjekt.

Figure 35 Final price components from the annex of the valuation report, company name and cash payment marked yellow

¹³¹ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 15.

¹³² Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 33.

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The final purchase agreement was signed off on August 12th by the supervisory board, the executive management and the seller as well as implemented by Northern Data's executive management on August 13th 2021.¹³³

Four days later, Mrs. Discherl finished her audit report: on August 17th 2021.¹³⁴ Hence, the deal was already closed and the purchase price was transferred before the auditor assessed the value of the company. One could call this German efficiency, we call it fraudulent.

Firma	Sitz	Anzahl der gezeichneten Aktien	Gesamtausgabebetrag in EUR	Sacheinlagegegenstand
BLOCK.ONE INVESTMENTS I, eine Gesellschaft gemäß dem Recht der Cayman Islands, Registernummer 326400	George Town, Grand Cayman, Cayman Islands	2.306.294	2.306.294,00	Alle Anteile an der Decentric Europe, B.V., einer Gesellschaft mit beschränkter Haftung (besloten vennootschap met beperkte aansprakelijkheid) gemäß dem Recht der Niederlande, mit Sitz in Amsterdam, Niederlande, und eingetragen im niederländischen Handelsregister unter der Nummer 81250983

Figure 36 Extract from several documents highlighting the pre-mature sign off for the deal

The chart below shows the relevant transactions in this fraudulent deal:

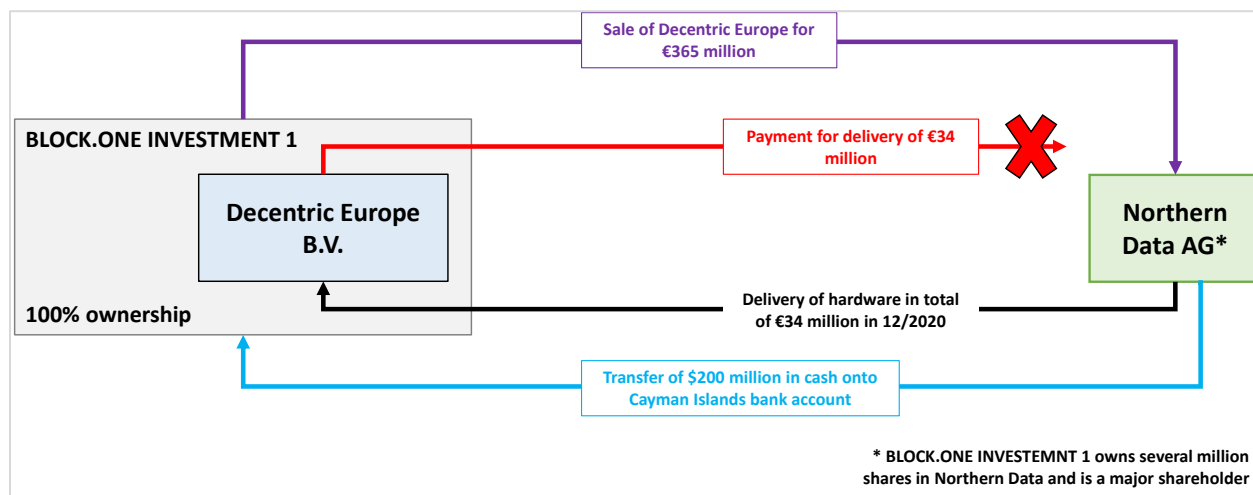


Figure 37 Visual of most relevant transactions for understanding the fraud, source: Ningi Research

¹³³ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021 – Annex 2, p. 4.

¹³⁴ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021, p. 24.

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To top it all off: After the sale was done, Block.one immediately terminated all contracts with Decentric Europe and did not sign a new one with Northern Data – contrary to Northern Data's believe.

Mit Abschluss des SPA werden die Verträge von Decentric mit B1 beendet, Decentric bleibt Eigentümerin der Hardware und wird die bislang an B1 erbrachten Dienstleistungen an einen von der Gesellschaft benannten Partner erbringen.

