

21Shares AG

Financial Statements

As at and for the year ended 31 December 2022

pursuant to section 114 et seq. of the German Securities Trading Act (WpHG)

Directors Ophelia Snyder (appointed on 18 October 2018)
Hany Rashwan (appointed on 27 July 2018)

Registered number CHE-347.562.100

Registered office Dammstrasse 19
6300 Zug
Switzerland

Independent Auditor Copartner Revision AG
St.Alban-Anlage 46
Postfach 201
4052 Basel
Switzerland

Contents

Independent Auditor's Report in accordance with Swiss law on the Reasonable Assurance Audit to the Board of Directors	4 – 5
Management report	6 – 13
Compliance statement (balance sheet oath)	14
Report of the Statutory Auditor to the General Assembly	15 – 16
Financial statements	
Statement of financial position	17
Statement of profit or loss and other comprehensive income	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21 – 27

Independent Auditor's Report in accordance with Swiss law¹ on the Reasonable Assurance Audit to the Board of Directors of the **21Shares AG, Zug**

We have been engaged by the Board of Directors of 21Shares AG to perform an audit, in analogous application of § 317 sect. 2 of the Handelsgesetzbuch² / German Commercial Code, to determine whether the management report is consistent with the annual financial statements and the findings of the audit and whether the management report as a whole provides a suitable view of the Company's position. In doing so, it must also be examined whether the opportunities and risks of future development are accurately presented. The audit of the management report shall also include an examination of whether the statutory provisions concerning the preparation of the management report pursuant to § 289 of the Handelsgesetzbuch / German Commercial Code ("Inhalt des Lageberichts" / Contents of the Management Report) have been observed.

The management report was prepared by the Board of Directors of 21Shares AG on the basis of the following criteria:

- The individual sections of the Management Report 2022 are consistent with the financial statements as at 31 December 2022.
- The legal requirements for the preparation of the management report have been observed.
- Overall, the management report provides an accurate picture of the situation of the company.
- The opportunities and risks of future development are accurately presented.

Responsibility of the Board of Directors

The Board of Directors is responsible for the management report for the year 2022 in accordance with the criteria mentioned above. This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the management report that is free from material misstatement, whether due to fraud or error. Furthermore, the Board of Directors is responsible for the selection and application of the criteria.

Independence and quality assurance

We are independent of 21Shares AG in accordance with the independence guidelines of EXPERTsuisse and have complied with the professional standards and rules of professional conduct of EXPERTsuisse. These requirements set out fundamental principles of professional conduct regarding integrity, objectivity, professional competence and due care, confidentiality and conduct worthy of the profession.

Our company applies Swiss Quality Assurance Standard 1 and accordingly maintains a comprehensive quality assurance system with documented rules and measures for compliance with professional conduct requirements, professional standards and applicable statutory and other legal requirements.

¹ Exemption from the obligation to register as a third-country auditor pursuant to § 134 sect. 4 sentence 8 WPO has been granted.

² Commercial Code in the adjusted version published in the Federal Law Gazette Part III, subdivision number 4100-1, as last amended by Article 13(4) of the Act of 10 March 2023 (BGBl. 2023 I No. 64).

Auditor's responsibility

Our responsibility is to conduct a business audit and to express a conclusion on the management report for the year 2022 of 21Shares AG based on our audit.

We conducted our audit in accordance with Swiss Auditing Standard 950 "Business audits other than audits or reviews of historical financial information". This standard requires that we plan and perform audit procedures to obtain reasonable assurance about whether the management report for the year 2022 is prepared, in all material respects, in accordance with the criteria mentioned above.

We performed audit procedures to obtain sufficient appropriate audit evidence, taking into account risk and materiality considerations. The procedures selected depend on the auditor's judgment.

In essence, we performed the following procedures:

- Reconciliation of the individual sections of the Management Report 2022 with the financial statements as at 31 December 2022 of 21Shares AG.
- Verification whether the legal requirements for the preparation of the management report 2022 of 21Shares AG have been complied with.
- Examination of whether the Management Report 2022 of 21Shares AG gives a true and fair view of the state of affairs of the company.
- Examination as to whether the opportunities and risks of the future development of 21Shares AG have been accurately presented in the Management Report 2022.

We believe that the evidence we have obtained is appropriate and sufficient to provide a basis for our conclusion.

Conclusion

In our opinion

- the Management Report 2022 of 21Shares AG is consistent with the financial statements 2022 and with the findings of the auditor obtained during the audit,
- the legal requirements relating to the preparation of the management report 2022 of 21Shares AG have been complied with,
- on the whole the management report 2022 of 21Shares AG provides a suitable understanding of the Company's position, and
- the management report 2022 of 21Shares AG accurately presents the opportunities and risks of future development.

Basel, 20. April 2023

Copartner Revision AG



Simon Rey
Licensed audit expert



Yves Prodorutti
Licensed audit expert

21Shares AG

Management Report For the Year Ended 31 December 2022

The Directors of 21Shares AG (“21Shares” or “the Company”) present the annual report and the audited financial statements for the year ended 31 December 2022.

Directors' responsibility statement

The Directors are responsible for preparing this Management Report and the financial statements in accordance with applicable law and regulations. Applicable company laws require the Directors to prepare financial statements for each financial period. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standards (IAS 1) require that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

Fundamentals of the Company

21Shares was incorporated (in a founders' meeting) on 20 July 2018 and registered on 27 July 2018 in Zug, Switzerland, as a stock corporation under Article 620 et seq. of the Swiss Code of Obligations in the Commercial Register of the Canton of Zug under number CHE-347.562.100. The registered office and address of 21Shares is Dammstrasse 19, 6300 Zug, Switzerland.

