

**21Shares AG**  
**(Formerly Amun AG)**

**Financial Statements**  
**As at and for the year ended 31 December 2021**  
in accordance with Swiss GAAP FER and Swiss law

**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 Auditors** Copartner Revision AG  
St.Alban-Anlage 46  
Postfach 201  
4052 Basel  
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**21Shares AG**  
**Management Report**  
**For the Year Ended 31 December 2021**

The Directors present the annual report and the audited financial statements for the year ended 31 December 2021.

**Directors' responsibility statement**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with Swiss GAAP FER and Swiss law.

**Fundamentals of the Company**

21Shares AG (21Shares, or the Company) 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 AG (the 'Company') is Dammstrasse 19, 6300 Zug, Switzerland. 21Shares AG is a wholly owned subsidiary of Amun Holdings Limited, CO Services Cayman Limited, PO Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands. The Company's parent company changed from Jura Pentium Limited to Amun Holdings Limited in 2020.

The Board of Directors currently consists of two members (including the Chairman), both are executive directors. As of 22 September 2021, the third board member resigned from his role. The Company's Legal Entity Identifier (LEI) in its capacity as Issuer is 254900UWHMJRRODS3Z64. The Company's website is available at <https://21shares.com>. 21Shares AG is not authorised or regulated by FINMA or any other regulatory authority.

21Shares has issued more crypto Exchange Traded Products ("ETP") than any other firm in the world. In 2018, 21Shares AG launched the HODL product, the world's first crypto ETP on the SIX Swiss Exchange. At the end of 2021, the Company offered 21 exchange-traded products available across Europe in CHF, EUR, GBP, SEK and USD. The number of offerings has grown to include over 30 products year-to-date in 2022. Currently, the products are listed on the following exchanges: SIX Swiss Exchange, Deutsche Börse, Euronext Paris, Euronext Amsterdam, Nasdaq Stockholm, Wiener Börse, BX Swiss, 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 12 November 2021. Certain of the Products are also available and admitted to trading on regulated markets within the European Union pursuant to a prospectus dated 24 November 2021 (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.

## **Economic Report**

### **Economic framework conditions and outlook**

Although 2021 witnessed certain economic growth following the 2020 downturn, the COVID-19 pandemic remained one of the biggest risks to the global economy, coupled with supply chain disruptions, high energy prices, inflation pressure, and geopolitical uncertainties.

For the crypto industry, 2021 was marked by an acceleration in the pace of innovation and adoption. While 2020 was labeled as the year of institutional and corporate engagement and the dawn of DeFi, this year, the interest in crypto led to an onboarding of a new wave of entrepreneurs and investors. The industry saw continued institutional engagement, the Web 3 movement, the resurgence of NFTs, the rise of the Metaverse, and the developments of the crypto infrastructure.

In 2021, many financial institutions and retail investors started to actively allocate investment to the crypto assets. For 2022, we expect the rate of adoption of user-friendly DeFi applications will pick up speed, and that the increased crypto adoption would give governments and institutions alike a better chance to learn more about crypto's numerous use cases that fundamentally champion financial inclusion on the microeconomic level and the macro, revitalize economies. We also note that traditional service providers are already embracing technologies coming from the crypto industry, and we will continue to see conventional providers seeking ways to tap into the innovation behind the crypto infrastructure. With the increasing use of the metaverse and NFTs, there is likely regulatory oversight and NFTs could be classified as unregistered securities. Last but not least, use cases of DAOs will expand the pie to investing in crypto, support overlooked R&D initiatives to solve real-world problems and provide a universal basic income for people in need with ImpactMarket.

### **Business results of the Company**

In 2021, the Company experienced rapid growth and made a profit for the year. It generated revenues of USD 44 million or CHF 40.2 million (2020: USD 2.1 million or CHF 2 million), mainly from management fee income. This is a significant improvement from the prior year financial results. It is evident that the Company was able to generate earnings and grow its assets 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, and the price of cryptocurrencies. The Company earned a gross management fee of USD 31.6 million or CHF 28.9 million (2020: USD 2 million or CHF 1.9 million). The Company also earned staking rewards of USD 9.8 million or CHF 9 million (2020: USD 75 thousand or CHF 70.1 thousand) from participating and contributing to the various blockchain networks. Other revenues amounted to USD 2.6 million or CHF 2.4 million (2020: USD 38 thousand or CHF 35 thousand). Additionally, we have other income of USD 820.7 thousand or CHF 750.4 thousand (2020: USD 468.8 thousand or CHF 439.7 thousand), and consisted of proceeds from an agreement reached with a business partner for compensated rewards. 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. Administrative fees relate to operating expenses of the Company. Intercompany service fees 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.