Figure 38 Extract from the Decentric Europe valuation report, translation below

[...] Upon completion of the SPA, Decentric's contracts with B will be terminated, Decentric will remain the owner of the Hardware and will provide the services previously provided to B1 to a partner designated by the Company. [...]

During the 2021 fiscal year, in addition to deliveries to two additional customers, further hardware units were delivered to Decentric and Bitfield and successively put into operation. Both companies already generated revenue in the first half of 2021 from the provision of computing power for mining cryptocurrencies. A definitive contract for the operation of Decentric's hardware by Northern Data was not concluded, contrary to original planning. The companies were acquired in the third quarter

Figure 39 Extract from Northern Data's annual report for 2020

And the company will miss its revenue guidance for 2021, although that is Northern Data's least important problem.

provision of computing power. One of the effects of the acquisition was the transfer of ownership of the hardware supplied to the companies between Northern Data and those companies. As a consequence of the Decentric and Bitfield acquisitions, it continued to be the case that no revenue from the supply of mining hardware and agreed services, including the operation of the hardware, was recognized in the 2021 fiscal year.

Figure 40 Extract from Northern Data's annual report for 2020

The purchase got Northern Data the following:

- no hardware,
- no customers,
- no valuable assets and
- no proprietary technology.

In our opinion Northern Data went bankrupt in the moment it transferred the cash payment of \$200 million to Block.one.

IV) Another one? Another one!¹³⁵ – Buying Bitfield N.V.

In September 2021 Northern Data announced its next acquisition: Bitfield N.V., a bitcoin mining company incorporated in the Netherlands with a mining facility supposable in North Dakota.¹³⁶ As Northern Data stated in its announcement, thanks to the purchase the company has the power to become a leading bitcoin miner.¹³⁷ The agreed on price was €400 million.¹³⁸ We believe that this is overstated since Bitfield only started its mining business a couple weeks before being acquired by Northern Data.¹³⁹

Obwohl die Rechtsvorgängerin von Bitfield, die Bitfield AG (ehemals firmierend als Crypterion AG), schon einige Jahre bestand, hat die Zielgruppe erst im 2. Quartal 2021 mit den Vorbereitungen der

Geschäftstätigkeit, dem Bitcoin-Mining begonnen und im Dezember 2020 die erforderlichen Hardware- und Hostingverträge abgeschlossen. Der Konzernabschluss der Bitfield AG für 2020 wird aktuell von der KPMG AG Wirtschaftsprüfungsgesellschaft geprüft.

Figure 41 Extract from the Bitfield valuation report, two images because paragraph ended on the next page, translation below

[...] the target group has only started to prepare the business activity, bitcoin mining, in the 2nd quarter of 2021 and concluded the necessary hardware and hosting contracts in December 2020. [...]

The company had 6,600 ASIC miners running and 26,000 more miners in availability according to Northern Data.¹⁴⁰ But the auditor paints a different picture: only 17,000 ASIC miners were in storage and 9,000 were ordered but had not been delivered yet.¹⁴¹

oder die „Zielgruppe“), seit April 2021 die Infrastruktur von hochmodernen Hochleistungs-Mining-Computern, insgesamt 6.600 sog. WhatsMiner ASICs von MicroBT (Modelle M30s und M30s+). Weitere 17.237 WhatsMiner befinden sich im Eigentum der Zielgruppe und stehen zur Installation bereit. Zudem wurden 9.883 WhatsMiner bereits durch die Zielgruppe bestellt, bislang aber noch nicht geliefert. Die Zielgruppe verfügt auch über eine Option über den Kauf von weiteren rund 55.000 Whats-

Figure 42 Extract from the Bitfield valuation report, translation below

[...] since April 2021, the infrastructure of state-of-the-art high-performance mining computers, a total of 6,600 so-called WhatsMiner ASICs from MicroBT (models M30s and M30s+). Another 17,237 WhatsMiners are owned by the target group and are ready for installation. In addition, 9,883 WhatsMiners have already been ordered by the target group but have not yet been delivered. [...]