Since 28 December 2022 21Shares has been a wholly owned subsidiary of Jura Pentium AG whose registered address is at Dammstrasse 19, 6300 Zug, Switzerland registered in the Commercial Register of Zug under number CHE-345.211.664. Prior to 28 December 2022, the sole shareholder of 21Shares was Amun Holdings Limited. Amun Holdings Limited remains the ultimate parent company of 21Shares and 21.co group.

The Board of Directors currently consists of two members, Hany Rashwan (Chairman) and Ophelia Snyder. Both directors are executive directors.

The Company's Legal Entity Identifier (LEI) in its capacity as an issuer of exchange traded products (“ETPs”) is 254900UWHMJRRODS3Z64. The Company's websites are available at 21shares.com and 21.co.

21Shares offers the largest suite of cryptocurrency ETPs in the world, making cryptocurrency investing more accessible. In 2018, the Company launched the world's first crypto ETP on the SIX Swiss Exchange - the 21Shares Crypto Basket Index ETP product (HODL). As at 31 December 2022, 21Shares offered 39 exchange-traded products available across Europe and the Middle East in CHF, EUR, GBP, SEK, JPY and USD. Currently, the products are listed on the following exchanges: SIX Swiss Exchange, Deutsche Börse, Euronext Paris, Euronext Amsterdam, Nasdaq Stockholm, Wiener Börse, BX Swiss, Nasdaq Dubai and a number of other Multilateral Trading Facilities (“MTFs”).

The Issuer's exchange-traded products are issued and admitted to trading on the SIX Stock Exchange pursuant to a prospectus dated 14 November 2022. Products available and admitted to trading on regulated markets within the European Union are available pursuant to a prospectus dated 13 December 2022 (the “EU Prospectus”). The EU Prospectus has been approved by the Swedish Financial Services Authority in accordance with European Union Regulation (EU) 2017/1129. In addition, the Company has chosen Germany as its Home Member State pursuant to section 4 of the WpHG for the purposes of the EU Transparency Directive 2004/109/EG.

21Shares is not authorised or regulated by FINMA or any other regulatory authority.

Economic Report

Economic framework conditions and outlook

2022 was a challenging year for many asset classes including digital assets. This was influenced by several global macro factors.

In February, Russia's invasion of Ukraine brought volatility in global markets, heightened geopolitical conflicts, and impacted the supply chains of several markets (including energy and food). Specifically in the digital asset space, the collapse of Terra's algorithmic stablecoin UST in May of 2022 had second and third-order effects, leading to the insolvency of a handful of centralized lenders and asset managers over the summer, including Three Arrows Capital, Celsius, and Voyager. The digital asset space suffered a further shock in November 2022 when a bank-style run on FTX due to insolvency concerns turned out to be well-grounded. FTX Trading Ltd, which was previously one of the world's largest centralized digital asset exchanges, and a number of entities within its complex group of companies, halted withdrawals and filed for Chapter 11 bankruptcy.

In the aftermath of the dot-com bubble, former CEO and founder of Amazon, Jeff Bezos, wrote a company's defining shareholder letter as a reminder to zero in on fundamentals while Amazon's stock fell by more than 80% year-over-year at that time. Despite all the noise, price is a lagging indicator to fundamentals — and this is relevant to the crypto industry and today's environment. “In the short run, the market is a voting machine, but in the long run, it is a weighing machine.” - Benjamin Graham.

The Directors believe that despite the impact these events had on the price of digital assets in the last year, the recent turn of events in crypto will lead to more robust infrastructure, risk management practices, and more transparency and that the fundamentals of the digital asset space remain unchanged. Last year's events are a reminder to continue building towards crypto's initial grassroots with the aim of finding the right balance between investor protection and open innovation, alongside regulatory clarity. Our thesis is that non-speculative use cases will drive the long-term growth of crypto toward mainstream adoption.

Business results of the Company

Despite AUM and growth slowdown in 2022, the Company saw increased revenues and made a USD 51 thousand profit for the year. It generated gross revenues of USD 50.6 million or EUR 48 million (2021: USD 44 million or EUR 37.4 million), mainly from management fee and staking rewards. This is a significant improvement given the challenging macroeconomic environment. It is evident that the Company was able to generate earnings despite the challenges of the overall economic condition and the market volatility.

Management fees represent the Company's main source of income and are determined by the amount of Assets Under Management ("AUM"), the predetermined management fee rate for respective ETP, and the price of cryptocurrencies. The Company earned a management fee of USD 28.1 million or EUR 26.7 million (2021: USD 20.1 million or EUR 17 million). The Company also earned staking rewards of USD 21 million or EUR 19.9 million (2021: USD 9.8 million or EUR 8.3 million) from participating and contributing to the various blockchain networks. The above management fee and staking rewards amounts represent gross revenue before revenue sharing with seeding partners, business partners, ETP and staking direct costs. A portion of the staking rewards earned are also accrued back to the ETP products and shared with the ETP holders. Other revenues amounted to USD 1.6 million or EUR 1.5 million (2021: USD 2.6 million or EUR 2.2 million). The revenue generated was offset by cost of sales, administrative fees, and intercompany service fees. Cost of sales relate to direct expenses related to our revenue streams and administrative fees relate to operating expenses of the Company.