2021 operating expenses include mainly cost of sales at USD 16.5 million or CHF 15.1 million (2020: USD 1.5 million or CHF 1.4 million) and intercompany service fees at USD 30.4 million or CHF 27.8 million (2020: USD 1.2 million or CHF 1.1 million). The Company also recorded an unrealized gain of USD 8.4 million or CHF 7.7 million (2020: USD 2 thousand or CHF 2 thousand). This resulted in a net profit for the year of USD 3.4 million or CHF 3.1 million (2020: net loss of USD 1.1 million or CHF 1 million).

### **Financial position of the Company**

The Company's total assets grew more than 7 times during 2021 to USD 2.4 billion or CHF 2.1 billion as at 31 December 2021, mainly due to the increase in the total amount of ETP AUM and the increase in the prices of underlying cryptocurrencies.

The Company had cash and cash equivalents of USD 229 thousand or CHF 209 thousand at 31 December 2021 (31 December 2020: USD 6 thousand or CHF 6 thousand) held in deposit accounts at financial institutions. Digital assets held at custodians for the Company at 31 December 2021 amounted to USD 26.5 million or CHF 24.2 million (31 December 2020: USD 913 thousand or CHF 807 thousand).

The Company achieved a milestone in 2021 by making sufficient profit to turn its accumulated deficit to positive retained earnings. The equity of the Company amounted to USD 922 thousand or CHF 840 thousand at 31 December 2021 (31 December 2020: negative equity of USD 3.1 million or CHF 2.7 million). Equity consisted of USD 51 thousand or CHF 46 thousand paid-up share capital (31 December 2020: USD 51 thousand or CHF 45 thousand), reserves from capital contributions of USD 624 thousand or CHF 578 thousand (31 December 2020: nil) and accumulated deficit of USD 3.2 million or CHF 3.1 million (31 December: USD 2.1 million or CHF 1.8 million), which were offset by a net profit for the year of USD 3.4 million or CHF 3.1 million (2020: net loss of USD 1.1 million or CHF 1 million).

### **Net assets**

The Company's total assets grew more than 7 times during 2021. The Company's total assets increased from USD 289 million or CHF 255.1 million at 31 December 2020 to USD 2.4 billion or CHF 2.1 billion at 31 December 2021, mainly due to the increase in the total amount of ETP assets under management (AUM) and the increase in the prices of underlying cryptocurrencies.

Trade receivables were USD 325 thousand or CHF 296 thousand at 31 December 2021 (31 December 2020: USD 3.2 million or CHF 2.9 million), consisting of receivables due from affiliates and third parties.

Trading portfolio of assets of USD 2.32 billion or CHF 2.1 billion at 31 December 2021 (31 December 2020: USD 284 million or CHF 250 million) is mainly in the form of cryptocurrencies held at the Company's custodians.

Overall, the 2021 results of operations, the financial position and the net assets of the Company have experienced positive growth, and the Company has always been able to meet its payment obligations in the 2021 financial year.

### **Risk report**

The business activities of the Company in its capacity as Issuer relate to securities in connection with digital assets. As a special purpose vehicle, the Company's corporate purpose and business focus are exclusively the issuance of ETP products referencing digital assets, such as Bitcoin, Bitcoin Cash, Ethereum or any index consisting of two or more of the crypto currencies. 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.

In the event of default, the assets held by the Company in the Collateral Deposit Account may be sold in order to meet the obligations towards the investor. The Products grant investors rights in the cryptocurrencies deposited or in the security interests held by the Collateral Trustee through the Depositary Account as well as through the Company's securities account. Cash proceeds will be paid in the priority order of payments applicable to the products, with the ETP investor 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.

### ***Credit risk***

Regardless of the 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. The Company, in its capacity as Issuer, is exposed to the credit risk of a number of counterparties with whom it enters into transactions. These include, but are not limited to, the Depositary, the Administrator, the Wallet Provider, the Depositaries, 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 depositary, the Company is exposed to the credit risk of the depositary institutions with which it holds cash and other crypto assets. Credit risk in this case is the risk that the depositary 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 are held by the Depositary in segregated accounts which are intended to be protected in the event of an insolvency of the Depositary. However, insolvency of the

Depository 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, including the wallet providers, the Depository or the Company in its capacity as Issuer, 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.