¹³⁵ to be read with rap artist and music producer DJ Khaled's voice in mind

¹³⁶ <https://ir.northerndata.de/news/corporate-news/northern-data-acquires-bitcoin-miner-bitfield-n-v-to-become-a-leading-global-bitcoin-mining-company-with-some-33000-latest-generation-asic-miners/>

¹³⁷ <https://ir.northerndata.de/news/corporate-news/northern-data-acquires-bitcoin-miner-bitfield-n-v-to-become-a-leading-global-bitcoin-mining-company-with-some-33000-latest-generation-asic-miners/>

¹³⁸ <https://ir.northerndata.de/news/adhoc/northern-data-acquires-bitcoin-miner-bitfield-n-v-under-an-up-to-eur-400-million-stock-for-stock-deal-and-issues-new-revenue-guidance-for-2021/>

¹³⁹ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Bitfield N.V., Amsterdam/Niederlande, 2021, p. 13.

¹⁴⁰ <https://ir.northerndata.de/news/corporate-news/northern-data-acquires-bitcoin-miner-bitfield-n-v-to-become-a-leading-global-bitcoin-mining-company-with-some-33000-latest-generation-asic-miners/>

¹⁴¹ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Bitfield N.V., Amsterdam/Niederlande, 2021, p. 13.

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Compared to the obsolete hardware from the Decentric Europe acquisition, the ASIC miners can be used for Bitcoin mining and in the future this mining will still be possible as well as profitable. So this hardware is worth something, but not €400 million.

The transaction scheme is quite similar to the one we saw regarding Decentric Europe's acquisition. Northern Data bought the hardware for Bitfield, delivered the ASIC miners and then bought Bitfield because of its hardware.¹⁴²

Minern von der Gesellschaft zum Festpreis von Mio. USD 113,5. Die eingesetzte Hardware hat die Zielgruppe zuvor von der Gesellschaft erworben und betreibt diese in einem Rechenzentrum der Gesellschaft in North Dakota, um neue Bitcoins zu generieren (sog. Kryptomining). Das Management

Figure 43 Extract from the Bitfield valuation report, translation below

[...] The target group previously acquired the hardware used from the Company and operates it in a data center of the Company in North Dakota to generate new Bitcoins (so-called cryptomining). [...]

The transaction was structured as a contribution-in-kind capital increase. We believe this was because Northern Data did not have any cash to pay for the purchase.

This is also indicated by the fact that as part of the acquisition Northern Data did not pay back a loan of \$61.5 million Bitfield received from Block.one.¹⁴³ At a 12% p.a..¹⁴⁴

Am Tag der Transaktion steht das Gesellschafterdarlehen mit einem Betrag von Mio. USD 61,5 zzgl. Zinsen aus. Das Gesellschafterdarlehen wurde bei Abschluss der Transaktion nicht abgelöst, sondern als Abzugsposten vom Unternehmenswert im Rahmen der Kaufpreisbestimmung berücksichtigt.

Figure 44 Extract from the Bitfield valuation report, translation below

[...] At the date of the transaction, the shareholder loan is outstanding in the amount of USD 61.5 million plus interest. The shareholder loan was not redeemed at the closing of the transaction, but was taken into account as a deduction from the enterprise value as part of the purchase price determination. [...]

In our opinion firstly because Northern Data did not have any cash and secondly as soon as Northern Data files for bankruptcy, Block.one will be entitled to the property, plant and equipment as a priority creditor. This allows Block.one to obtain ASIC miners at a deep discount, as the loan is less than the purchase price of the hardware. All other Northern Data shareholders – including former Bitfield shareholders – won't get any compensation because they are equity investors.

¹⁴² Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Bitfield N.V., Amsterdam/Niederlande, 2021, p. 6.

¹⁴³ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Bitfield N.V., Amsterdam/Niederlande, 2021, p. 14.

¹⁴⁴ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Bitfield N.V., Amsterdam/Niederlande, 2021, p. 14.

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We think the purchase was initiated by major shareholders of Northern Data; Block.one, Apeiron Investment, Beckmann Capital and Grey Study Capital and even company insiders like Northern Data's COO Stefan Sickenberger.