Under the intercompany service agreements, the Company receives a number of services from other entities within the same group of companies. In accordance with those agreements, the Company is required to pay intercompany service fees to Jura Pentium AG, its parent company and its primary service provider operating in Zurich, Switzerland.

2022 expenses include cost of sales at USD 5.4 million or EUR 5.1 million (2021: USD 5.2 million or EUR 4.4 million), nil administrative expenses (2021: USD 2.9 million or EUR 2.5 million) and intercompany service fees at USD 24.7 million or EUR 23.5 million (2021: USD 30.4 million or EUR 25.7 million). The Company also recorded an unrealized loss on revaluation of crypto assets of USD 11 million or EUR 10.4 million (2021: USD 8.4 million or EUR 7.1 million gain). This resulted in a net profit for the year of USD 51 thousand or EUR 48 thousand (2021: net profit for the year of USD 3.4 million or EUR 2.9 million).

Financial position of the Company

The Company's total assets decreased from USD 2.4 billion or EUR 2.07 billion at 31 December 2021 to USD 830 million or EUR 778 million at 31 December 2022 due to the fall in the total amount of ETP AUM driven as a result of declining prices of underlying cryptocurrencies. Of those assets USD 814 million or EUR 763 million at 31 December 2022 (31 December 2021: USD 2.32 billion or EUR 2.04 billion) are represented by digital assets held at the Company's custodians as collateral pledged by way of security for the benefit of holders of the ETPs.

The equity of the Company amounted to USD 1 million or EUR 967 thousand at 31 December 2022 (31 December 2021: equity of USD 922 thousand or EUR 814 thousand). Equity consisted of USD 105 thousand or EUR 98 thousand paid-up share capital (31 December 2021: USD 51 thousand or EUR 45 thousand paid-up share capital), reserves from capital contributions of USD 630 thousand or EUR 590 thousand (31 December 2021: USD 624 thousand or EUR 548 thousand) and retained earnings of USD 247 thousand or EUR 231 thousand (31 December 2021: accumulated deficit of USD 3.2 million or EUR 2.8 million) and a net profit for the year of USD 51 thousand or EUR 48 thousand (2021: net profit for the year of USD 3.4 million or EUR 3.0 million). Additional contribution in kind equivalent to USD 60 thousand or EUR 56 thousand was made at the end of 2022. Following the additional contribution, the

Articles of Association of the Company were changed on 16 January 2023 to reflect the fully paid up (*voll liberiertes*) share capital.

The Company had cash and cash equivalents of USD 1.7 million or EUR 1.6 million as at 31 December 2022 (31 December 2021: USD 229 thousand or EUR 202 thousand) held in deposit accounts at financial institutions. As at 31 December 2022, the Company did not hold any digital assets that were not part of the ETP portfolio (31 December 2021: USD 26.5 million or EUR 23.3 million). Digital assets earned through its course of business are deposited in the accounts of its parent company and service entity Jura Pentium AG.

Trade and other receivables were USD 14.9 million or EUR 14 million at 31 December 2022 (31 December 2021: USD 7.1 million or EUR 6.2 million), consisting of accrued management and staking fee receivables, prepayments and other assets.

Despite the negative market developments in 2022, the financial position and the net assets of the Company remain strong, and the Company has always been able to meet its payment obligations in the 2022 financial year and year to date in 2023.

Risk report

As a special purpose vehicle, the Company's corporate purpose and business focus are exclusively the issuance of ETP products referencing digital assets. The primary risks for the Company relate to its ability to operate that business and the risks associated with digital assets.

If digital assets become less in demand in the future and the Company is unable to adapt to such changed circumstances, the Company may not be able to successfully continue its business, potentially resulting in a decline in the value of the ETP products.

Credit risk

The Company maintains collateral of at least 100% of its obligations to holders of the ETPs. Despite this collateralisation, the creditworthiness of the Company in its capacity as Issuer may affect the market value of products and in the event of default, insolvency or bankruptcy, investors may not receive the amount due to them under the terms and conditions of the ETPs.

The Company, in its capacity as Issuer, is exposed to the credit risk of a number of counterparties with whom it enters into transactions and receives services in connection with the ETPs. These include, but are not limited to, the Depository, the Administrator, the Wallet Provider, the Depositories, the Paying Agents, the Market Makers, the Authorised Participants and the Exchanges.

Consequently, the Company, in its capacity as Issuer, is exposed to risks, including credit risk, reputational risk and settlement risk, arising from the failure of any of its counterparties to perform their respective obligations. If such risks materialise, it may have a material adverse effect on the Company's business and financial condition.

In relation to the depository, the Company is exposed to the credit risk of the depository institutions with which it holds cash and other crypto assets. Credit risk in this case is the risk that the depository holding a financial instrument (cash or crypto) will fail to perform an obligation or commitment to the Company. The crypto assets of the Company in its capacity as issuer of ETPs are held by the custodians in segregated accounts which are intended to be protected in the event of an insolvency of the custodians. However, insolvency of a custodian may result in delayed access to crypto assets serving as underlying assets or underlying components, including those serving as collateral for products. In such a situation, investors may suffer a loss due to fluctuations in the price of the assets.

It should be noted that no party, any custodian or the Company in its capacity as issuer of the ETPs, is liable for the loss of the underlying assets or the underlying components despite appropriate monitoring, control and warning systems. In the event of theft, the liability lies solely with the investor.