Management assesses credit risk at a medium level.

### ***Regulatory risks***

The legal status of crypto assets varies 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. 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.

However, it is visibly 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.

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 leveraged.

As an example of the products unpredictable volatility, most cryptocurrencies fell more than 50% from their respective all-time highs in March 2020 and again in the spring of 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 or improved on the part of the risk management and the Legal & Compliance department has been strengthened in terms of personnel.

Management classifies the business risk as low.

### **Opportunities and outlook**

Management expects continued growth in 2022.

The acceptance of investments in the cryptocurrency sector has further increased and solidified in the retail as well as in the institutional sectors.

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

- The Company collaborates with Amun Limited, its affiliate, in the area of "Decentralized Finance", and supports 21Shares US entities in tailoring products for the US markets.
- 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.

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 history of 21Shares' team in 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 as well as the expansion of possible products to the "Decentralized Finance" area should lead to a stable growth of the product assets under management and the associated management fees.

### **Events after the reporting period**

Since the end of the reporting period, the following events have occurred that may be considered material:

#### ***New product launches***

Since 31 December, 2021, the Company has introduced ten new exchange-traded products tied to the Terra, Cosmos, Uniswap, Chainlink, Avalanche, Decentraland, FTX Token, Fantom, and the Sandbox cryptocurrencies. Most recently, the Company launched BOLD ETP, which seeks to serve as an inflation hedge by tracking an index that comprises bitcoin and gold.

#### ***Changes in crypto asset prices***

In the first quarter of 2022, crypto asset prices dropped in January 2022 compared to the end of 2021 and fluctuated throughout the quarter due to inflationary and geopolitical matters that affected the entire capital markets. Institutional and individual investor interest in cryptocurrencies continue to increase during Q1 2022, regardless of the market volatility.

#### ***Changes at regulatory level***

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

- The Federal Reserve Board released a paper that dissects Central Bank Digital Currencies (CBDCs) and lists down a handful of pros and cons based on the Fed's perspective.
- China piloted its CBDC, the digital yuan, taking the Beijing Winter Olympics as a base to try it out on athletes and their coaches.
- The European Council published the approved version of a 2020 proposal for regulation on Markets in Digital assets (MiCA) to create a regulatory framework for the digital assets market that supports innovation and draws on the potential of crypto assets in a way that preserves financial stability and protects investors. El Salvador became the first country in the world to accept Bitcoin as a legal tender.

## Responsibility Statement

The Board believes that, to the best of our knowledge and in accordance with applicable accounting principles, the annual financial statements of the Company, give a true and fair view of the assets, financial and earnings position of the Company and that the Directors' report gives a fair summary of the business including the business results and the position of the Company together with a description of the any material opportunities and risks associated with the expected development of the Company.

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf by:

21Shares AG  
27 April 2022, Zug, Switzerland

The Board of Directors



Hany Rashwan



Ophelia Snyder

## Report of the Statutory Auditor on the Financial Statements to the General Meeting of **21Shares AG, Zug**

As statutory auditor, we have audited the accompanying financial statements of 21Shares AG, which comprise the balance sheet as at December 31, 2021, the income statement, the cash flow statement and the notes for the year then ended.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of these financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements for the year ended December 31, 2021 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law and the company's articles of incorporation.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation.

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

Basel, 27 April 2022

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Simon Rey  
Licensed Audit Expert  
Auditor in charge



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Martin Thommen  
Licensed Audit Expert

Enclosure:

- Financial statements
- Proposed appropriation of the available earnings

## 21Shares AG

### Balance sheet at 31 December

	Notes	2021 USD	2021 CHF	2020 USD	2020 CHF
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3.1	229,427	209,040	6,462	5,712
Digital Assets	3.2	26,537,305	24,179,227	912,962	807,007
Trade receivables		324,573	295,732	3,244,164	2,867,660
<i>due from third parties</i>		324,573	295,732	17,393	15,375
<i>due from related entities</i>		-	-	3,226,771	2,852,285
Accrued receivables and prepayments		6,768,305	6,166,880	467,868	413,569
Trading portfolio of assets	3.3	2,324,847,108	2,118,263,519	283,949,076	250,995,082
<b>Total current assets</b>		<b>2,358,706,718</b>	<b>2,149,114,398</b>	<b>288,580,532</b>	<b>255,089,030</b>
<b>Total assets</b>		<b>2,358,706,718</b>	<b>2,149,114,398</b>	<b>288,580,532</b>	<b>255,089,030</b>
<b>Liabilities and shareholder's equity</b>					
<b>Short-term liabilities</b>					
Trade payables		29,633,500	27,000,297	409,659	362,116
<i>due to third parties</i>		5,621,458	5,121,941	409,659	362,116
<i>due to related entities</i>		24,012,042	21,878,356	-	-
Other short-term liabilities		11,680	10,642	5,794,147	5,121,701
<i>tax provision</i>		11,680	10,642	80	71
<i>subordinated intergroup credit facility</i>		-	-	5,794,067	5,121,631
Accrued expenses		2,771,240	2,524,991	667,697	590,207
Short-term borrowings	3.4	521,365	475,037	497,584	439,836
Due to ETP holders		2,324,847,109	2,118,263,519	283,949,076	250,995,082
<b>Total short-term liabilities</b>		<b>2,357,784,894</b>	<b>2,148,274,486</b>	<b>291,318,163</b>	<b>257,508,942</b>
<b>Long-term liabilities</b>					
Other long-term liabilities		-	-	362,634	320,548
<b>Total long-term liabilities</b>		<b>-</b>	<b>-</b>	<b>362,634</b>	<b>320,548</b>
<b>Total liabilities</b>		<b>2,357,784,894</b>	<b>2,148,274,486</b>	<b>291,680,797</b>	<b>257,829,490</b>
<b>Shareholder's equity</b>					
Share capital		50,804	50,000	50,804	50,000
<i>Issued share capital</i>		101,608	100,000	101,607	100,000
<i>Unpaid share capital</i>		(50,804)	(50,000)	(50,804)	(50,000)
Reserves from capital contributions		623,953	578,267	-	-
Retained earnings		(3,151,068)	(3,077,176)	(2,072,235)	(2,065,141)
Annual profit / (loss)		3,398,135	3,106,943	(1,078,833)	(1,012,035)
Currency translation adjustment		-	181,878	-	286,716
<b>Total shareholder's equity</b>		<b>921,824</b>	<b>839,912</b>	<b>(3,100,264)</b>	<b>(2,740,460)</b>
<b>Total liabilities and shareholder's equity</b>		<b>2,358,706,718</b>	<b>2,149,114,398</b>	<b>288,580,533</b>	<b>255,089,030</b>

## 21Shares AG

### Profit and loss account for the year ended 31 December

	Notes	2021 USD	2021 CHF	2020 USD	2020 CHF
Investor fee / ETP Revenue		44,017,442	40,245,508	2,098,367	1,968,440
Cost of sales		(16,488,366)	(15,075,448)	(1,513,189)	(1,419,495)
<b>Gross Profit</b>		<b>27,529,076</b>	<b>25,170,060</b>	<b>585,178</b>	<b>548,945</b>
Other income	3.5	820,687	750,361	468,767	439,742
<b>Net income</b>		<b>28,349,763</b>	<b>25,920,421</b>	<b>1,053,945</b>	<b>988,687</b>
<b>Staff costs and other operational costs</b>		<b>(33,470,836)</b>	<b>(30,602,660)</b>	<b>(2,736,427)</b>	<b>(2,566,992)</b>
Staff costs		(796,341)	(728,101)	(822,743)	(771,800)
Rent		(193,025)	(176,484)	(164,242)	(154,073)
Legal fees		(593,254)	(542,417)	(102,874)	(96,504)
Professional fees		(363,258)	(332,130)	(156,039)	(146,378)
Administrative expenses		(72,671)	(66,444)	(161,250)	(151,266)
Advertising and marketing expenses		(735,070)	(672,081)	(97,707)	(91,657)
Subscriptions and Licence fees		(132,844)	(121,460)	(28,580)	(26,810)
Travel and accommodation		(61,803)	(56,507)	-	-
Other office expenses		(46,809)	(42,798)	(23,478)	(22,024)
Other taxes		(48,144)	(44,018)	(5,283)	(4,955)
Intercompany service fees		(30,427,617)	(27,820,220)	(1,174,231)	(1,101,525)
<b>Result before financial costs, income and taxes</b>		<b>(5,121,073)</b>	<b>(4,682,239)</b>	<b>(1,682,482)</b>	<b>(1,578,305)</b>
<b>Financial costs and income</b>		<b>8,531,866</b>	<b>7,800,755</b>	<b>603,691</b>	<b>566,310</b>
Unrealised revaluation gain / (loss)		8,406,383	7,686,025	(1,925)	(1,806)
Realised exchange gain / (loss)		128,618	117,596	606,843	569,267
Bank charges		(3,135)	(2,866)	(1,227)	(1,151)
<b>Result before taxes</b>		<b>3,410,793</b>	<b>3,118,516</b>	<b>(1,078,791)</b>	<b>(1,011,995)</b>
Direct taxes		(12,658)	(11,573)	(42)	(40)
<b>Annual profit / (loss)</b>		<b>3,398,135</b>	<b>3,106,943</b>	<b>(1,078,833)</b>	<b>(1,012,035)</b>