	Firma/Name	Sitz/Wohnsitz	Anzahl der gezeichneten Aktien	Gesamtausgabebetrag in EUR	Sacheinlagegegenstand:
26.	Liebling Kronberg Capital GmbH	Dettweilerstraße 15, 61476 Kronberg im Taunus, Deutschland	4.341	4.341,00	Anteile an der Bitfield N.V., einer Aktiengesellschaft gemäß dem Recht der Niederlande, mit Sitz in Amsterdam, Niederlande, kvk-Nummer 82804222 in Stück
27.	Sickenberger Holding UG	Am Lindenbaum 5, 61462 Königstein im Taunus, Deutschland	3.183	3.183,00	2.985

Figure 45 Extract from the shareholders directory for the capital increase regarding Bitfield

Mr. Sickenberger was a shareholder through his holding company Sickenberger Holding UG of Bitfield N.V. and COO of Northern Data since August 2020.¹⁴⁵ ¹⁴⁶ The relationship between company insiders, shareholders and Bitfield was not disclosed before the acquisition.

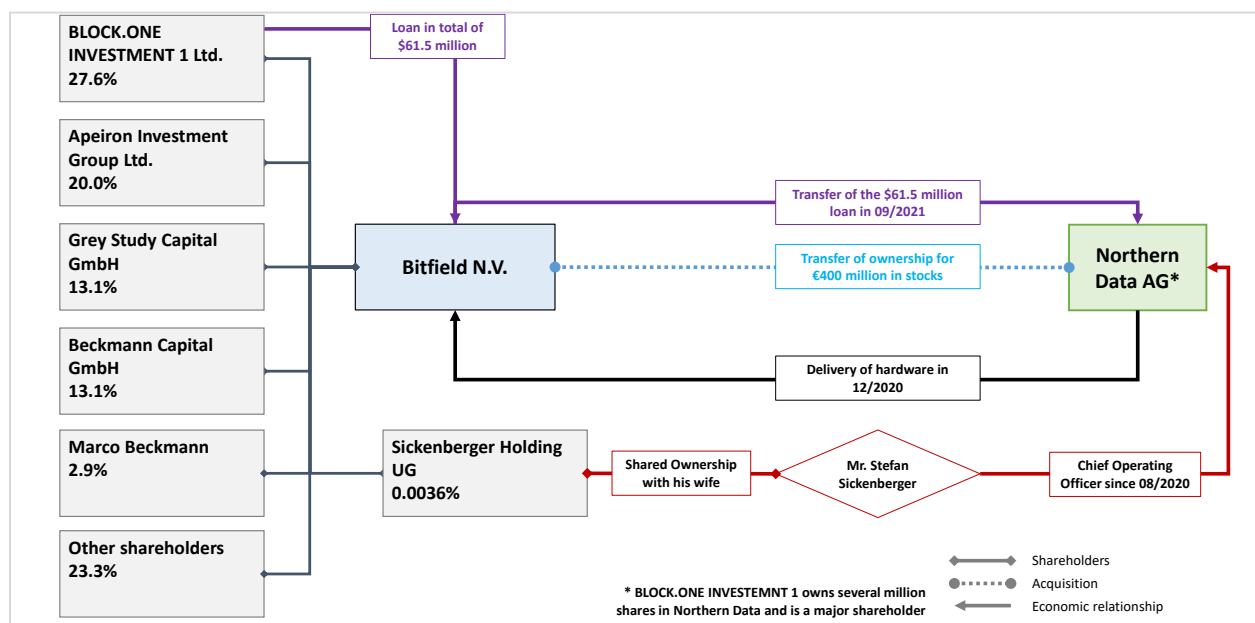


Figure 46 Visual of most relevant relationships for understanding the fraud, source: Ningi Research

We believe the intention – by Northern Data, Block.one and all insiders involved – to do so was first and foremost the revenue recognition problems. As already described above, Northern Data's major shareholders tried to fake revenue by ordering excessive hardware at the end of the year. It is the same play as Decentric Europe: major shareholders and company insiders were defrauding other investors of Northern Data.