In the event of default by the Company, the assets held by the Company as collateral for the ETPs may be sold in order to meet the obligations towards holders of ETPs. The ETPs grant investors rights in the cryptocurrencies deposited or in the security interests of the independent collateral agent. Cash proceeds of the sale of any of those assets will be paid in the priority order of payments applicable to the products, with ETP investors first in the priority order. However, these proceeds may not be sufficient to meet all obligations and make all payments due on the securities. In these circumstances, investors may not recover the full value of their securities and may suffer a loss on their investment.

Management assesses credit risk at a medium level.

Regulatory risks

The legal status of crypto assets and services vary widely from country to country. In addition, the legal treatment of digital assets is often unclear, and there is uncertainty as to whether the underlying digital assets are a security, money, commodity or property. In some countries, different government agencies define crypto assets differently, leading to regulatory conflict and uncertainty. This uncertainty is exacerbated by the rapid evolution of regulations. Some countries may explicitly restrict, prohibit or limit the acquisition, use, trading or redemption of digital assets in the future. In such a scenario, the ownership or trading of securities replicating or linked to digital assets, such as the Company's products, could be deemed illegal and subject to sanctions.

However, in recent years, numerous large and established banks and asset managers have invested in companies in the cryptocurrency space or have become involved with investments in cryptocurrencies. This trend appears to be significant and ongoing in nature these days. Numerous financial regulators have now generally accepted that cryptocurrencies are likely to remain as an asset class and, accordingly, have adopted a pragmatic stance to address this growing interest in cryptocurrencies by the investment community, for example by providing an EU wide regulatory framework for crypto assets (MiCA) or by an UK consultation on the future financial services regulatory regime for crypto assets. The Company is therefore pursuing the objective of making its products more geographically accessible to a wider audience in part as a diversification strategy to mitigate this risk.

It is difficult to predict how the regulatory outlook and policies regarding cryptocurrencies could and will change. A shift to a generally more negative view could lead to a curtailment of investor appetite and a decline in relevant business activity. For example, there have been a number of enforcement actions in the U.S., including actions against Kraken, Terraform Labs, Genesis, and Gemini. It therefore remains to be seen whether the U.S. and other jurisdictions' regulatory enforcement approach to cryptocurrencies will change in the future.

Management assesses the regulatory risk as high.

Market risk

The prices of the Company's products are determined by forces such as actual market volatility, expected market volatility and other economic and financial conditions and trading speculation. Market volatility may cause the Company to incur losses despite hedging arrangements. The Company, in its capacity as Issuer, is highly sensitive to this market volatility.

As an example of the products' unpredictable volatility, most cryptocurrencies fell more than 70% in 2022 from their respective all-time highs in November 2021, wiping out hundreds of billions of dollars in market value.

The management assesses the market risk as high.

Operational risk

Operational risks are risks associated with losses that the Company may incur due to incorrect or inadequate processes, as well as errors that may be caused by people or systems and legal risks (including litigation).

Inadequate controls may adversely affect hedging arrangements, which may adversely affect the Company's results of operations and financial condition. As a result, the Company's operations and financial condition are subject to operational risks. However, the Company has appropriate risk management processes in place.

The management assesses the operational risk as low.

Business risk

If the Company fails an audit of its compliance, or if the Company is found to be in violation of applicable regulations, new laws or ordinances, and if the delivery of crypto assets is restricted or the approved exchanges are disrupted, the Company may not be able to issue additional securities, which may affect the Company's performance and creditworthiness in its capacity as an issuer. Corresponding risk control processes have been established.

Management classifies the business risk as low.

Opportunities and outlook

Although the overall environment is challenging, the Directors expect the crypto ecosystem to continue to evolve and the Company continue to grow in 2023.

The cryptocurrency sector has experienced growth in terms of both retail and institutional investments in the asset class, as well as investments in infrastructure. For example, in 2022, US dollar stablecoins settled USD 18.2 trillion in volume, compared to Mastercard and Visa who processed USD 14.1 trillion and USD 7.7 trillion respectively and the developer count on Ethereum, the world's largest developer ecosystem grew by 5 times in contrast to the last bear market in 2018.

Furthermore, the Company constantly explores innovative products and intends to strengthen its cooperation with affiliated entities as well as other business partners.

- The Company collaborates with its affiliated entities in the areas of "Decentralized Finance".
- The Company constantly examines opportunities to enter into new geographical markets within and outside Europe. Corresponding opportunities for this arise whenever legislation and/or the view of regulatory authorities in foreign jurisdictions changes in the area of digital assets. In the Company's Swiss home market, the Company continues to embrace the opportunities to expand its product offering in response to the SIX Swiss Exchange rule set out in Circular No. 3 "Practice Regarding the Listing of Derivatives" that allows permissible cryptocurrencies to be listed. The Company is collaborating with other major European exchanges and regulators in Europe to allow the offering of new innovative solutions which would give investors more broadly access to digital assets in a regulated environment.

In terms of competitive landscape, the Company offers the largest suite of crypto ETPs in the world, coupled with comprehensive research offerings in the space. This in-depth crypto expertise combined with the experience of 21Shares' team in the traditional finance, the utilization of our proprietary Onyx platform that fuels ETP issuance, and the Swiss heritage, means 21Shares is uniquely placed to deliver high quality products to investors and to help them gain a better understanding of and exposure to the crypto asset ecosystem.

The Company continues to innovate its product offering, expand its geographic footprints, and improve its infrastructure. The expansion of the product range in the domestic market, the additional listing of products and new market entries in foreign markets should lead to a stable growth of the assets under management and the associated management fees, among other sources of revenue.