## 21Shares AG

### Cash flow statement for the year ended 31 December

	2021 USD	2021 CHF	2020 USD	2020 CHF
Annual profit / (loss)	3,398,135	3,106,943	(1,078,833)	(1,012,035)
Unrealised revaluation (gains)/losses	(8,406,383)	(7,686,025)	1,925	1,806
Change in receivables and prepayments	(3,380,844)	(3,181,383)	(3,591,425)	(3,164,434)
Change in trading portfolio	(2,040,898,032)	(1,867,268,437)	(244,600,945)	(212,891,375)
Change in third party trade payable, accrued expenses and tax provision	7,326,942	6,705,181	570,127	461,128
Change in digital assets	(17,217,960)	(15,686,195)	(457,374)	(364,208)
Currency translation adjustment	-	(104,838)	-	229,075
<b>Cash flow from operating activities</b>	<b>(2,059,178,142)</b>	<b>(1,884,114,754)</b>	<b>(249,156,525)</b>	<b>(216,740,044)</b>
Proceeds from intergroup borrowings	17,855,341	16,436,177	4,045,970	3,398,202
Change in short-term borrowings	23,781	35,201	497,584	439,836
Proceeds from ETP Holders	2,040,898,032	1,867,268,437	244,600,945	212,891,375
Proceeds from capital contribution	623,953	578,267	-	-
<b>Cash flow from financing activities</b>	<b>2,059,401,107</b>	<b>1,884,318,082</b>	<b>249,144,499</b>	<b>216,729,413</b>
<b>Change in cash and cash equivalents</b>	<b>222,965</b>	<b>203,328</b>	<b>(12,026)</b>	<b>(10,630)</b>
As at start of year	6,462	5,712	18,488	16,342
As at end of year	229,427	209,040	6,462	5,712
<b>Change in cash and cash equivalents</b>	<b>222,965</b>	<b>203,328</b>	<b>(12,026)</b>	<b>(10,630)</b>



## 21Shares AG

### Notes to the accounts for the year ended 31 December 2021

#### 1 General

21 Shares AG, formerly Amun AG (the 'Company') is a public limited company (AG) incorporated in Switzerland. The Company's registered office is at Dammstrasse 19, 6300 Zug. The Company's principal activity is a technology and finance company and to issue listed exchange-traded products ('ETP') and services in Switzerland and worldwide. On 14 February 2020, the Company changed its name from Amun AG to 21 Shares AG.

The Company has been established as a special purpose vehicle for the purposes of issuing exchange traded products (the ETP) and other financial products linked to the performance of crypto assets.

#### 2 Accounting principles applied in the preparation of the financial statements

##### General aspects

These annual financial statements were prepared according to the principles of Swiss GAAP core-FER. Where not prescribed by law, the significant accounting and valuation principles applied are described below. These financial statements have been prepared on a going-concern basis and under accrual accounting principle.

In preparing these 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.

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

##### Assets in the trading portfolio

Underlying assets in the trading portfolio consist of crypto assets and are valued at their market value on the balance sheet. Gains or losses on valuation are taken to the income statement.

##### 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 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 includes 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 as 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 crypto wallets/custodian 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 accounts for the year ended 31 December 2021

#### Foreign currency transactions

The accounts are held in the functional currency USD and are converted to presentation currency CHF for the purpose of the present statutory accounts.