¹⁴⁵<https://www.northdata.com/Sickenberger+Holding+UG,+K%C3%B6nigstein+i.+Taunus/Amtsgericht+Frankfurt+am+Main+HRB+95563>

¹⁴⁶ <https://se.linkedin.com/in/stefansickenberger>

2. Out of thin air – revenue recognition

Before the acquisitions in 2021 the construction of the castle in the air consisted of fake revenue. As already mentioned Northern Data communicated a revenue guidance of €120 to €140 million for 2020.

¹⁴⁷ Instead the company only generated €16.3 million and thus missed its revenue guidance by at least 86%.¹⁴⁸

But only by aggressively using every loophole within the international financial reporting standards because otherwise the Northern Data's revenue for 2020 would be and in our opinion should be €10.3 million.

Next to missing its guidance we are interested in how the €16.3 million were generated: obviously through the three non-disclosed customers: SBI Crypto, GMO Internet and Block.one.¹⁴⁹

Northern Data received its revenue completely from its US subsidiary.¹⁵⁰ And fortunately as part of Whinstone's sale to Riot Blockchain, an independent accountant audited Whinstone's financial statements on the basis of US GAAP.¹⁵¹ These statements reveal that Northern Data's US subsidiary generated \$11,815,345 in the full year of 2020.¹⁵² Significantly less than the €16.3 million reported in its annual report.

Northern Data managed to use every loophole of the international financial reporting standards because **in our opinion the management and the major shareholders knew that, next to missing the guidance, an even smaller revenue amount of €10.3¹⁵³ million would let Northern Data's share price drop even more.**

The company used its control by not disclosing any performance obligations – a possibility permitted under IFRS 15.¹⁵⁴ Whinstone was not able to use these aggressive accounting methods as US GAAP (ASC 606) requires the so called 'conservative accounting'.¹⁵⁵

In our opinion Northern Data chose a different accounting method for its annual report only to whitewash revenue: by combining several different service contracts with the same customers as one contract and declaring performance obligations for these contracts as fulfilled but not disclosing these performance obligations.^{156 157}

We could recreate Northern Data's revenue aggregation and recognition by including the deferred revenue accounted in Whinstone's balance sheet. Our calculation equals between €16.4 million to €16.6

¹⁴⁷ <https://ir.northerndata.de/news/adhoc/northern-data-provides-outlook-for-2021-and-announces-capital-increase/>

¹⁴⁸ <https://ir.northerndata.de/news/adhoc/northern-data-publishes-preliminary-ifrs-figures-for-2020/>

¹⁴⁹ Northern Data AG, annual report 2020, 2021, p 81.

¹⁵⁰ Northern Data AG, annual report 2020, 2021, p 81.

¹⁵¹ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x1.htm>

¹⁵² <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x1.htm>

¹⁵³ Audited revenue exchange at EUR.USD average rate of 2020

¹⁵⁴ Northern Data AG, annual report 2020, 2021, p 81.

¹⁵⁵ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x1.htm>

¹⁵⁶ Northern Data AG, annual report 2020, 2021, p 73.

¹⁵⁷ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x1.htm>

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million – depended on the EUR.USD exchange rate used.¹⁵⁸ An amount which is close to its reported revenue of €16.3 million.¹⁵⁹

We believe Northern Data misled shareholders and investors through its aggressive accounting methods. We also believe the delayed unqualified opinion did not occur due to the fact that KPMG “[...] started late with its audit process as [the auditor] was busy with other stuff (sic!) [...]” as stated by Northern Data’s major shareholder Christian Angermayer.¹⁶⁰ In our opinion these double standards became an issue in the audit process with KPMG since such practices contradict KPMG’s handbook for revenue auditing.¹⁶¹

The aggressive accounting also hid the fact that Whinstone reported declining deferred revenue, which indicates that no new contracts with existing or new customers were signed in 2020.¹⁶²

Immediately after the sale to Riot another red flag was that Whinstone – respective Riot as its new parent company – terminated a revenue contract scheduled to mature on July 9th 2022. The customer had been with the company since 2019 and was refunded a deposit of \$2.5 million as well as unamortized prepayment of \$4.3 million.¹⁶³ We believe that Riot did this because revenue generated through this customer did not exist and was faked by its former management and parent company of Whinstone: Northern Data.