Regulatory developments

Some of the recent and more significant developments in the regulation of digital assets include:

- In September 2020, the European Commission published a proposal for a Regulation on Markets in Crypto-assets (MiCA). The proposed regulation was adopted by the European Council in October 2022 and is due to have a final vote by the European Parliament in April 2023. Once formally adopted and implemented, MiCA will be one of the first unified and comprehensive regulatory frameworks for digital assets in the world.
- The President of the United States issued Executive Order 14067 titled "Ensuring Responsible Development of Digital Assets," which set forth broad policy positions regarding the United States' approach to cryptocurrencies. Certain U.S. federal agencies have follow up with their own reports pursuant to the E.O., including the U.S. Department of the Treasury in September 2022 (with the publication of three reports relating to the future of payment, implications for customers and investors, and illicit financing considerations) and the Office of Science and Technology Policy (OSTP) in September 2022 regarding the climate and energy implications of digital assets.

- The United States and other jurisdictions took and started a number of enforcement actions in 2022 regarding the cryptocurrency space. These related to a range of alleged breaches including fraud, unregistered securities offerings, unregistered exchange activities, and yield and other discretionary investment products.
- Regulators have also focused on prudential regulation, and in particular stablecoins, as evidenced by the proposed framework and recommendations for the international regulation of crypto assets and global stablecoin arrangements published by the Financial Stability Board (FSB) in October 2022 and the final rules on the prudential treatment of crypto asset exposures published by The Basel Committee on Banking Supervision (BCBS) in December 2022.

Events after the reporting period

Since the end of the reporting period, the following events have occurred:

Product launches and changes

The Company has launched two new exchange-traded products:

- 21Shares Staking Basket Index ETP (STAKE), designed to focus on and track up to 10 Proof-of-Stake (PoS) coins whose staking rewards are reinvested into the ETP; and
- 21Shares Stacks Staking ETP (ASTX) which seeks to track the investment results of the digital asset Stacks.

The Company has delisted several ETPs from some of the exchanges. This is routine practice in the ETP industry and the Directors remain certain that delistings will have no material impact on the Company's business operations or financial results.

21Shares AG
20 April 2023, Zug, Switzerland

The Board of Directors



Hany Rashwan



Ophelia Snyder

21Shares AG

Compliance statement (balance sheet oath) pursuant to sections 264 (2) sentence 3 and 289 (1) sentence 5 of the HGB

The Board of Directors of 21Shares AG (the 'Company') is responsible for preparing financial statements and Management Report of the Company.

These financial statements for 2022 were prepared according to the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB), London, and have been endorsed by the European Union.

We have established effective internal control in order to ensure that the Company's Management report and 2022 financial statements comply with applicable accounting rules and to ensure proper corporate reporting.

To the best of our knowledge, and in accordance with the applicable reporting rules, we assure the financial Statements of 21Shares AG give a true and fair view of the net assets, financial position and results of operations of the Company, and the Management report of the Company includes a fair review of the development and performance of the business as well as position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company and its business.

21Shares AG
20 April 2023, Zug, Switzerland

The Board of Directors



Hany Rashwan



Ophelia Snyder

Report of the Statutory Auditor to the General Assembly of **21Shares AG, Zug**

Opinion

We have audited the financial statements of 21Shares AG, which comprise the statement of financial position as at 31 December 2022, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

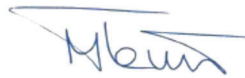
We recommend that the financial statements submitted to you be approved.

Basel, 20 April 2023

Copartner Revision AG



Simon Rey
Licensed Audit Expert
Auditor in charge



Martin Thommen
Licensed Audit Expert

Enclosure:

- Financial statements

21Shares AG

Statement of financial position as at 31 December

(in United States Dollars)

	Notes	2022 USD	2021 USD
Assets			
Current assets			
Trade and other receivables	5	14'891'593	7'092'879
ETP digital and other assets	6	813'794'869	2'324'847'108
Digital assets	4	-	26'537'305
Cash and cash equivalents		1'681'076	229'427
Total current assets		830'367'538	2'358'706'719
Total assets		830'367'538	2'358'706'719
Liabilities			
Current liabilities			
Trade and other payables	7, 10	15'035'709	32'416'421
Due to ETP holders	6	813'794'869	2'324'847'108
Short-term borrowings	8	504'502	521'366
Total current liabilities		829'335'080	2'357'784'895
Total liabilities		829'335'080	2'357'784'895
Net assets		1'032'458	921'824
Shareholder's equity			
Paid-up share capital	10	104'917	50'804
Reserves from capital contributions		629'840	623'953
Retained earnings/(accumulated deficit)		247'067	(3'151'068)
Profit for the year		50'634	3'398'135
Total shareholder's equity		1'032'458	921'824
Total liabilities and shareholder's equity		830'367'538	2'358'706'719

The accompanying notes form an integral part of the financial statements

21Shares AG

Statement of profit or loss and other comprehensive income for the year ended 31 December