Unrealized gains (or losses) resulting from the translation of financial statements in a functional currency USD to presentation currency CHF are not included in the profit and loss account.

The Currency Translation Adjustment is disclosed in the Balance Sheet, under equity position. The exchange rates USD/CHF used are as follows:

	2021	2020
FX closing rate USD / CHF	0.91114100	0.88394400
FX average rate USD / CHF	0.91430820	0.93808189

### 3 Information on balance sheet and income statement items

#### 3.1 Cash and cash equivalents

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

	2021 USD	2021 CHF	2020 USD	2020 CHF
Cash	229,427	209,040	6,462	5,712

#### 3.2 Digital Assets

	2021 USD	2021 CHF	2020 USD	2020 CHF
Binance	10,563,920	9,625,221	337,006	297,895
Bitcoin	4,786,938	4,361,575	505,349	446,700
Ethereum	4,079,228	3,716,752	40,687	35,965
Polkadot	3,128,692	2,850,680	-	-
Solana	1,590,027	1,448,739	-	-
Ripple	649,044	591,371	745	659
Tezos	482,995	440,077	1,894	1,674
Other	1,256,461	1,144,812	27,281	24,114
<b>Total</b>	<b>26,537,305</b>	<b>24,179,227</b>	<b>912,962</b>	<b>807,007</b>

#### 3.3 Trading portfolio of assets

	2021 Units	2021 USD	2021 CHF	2020 Units	2020 USD	2020 CHF
Binance	1,146,839	594,647,899	541,808,081	1,109,372	41,468,338	36,655,689
Ethereum	148,001	547,646,439	498,983,124	62,726	46,279,398	40,908,396
Bitcoin	10,737	503,637,126	458,884,435	5,967	173,058,774	152,974,265
Solana	1,116,751	194,233,236	176,973,865	-	-	-
Polkadot	4,788,017	132,075,243	120,339,169	-	-	-
Cardano	67,686,090	91,447,902	83,321,933	1,636,278	294,530	260,348
Polygon	29,705,741	74,562,258	67,936,730	-	-	-
Ripple	76,246,528	63,918,624	58,238,879	18,031,434	3,966,892	3,506,510
Other ETP products	43,504,264	105,305,761	95,948,396	16,464,742	18,881,144	16,689,874
Due from broker and other assets	-	17,372,620	15,828,907	-	-	-
<b>Total</b>		<b>2,324,847,108</b>	<b>2,118,263,519</b>		<b>283,949,076</b>	<b>250,995,082</b>

## **21Shares AG**

### **Notes to the accounts for the year ended 31 December 2021**

#### **3.4 Short-term borrowings**

The Company was granted a Line of Credit ("LOC") for a maximum amount of CHF 518'000 or 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 no interest. The Company currently has a balance of CHF 475,037 or USD 521'365 outstanding. The Company intends to pay off the loan in 2022.

#### **3.5 Other Income**

Other income for 2021 amounted to USD 821 thousand or CHF 750 thousand (2020: USD 469 thousand or CHF 440 thousand) and consisted of proceeds from an agreement reached with a business partner for compensated rewards.

#### **3.6 Full-time equivalents**

The Company had 2 employees as at 31 December 2021 (31 December 2020 - 3 employees).

#### **3.7 Significant events occurring after the balance sheet date**

Since 31 December 2021, the Company has launched additional ETPs and has over 30 ETP in its suite of products.

## 21Shares AG

### Retained earnings carried forward

	2021 USD	2021 CHF
<b>Retained earnings at the beginning of the year</b>	<b>(3,151,068)</b>	<b>(3,077,176)</b>
<b>Appropriations of retained earnings resolved by general meeting</b>		
Allocated to legal reserves	-	-
Dividend distributed	-	-
Carried forward	(3,151,068)	(3,077,176)
Annual profit / (loss)	3,398,135	3,106,943
<b>Retained earnings available to the general meeting</b>	<b>247,067</b>	<b>29,767</b>

### Motion of the board of directors on the allocation of retained earnings

	2021 USD	2021 CHF
<b>Retained earnings available to the general meeting</b>	<b>247,067</b>	<b>29,767</b>
Allocated to legal reserves	-	-
Dividend	-	-
<b>Carried forward</b>	<b>247,067</b>	<b>29,767</b>