As already stated prior we believe that Northern Data will miss its announced revenue guidance for 2021 and any other guidance they announced prior to our report.

Northern Data used aggressive accounting in connection with non-disclosed performance obligations to prematurely recognize revenue. This way the company boosted revenue, hid declining sales and misled investors.

¹⁵⁸ \$11,815,345 (revenue on income statement) plus \$7,139,482 (deferred revenue on balance sheet) equals \$18,954,827 exchanged at 1.1422 EUR.USD equals €16,595,015

¹⁵⁹ <https://ir.northerndata.de/news/adhoc/northern-data-publishes-preliminary-ifrs-figures-for-2020/>

¹⁶⁰ <https://omr.com/de/christian-angermayer-northern-data-omr-podcast/>

¹⁶¹ <https://assets.kpmg/content/dam/kpmg/xx/pdf/2019/06/ifrs15-revenue-handbook.pdf>

¹⁶² <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x1.htm>

¹⁶³ <https://www.sec.gov/Archives/edgar/data/0001167419/000107997321000745/ex99x1.htm>

3. The big picture

The big picture is fairly easy to understand in the end. Major shareholders and company insiders used shell companies to boost operations, hence revenue and increase its share prices – pump and dump scheme-like. When this did not work out as planned major shareholders faked inventories to sell worthless companies to Northern Data for \$200 million in cash and several hundred million in new shares. Finally to squeeze the last drop from the lemon.

Within the moment Northern Data transferred the \$200 million in cash the company was bankrupt. We use past tense because we assume that the transaction has already happened and the money is securely stored in a Cayman Islands bank account.

In our analysis we used two scenarios based on the cash accounts from the HGB filing and from the annual report. We included cash from Hydro66 and both capital increases. Furthermore we netted the cash received from Whinstone sale¹⁶⁴ with Whinstone's cash accounts and translated the currency at the date of the acquisition. Next we consolidated those cash account with the respective scenarios cash account. We believe Northern Data had about €168 to €188 million cash on hand at the date of the Decentric Europe acquisition:

resource of cash, cash equivalents and capital	cash accounted on balance sheets or raised through capital increase in local currency	cash outflow of Riot Blockchain, net of cash acquired	<u>minus</u> indicative cash and cash equivalents of Whinstone	cash and cash equivalents of Northern Data excluding Whinstone	Scenario 1 Cash and cash equivalents on 05/26/2021 within the group	Scenario 2 Cash and cash equivalents on 05/26/2021 within the group
cash and cash equivalents of Hydro66 on 12/30/2020	1,079,820 kr				€ 107,613	€ 107,613
cash and cash equivalents of Northern Data on 12/30/2020 (HGB)	€ 53,836,522		€ 31,990,351	€ 21,846,171	€ 21,846,171	
cash and cash equivalents of Northern Data on 12/30/2020 (annual report)	€ 73,862,268		€ 31,990,351	€ 41,871,917		€ 41,871,917
cash of Whinstone US Inc sale on 05/26/2021	\$ 80,000,000	\$ 40,879,000	\$ 39,121,000		€ 33,313,503	€ 33,313,503
capital increase on 12/08/2020	€ 52,470,000				€ 52,470,000	€ 52,470,000
capital increase on 04/01/2021	€ 60,700,000				€ 60,700,000	€ 60,700,000
					€168,437,287	€188,463,033

Figure 47 Analysis of cash and cash equivalents of Northern Data prior to the purchase of Decentric Europe, source: Ningi Research

This was just enough to pay \$200 million – which is roughly about €170 million – to Block.one.