(in United States Dollars)	Notes	2022 USD	2021 USD
Gross revenue	9	50'571'348	44'017'442
Revenue sharing		(9'338'251)	(11'444'242)
Cost of sales		(5'354'975)	(5'151'510)
Gross profit		35'878'122	27'421'690
Administrative expenses		-	(2'938'968)
Other income	11	-	820'687
Profit from operations before intercompany expense		35'878'122	25'303'409
Intercompany service fees	10	(24'712'886)	(30'427'617)
Profit/(loss) from operations		11'165'236	(5'124'208)
Financial income/(loss)		(10'955'203)	8'406'383
Foreign exchange gains/(losses)		(20'531)	128'618
Profit before tax		189'502	3'410'793
Income tax expense		(138'868)	(12'658)
Profit for the year		50'634	3'398'135
Other comprehensive income		-	-
Total comprehensive income		50'634	3'398'135

The accompanying notes form an integral part of the financial statements

21Shares AG

Statement of changes in equity for the year ended 31 December (in United States Dollars)

	Paid-up share capital	Reserves from capital contributions	Accumulated deficit and profit/(loss) for the year	Total equity
	USD	USD	USD	USD
At 1 January 2021	50'804	-	(3'151'068)	(3'100'264)
Comprehensive income for the year				
Profit for the year 2021	-	-	3'398'135	3'398'135
Total comprehensive income for the year	-	-	3'398'135	3'398'135
Contributions by shareholder				
Capital contribution	-	623'953	-	623'953
Total contributions by shareholder	-	623'953	-	623'953
At 31 December 2021	50'804	623'953	247'067	921'824

	Paid-up share capital	Reserves from capital contributions	Retained earnings and profit for the year	Total equity
	USD	USD	USD	USD
At 1 January 2022	50'804	623'953	247'067	921'824
Comprehensive income for the year				
Profit for the year 2022	-	-	50'634	50'634
Total comprehensive income for the year	-	-	50'634	50'634
Contributions by shareholder				
Capital contribution	54'113	5'887	-	60'000
Total contributions by shareholder	54'113	5'887	-	60'000
At 31 December 2022	104'917	629'840	297'701	1'032'458

The accompanying notes form an integral part of the financial statements

21Shares AG

Statement of cash flows for the year ended 31 December (in United States Dollars)

	2022 USD	2021 USD
Cash flows from operating activities		
Profit for the year	50'634	3'398'135
Adjustments for:		
Fair value (gains)/losses on digital assets	10'955'203	(8'406'383)
Changes in operating assets and liabilities:		
Change in trade and other receivables	3'152'159	(3'380'845)
Change in digital assets	15'582'102	(17'217'960)
Change in trading portfolio of assets	1'511'052'239	(2'040'898'032)
Change in trade and other liabilities	6'631'331	7'073'143
Net cash inflow/(outflow) from operating activities	1'547'373'034	(2'062'830'077)
Cash flows from financing activities		
Proceeds from/(repayment of) intergroup credit facility	(34'962'916)	18'109'141
Proceeds from/(repayment of) borrowings	(16'864)	23'781
Proceeds from/(repayment of) ETP holders	(1'511'052'239)	2'040'898'032
Proceeds from paid-up share capital	54'113	-
Change in reserves from capital contributions	5'887	623'953
Net cash inflow/(outflow) from financing activities	(1'545'972'019)	2'059'654'907
Net cash increase in cash and cash equivalent	1'451'649	222'965
Cash and cash equivalents as at start of the year	229'427	6'462
Cash and cash equivalents as at the end of the year	1'681'076	229'427

The accompanying notes form an integral part of the financial statements

21Shares AG

Notes to the financial statements for the year ended 31 December 2022

1 Reporting entity

21Shares AG ("21Shares" or the "Company") is a public limited company (AG) incorporated in July 2018 in Switzerland and is a member of the 21.co Group. The Company's registered office is at Dammstrasse 19, 6300 Zug, Switzerland. As a technology and financial services company, 21Shares' principal business activity is to issue cryptocurrency-backed exchange-traded products ('ETP') in Switzerland and worldwide. On 14 February 2020, the Company changed its name from Amun AG to 21Shares AG. The Company was wholly owned by Amun Holdings Limited ("AHL"). On 28 December 2022, Jura Pentium AG became the direct parent company and sole shareholder of 21Shares (both are subsidiaries of Amun Holdings Limited and under the 21.Co Group).

The Company has been established as a special purpose vehicle (SPV) for the purposes of issuing ETPs and other financial products linked to the performance of cryptocurrency assets.

21Shares offers a full range of single asset, short, basket and index trackers which are available to trade in multiple currencies. These ETPs are fully collateralized by holdings of crypto assets and the products track the financial performance of a single crypto asset or benchmark consisting of a basket of crypto products. In November 2018, 21Shares listed its first ETP on the SIX Swiss Exchange (SIX), and since then, the number of offerings has grown to include 39 products listed primarily on European exchanges and traded in six currencies (USD, CHF, EUR, GBP, JPY, SEK).

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS). They were approved for issuance by the Company's shareholders at the general meeting on 20 April 2023.

In preparing these set of financial statements, management has made judgements, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Certain comparative figures have been reclassified to conform to the current year presentation.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement basis
ETP digital and other assets	Market value at balance sheet date
Digital assets	Market value at balance sheet date
Due to ETP holders	Market value at balance sheet date

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Functional and presentation currency

These financial statements are prepared in United States dollars (USD), which is the Company's functional currency. All amounts have been rounded to the nearest USD, unless otherwise indicated.

21Shares AG

Notes to the financial statements for the year ended 31 December 2022

Changes in accounting policies and new accounting pronouncements

New Standards, interpretations and amendments adopted as at 1 January 2022

The Company has applied the following amendments for the first time for its annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards. The adoption of the amendments has had no significant impact on the financial statements of the Company as at 31 December 2022.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Accounting policies

Revenue recognition

Revenue primarily consists of management fees, staking rewards, market making profit share and platform usage fees.