Furthermore Northern Data's major shareholder **Block.one** solely participated in several capital increases with the supervisory board explicitly excluding existing shareholders from participation. In addition, **Block.one** never had any lock-in or vesting period for shares acquired through a capital increase or any contribution-in-kind capital increase. This is in contrast to other shareholders of contribution-in-kind capital increases which had lock-in periods of two to three years.^{165 166 167}

¹⁶⁴ Riot Blockchain Inc, 10-Q filing Q2 2021, 2021, p. 5.

¹⁶⁵ Northern Data AG, Contribution and Lock In Agreement, 2020, p. 12.

¹⁶⁶ Northern Data AG, Contribution and Lock-In Agreement re. the shares in Groupe Kelvin Emtech inc., 2020, p. 15.

¹⁶⁷ <https://www.thecse.com/en/listings/technology/sixty-six-capital-inc>

For example, on July 13th 2020 Block.one purchased 431.225 shares in total for €50 apiece. A price 40% cheaper than the average one month share price up to that date. What a steal!

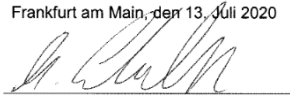
<u>Zeichner</u>	<u>Anzahl der gezeichneten Aktien</u>	<u>Geleistete Einzahlung in EUR</u>
BLOCK.ONE INVESTMENTS 1 c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands, registriert unter der Nummer PA-326400	431.225	21.561.250,00
Frankfurt am Main, den 13. Juli 2020  Mathis Schultz (Vorstand)		

Figure 48 Extract from the authorization to issue new shares on July 13th 2020

Unfortunately a blog post on July 15th 2020 raised concerns about the Northern Data's business model and this resulted in a 33.78% drop of the share price. At that day a total of 456,510 shares – 22 times the average daily volume – were traded. That day trading ended a little under €50: at €49.4 per share. We believe someone may have had a limit sell order at €50 apiece for a block trade.

On April 8th 2021 Northern Data announced the sale of its core asset Whinstone to Riot Blockchain. Days before Block.one received 273.791 shares for €107.63 with Northern Data's executive management and supervisory board explicitly excluding existing or new shareholders from participation. At the day of the announcement a total of 311.600 shares were traded within the price range of €107.2 to €134 apiece. Did someone may have had a limit sell order a block trade again? Want an odd coincidence that would be.

Maybe the German regulator Bafin should take a closer look at every transaction around an ad-hoc announcement by Northern Data.

We believe that Northern Data's business transactions benefitted only its major shareholders and company insiders within the executive management.

Through its spending spree Northern Data AG increased its diluted share base to a total of 23.8 million. Its dilution was so rapid that index providers, equity research services and even exchanges report different numbers up to this day. In 2019 Northern Data AG had 7.4 million shares outstanding. Within two years Northern Data AG paid more than €900 million for acquisitions with no future value for the company. Benefitting only the hidden backers of those companies which are not named in any announcement or press release. All companies (except for Riot Blockchain, Kelvin Emtech and Hydro66) in high-value

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transactions are owned solely, in parts or together by four backers: Mike Novogratz, Christian Angermayer, Brendan Blumer and Marco Beckmann.^{168 169 170 171}