The Company earns revenue by issuing ETPs which track the performance of crypto assets. Management fees (also referred to as Investor Fees) are calculated at each ETP product level at applicable predetermined management fee rate and accrued on a daily basis over the period that the ETP is outstanding at the market price of the underlying crypto asset. Fees are generally deducted on a monthly basis from the ETP's assets and transferred over in a form of crypto assets to the Company. The management fees charged include all of the expenses related to the ETP product, including trading fees, custodianship and security fees.

The Company participates in the decentralized computer network that helps to confirm transactions and ensures that those recorded in a crypto's blockchain are legitimate. Rewards are calculated based on the amount of the crypto assets the Company has made available to the network and other factors. For its contribution to the network, the Company is rewarded with crypto assets which constitute staking rewards. Staking rewards are expressed in USD value at prevailing market price of the crypto asset and accrued on a daily basis. Earned staking rewards are made available to the Company on a monthly basis by a transfer over to its corporate digital asset accounts.

Other fees, including making profit share revenue and platform usage fees, are calculated in accordance to the terms of the applicable agreements between the Company and the counterparty. Such income or revenue share is recognized in the income statement on a monthly basis after the performance obligation has been satisfied.

21Shares AG

Notes to the financial statements for the year ended 31 December 2022

Foreign exchange gains and losses

Foreign exchange gains and losses mainly resulting from the settlement of transactions of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised through profit and loss in current year.

Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents represents cash held in deposit accounts at financial institutions.

Digital assets

The Company's management has determined, based on the Company's business and group operation model, that inventory accounting under IAS 2 is appropriate for its digital assets. The Company measures digital assets at its fair value less costs to sell, with any change in fair value less costs to sell being recognised in profit or loss in the period of the change. Costs to sell are immaterial in the current period and no allowance is made for such costs. All purchases and sales of digital assets are recognised at the trade date. Digital assets are measured at fair value using the quoted price in United States dollars from a number of different sources. It considers this fair value to be a Level 1 input under the IFRS 13, *Fair Value Measurement* fair value hierarchy, as the price on the quoted price (unadjusted) in an active market for identical assets. Digital assets are derecognised when the Company disposes of the inventory through its trading activities or when the Company otherwise loses control and, therefore, access to the economic benefits associated with ownership of the digital asset.

4 Digital assets

In June 2022 the Company transferred its corporate digital assets portfolio to Jura Pentium AG.

	31-Dec-2022	31-Dec-2021
	USD	USD
Binance	-	10'563'920
Bitcoin	-	4'786'938
Ethereum	-	4'079'228
Polkadot	-	3'128'692
Solana	-	1'590'027
Ripple	-	649'044
Tezos	-	482'995
Other	-	1'256'460
Total	-	26'537'305

21Shares AG

Notes to the financial statements for the year ended 31 December 2022

5 Trade and other receivables

		31-Dec-2022	31-Dec-2021
		USD	USD
Accounts Receivable		155'830	324'573
Accrued Receivable		3'757'140	6'555'737
Intergroup Receivables	<i>Note 10</i>	10'950'873	-
Prepayments		27'750	133'828
Other		-	78'741
Total		14'891'593	7'092'879

6 ETP Products

The tables below presented the ETP product related assets and liabilities as at 31 December:

a) ETP digital and other assets

	31 December			
	2022	2022	2021	2021
	Units	USD	Units	USD
Binance	1'075'158	263'531'379	1'146'839	594'647'899
Bitcoin	12'918	214'724'899	10'737	503'637'126
Ethereum	161'426	193'302'339	148'001	547'646'439
Ripple XRP	77'779'073	26'398'481	76'246'528	63'918'624
Polkadot	5'336'070	22'905'213	4'788'017	132'075'243
Polygon	26'567'164	20'055'517	29'705'741	74'562'258
Cardano	81'239'451	19'773'695	67'686'090	91'447'902
Solana	1'428'629	13'670'979	1'116'751	194'233'236
Other		3'808'759		105'305'761
ETP digital assets		778'171'259		2'307'474'488
Due from brokers and other assets		35'623'610		17'372'620
ETP digital and other assets		813'794'869		2'324'847'108

21Shares AG

Notes to the financial statements for the year ended 31 December 2022

b) Due to ETP holders

ETP Name	31-Dec-2022 USD	31-Dec-2021 USD
21Shares Aave ETP (AAVE)	696'805	-
21Shares Algorand ETP (ALGO)	674'813	4'609'872
21Shares Avalanche ETP (AVAX)	2'517'005	36'818'992
21Shares Binance BNB ETP (ABNB)	256'368'430	583'770'431
21Shares Bitcoin Cash ETP (ABCH)	3'245'045	11'823'401
21Shares Bitcoin Core ETP (CBTC)	1'508'395	-
21Shares Bitcoin ETP (ABTC)	144'441'350	338'838'868
21Shares Bitcoin Suisse Index ETP (ABBA)	15'621'192	38'090'590
21Shares Bitwise Select 10 Large Cap Crypto Index (KEYS)	10'045'237	32'341'557
21Shares Bytetreel BOLD ETP (BOLD)	2'583'083	-
21Shares Cardano ETP (AADA)	16'857'659	79'335'815
21Shares Chainlink ETP (LINK)	733'278	-
21Shares Cosmos ETP (ATOM)	584'857	-
21Shares Crypto Basket 10 ETP (HODLX)	3'502'566	3'871'827
21Shares Crypto Basket Equal Weight ETP (HODLV)	3'233'139	7'226'045
21Shares Crypto Basket Index ETP (HODL)	67'011'545	203'819'456
21Shares Crypto Layer 1 ETP (LAY1)	104'718	-
21Shares Crypto Mid-Cap Index ETP (ALTS)	1'262'681	1'136'694
21Shares Decentraland ETP (MANA)	160'253	-
21Shares DeFi 10 Infrastructure ETP (DEFII)	70'268	-
21Shares Ethereum Core ETP (CETH)	351'299	-
21Shares Ethereum ETP (AETH)	154'136'149	452'994'573
21Shares Fantom ETP (AFTM)	323'081	-
21Shares Polkadot ETP (ADOT)	11'353'861	89'129'944
21Shares Polygon ETP (POLY)	19'723'909	34'405'718
21Shares Ripple XRP ETP (AXRP)	25'293'114	62'144'204
21Shares S&P Risk Controlled Bitcoin Index ETP (SPBTC)	80'801	-
21Shares S&P Risk Controlled Ethereum Index ETP (SPETH)	89'040	-
21Shares Short Bitcoin ETP (SBTC)	16'848'128	9'474'906
21Shares Short Ethereum ETP (SHETH)	480'526	-
21Shares Solana Staking ETP (ASOL)	11'177'119	167'834'486
21Shares Stellar ETP (AXLM)	2'286'588	7'954'982
21Shares Terra Classic ETP (LUNA)	1'831	-
21Shares Tezos Staking ETP (AXTZ)	5'169'359	39'596'657
21Shares The Sandbox ETP (SAND)	76'786	-
21Shares Uniswap ETP (AUNI)	423'361	-
21Shares USD Yield ETP (USDY)	1'123'154	-
Sygnum Platform Winners Index ETP (MOON)	23'259'960	72'608'046
ETFS 21Shares Bitcoin ETF (EBTC)	5'640'257	-
ETFS 21Shares Ethereum ETF (EETH)	2'672'858	-
Total NAV	811'733'501	2'277'827'064
Other ETP related liabilities	2'061'368	47'020'044
Due to ETP holders	813'794'869	2'324'847'108

21Shares AG

Notes to the financial statements for the year ended 31 December 2022

7 Trade and other payables

	31-Dec-2022	31-Dec-2021
	USD	USD
Accounts Payable	11'548'119	5'621'457
Accrued Expenses	3'487'590	2'782'921
Intergroup Payables	<i>Note 10</i> -	24'012'043
Total current liabilities	15'035'709	32'416'421

8 Borrowings

The Company was granted a Line of Credit ("LOC") for a maximum amount of USD 568'518 as part of the COVID-19 Start-up Loan Guarantee program in 2020 from Bank Zarattini & Co. SA in its role as a lender. The LOC bears interest rate of 3 months average SARON rate plus a spread. The Company had a balance of USD 504'502 (CHF 466'381) outstanding at year-end 2022. The Company intends to fully repay the loan in 2023.

9 Gross revenue

A summary of the Company's gross revenue for the year 2022 and 2021 are as follows:

	2022	2021
	USD	USD
Management Fees	28'056'335	31'579'812
Staking Rewards	20'954'184	9'842'308
Other	1'560'829	2'595'322
Total	50'571'348	44'017'442

21Shares AG

Notes to the financial statements for the year ended 31 December 2022

10 Related party transactions

As a SPV, 21Shares' ETP operation is supported by its parent company, other group companies and external service providers.

Jura Pentium AG and Jura Pentium Inc. are the primary intra group service providers for Amun Holdings Limited affiliated business entities and manage corporate activities for the group. Intercompany service costs are settled internally through transfer pricing. In accordance with the Amun Holdings Limited group company transfer pricing policy, the Company pays intercompany service fees to Jura Pentium AG, its primary service provider operating in Zurich. 21Shares AG recorded USD 24.7 million and USD 30.4 million service fees to Jura Pentium AG during 2022 and 2021 respectively.

Additional contribution in kind equivalent of 60'000 USD Coin (USDC), equivalent to USD 60'000, was made on 20 December 2022 by AHL. Following the additional contribution, the Articles of Association of the Company were updated on 16 January 2023 to reflect the fully paid up (*voll liberiertes*) share capital.

On 28 December 2022 Jura Pentium AG, formerly a sister company of 21Shares AG, became the sole shareholder of 21Shares AG by virtue of a corporate reorganization. This structure change has not affected the operations or business of the Company and was for strategic realignment.

Details of the receivable balances between the Company and its related parties are disclosed below:

	31-Dec-2022	31-Dec-2021
	USD	USD
Jura Pentium AG	10'950'873	-
Total	10'950'873	-

Details of the payable balances between the Company and its related parties are disclosed below:

	31-Dec-2022	31-Dec-2021
	USD	USD
Jura Pentium AG	-	24'012'043
Total	-	24'012'043

11 Other Income

Other income for 2021 amounted to USD 821 thousand and consisted of proceeds from an agreement reached with a business partner for compensated rewards.

12 Events after the Reporting Period

New listings and delistings are a routine practice in the ETP industry. Since 31 December 2022, the Company has listed two additional ETPs (STAKE and ASTX). The Company has delisted several ETPs due to lower demand for those products based on our ongoing assessment of client interests. The delistings will have no material impact on the Company's business operations or financial results.