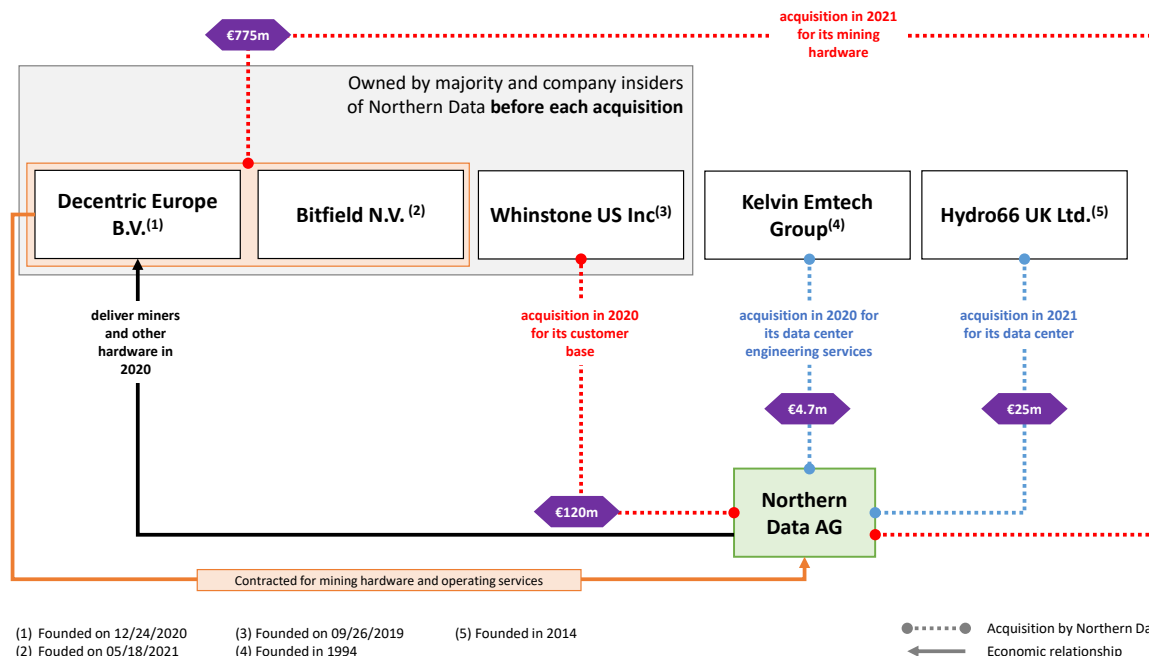


Figure 49 Analysis of all transactions benefitting shareholders and insiders, source: Ningi Research

Those men defrauded Northern Data AG's shareholders through the companies Block.one, Apeiron Investment Group, Cryptology Asset Group, Beckmann Capital, Black Mars Capital and several other holding companies.^{172 173 174 175} All for their own benefit.

However, this was not their first securities fraud related to cryptocurrencies. **In 2019 Block.one was fined for securities violations and had to pay \$24 million to the SEC.**¹⁷⁶

¹⁶⁸ Northern Data AG, annual report 2020, 2021, p 21.

¹⁶⁹ https://cryptology-ag.com/wp-content/uploads/2021/10/2021.10.01_Cryptology-Presentation.pdf

¹⁷⁰ https://twitter.com/c_angermayer/status/1363919614065827841

¹⁷¹ <https://se.linkedin.com/in/brendanblumer/>

¹⁷² Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Bitfield N.V., Amsterdam/Niederlande, 2021 – Annex 2.

¹⁷³ Gertraud Dirscherl, Untersuchung der Werthaltigkeit der Sachanlage / Geschäftsanteile an der Decentric Europe B.V., Amsterdam/Niederlande, 2021 – Annex 2.

¹⁷⁴ Northern Data AG, annual report 2020, 2021, p 21.

¹⁷⁵ <https://www.coindesk.com/markets/2021/06/24/novogratz-backed-cryptology-asset-group-invests-49m-more-in-blockone/>

¹⁷⁶ <https://www.sec.gov/litigation/admin/2019/33-10714.pdf>

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Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent **Block.one** cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act.

B. Respondents shall, within 10 days of the entry of this Order, **pay a civil money penalty in the amount of \$24,000,000** to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Figure 50 Extract from the cease and desist order by the SEC

Next to the penalty, Block.one paid \$27.5 million in a class-action lawsuit in June 2021.¹⁷⁷ According to PACER of the Administrative Office of the United States Courts several lawsuits involving Block.one are still pending.

We believe that Northern Data clearly overstated its financial position through its aggressive accounting methods and lack of transparency. The company understated its financial liabilities, cash accounts and overstated its assets. We think the executive management only conceals Northern Data's insolvency.

To sum it all up: in our opinion Northern Data is bankrupt and the stock is worthless.

¹⁷⁷ <https://www.caymancompass.com/2021/06/15/block-one-pays-us27-5-million-to-settle-class-action-lawsuit/>