

21Shares AG

Interim Financial Report

For the six months ended 30 June 2022

in accordance with IAS 34 'Interim Financial Reporting'

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

Contents

Management report	4 – 8
Condensed financial statements	
Condensed statement of financial position	9
Condensed statement of profit or loss and other comprehensive income	10
Condensed statement of changes in equity	11
Condensed statement of cash flows	12
Notes to the condensed financial statements	13 – 17

21Shares AG
Management Report
For the Six Months Period Ended 30 June 2022

The Directors present the interim report and the unaudited financial statements for the six months period ended 30 June 2022.

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. The Directors have elected to prepare the interim financial statements in accordance with IAS 34, "Interim Financial Reporting", and applicable law and regulations.

Fundamentals of the Company

21Shares AG (21Shares, or the Company) was incorporated 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. 21Shares is a wholly owned subsidiary of Amun Holdings Limited, incorporated in 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. 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 is the world's largest crypto Exchange Traded Product ("ETP") issuer and its mission is to build bridges into the crypto world. The Company launched HODL, the world's first crypto ETP on the SIX Swiss Exchange in 2018. As at 30 June 2022, the Company offered 35 ETPs available across various exchanges in Europe in CHF, EUR, GBP, SEK, JPY and USD.

Economic Report

Economic framework conditions and outlook

Despite the tumultuous first half of 2022 with macro uncertainty and implosions of a handful of crypto protocols, lenders, and funds — our optimism and thesis remain unchanged.

The recent turn of events in crypto will lay more robust risk management practices and infrastructure to onboard billions of people in the next few years. We believe crypto will disrupt and expand business models in financial services, e-commerce, art, music, and more. However, we are still in the early innings of this innovation.

This year was one filled with progress as crypto assets continued their steady march towards becoming increasingly mainstream on both commercial and regulatory fronts. For example, Norway is using the Ethereum blockchain to build its own central bank digital currency (CBDC), while the White House released the framework for how crypto regulations should look.

Although economic growth has been scaled back across the world and there are disruptions ahead, we remain innovative and resilient during challenging times and continue to launch new products, including our crypto winter suite of ETP products tailored for the current market environment.

Business results of the Company

During the first half of 2022, the Company made a profit of USD 610 thousand despite the challenges of the overall economic condition and the market volatility. Revenue totalled USD 27.4 million for the first half of 2022 (2021 half year: USD 8.1 million), mainly from management fee income and staking rewards.

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 17.3 million and USD 11.5m net of revenue share (2021 half year: USD 11.0 million gross and USD 6.9m net). The Company also earned staking rewards of USD 14.9 million (2021 half year: USD 65.9 thousand) from participating and contributing to the various blockchain networks. The revenue generated was offset by cost of sales and intercompany service fees. Cost of sales relate to direct expenses related to our revenue streams. Intercompany service fees are settled internally through transfer pricing.

2022 half year expenses include mainly cost of sales of USD 2.9 million (2021 half year: USD 1.8 million) and intercompany service fees of USD 12.8 million (2021 half year: USD 6.3 million). The Company also recorded a financial loss of USD 11 million (2021 half year: USD 1.4 million gain) due primarily to crypto price fluctuations. This resulted in a net profit for the half year period of USD 610 thousand (2021 half year: net profit of USD 1.5 million).

Financial position of the Company

We continue to see an increase in New Net Assets ("NNA") during the first half of the year. However, the Company's total assets decreased from USD 2.4 billion at 31 December 2021 to USD 865 million as at 30 June 2022, mainly due to the decline in the prices of underlying cryptocurrencies.

The Company had cash and cash equivalents of USD 617 thousand at 30 June 2022 (31 December 2021: USD 229 thousand) held in deposit accounts at financial institutions.

Trade receivables were USD 20.1 million at 30 June 2022 (31 December 2021: USD 7.1 million), consisting of receivables due from affiliates and third parties.

Trading portfolio assets of USD 844.5 million at 30 June 2022 (USD 2.32 billion at 31 December 2021) is in the form of cryptocurrencies held at the Company's custodians. The significant decrease is due to the drop in the prices of underlying cryptocurrencies. Net AUM inflows measured in cryptocurrency units remained positive during the first six months of 2022.

The Company achieved a milestone in 2021 by making sufficient profit to turn its accumulated deficit to positive retained earnings. There has been no significant change in our capital position other than the increase from the net profit generated during the first half year of USD 610,463.

The Company has always been able to meet its payment obligations in the 2022 financial year to date.

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, including single and index 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(s). The Products grant investors rights in the cryptocurrencies deposited or in the security interests held by the Collateral Trustee through the Depository 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 full 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. If such risks materialise, it may have a material adverse effect on the Company's business and financial condition.

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, among other potential statuses. In some countries, 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 penalties, including monetary fines or other consequences.

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. However, 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.

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 and other protections. The Company, in its capacity as Issuer, is highly leveraged.

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 and other protections, 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, among other potential consequences, 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.

Management classifies the business risk as low.

Opportunities and outlook

Despite the overall challenging macro economic environment and the volatility of the crypto markets, the Company continues to innovate its product offerings, grow its product suite, make strides in the convergence of decentralized finance (Defi) and ETP, and strengthen collaboration with its business partners. The Company also examines opportunities to expand its geographic footprints within and outside Europe.

The Company offers the largest suite of crypto ETPs in the world, coupled with comprehensive research offerings in the space. We are uniquely positioned to continue to lead in product innovation and drive revenue growth.

Events after the reporting period

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

- Since 30 June 2022, the Company has introduced four new exchange-traded products. The number of offerings has grown to include 39 ETP products as of September 2022.
- The Company launched 21.co as its new parent company brand name.

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

21Shares AG

Zug, Switzerland, 30 September 2022

The Board of Directors



Hany Rashwan



Ophelia Snyder

21Shares AG

Condensed statement of financial position

(in United States Dollars)

	Notes	30 June 2022 USD	31 December 2021 USD
Assets			
Current assets			
Trade and other receivables	5	20'190'120	7'092'879
ETP Products - Digital assets and other		844'548'974	2'324'847'108
Digital assets	4	-	26'537'305
Cash and cash equivalents		617'018	229'427
Total assets		865'356'112	2'358'706'719
Liabilities			
Current liabilities			
Trade and other payables	6	18'774'093	32'416'421
Due to ETP holders		844'548'974	2'324'847'108
Short-term borrowings	7	500'758	521'366
Total current liabilities		863'823'825	2'357'784'895
Total liabilities		863'823'825	2'357'784'895
Net assets		1'532'287	921'824
Shareholder's equity			
Paid-up share capital		50'804	50'804
Reserves from capital contributions		623'953	623'953
Accumulated earnings/(deficit)		247'067	(3'151'068)
Profit for the period		610'463	3'398'135
Total shareholder's equity		1'532'287	921'824
Total liabilities and shareholder's equity		865'356'112	2'358'706'719

The accompanying notes form an integral part of the condensed financial statements

21Shares AG

Condensed statement of profit or loss and other comprehensive income for the six months period ended 30 June

(in United States Dollars)	Notes	30 June 2022 USD	30 June 2021 USD
Revenue	8	27'389'943	8'100'299
Cost of sales		(2'863'381)	(1'789'650)
Gross profit		24'526'562	6'310'649
Administrative expenses		-	(54'248)
Profit from operations before intercompany expense		24'526'562	6'256'401
Intercompany service fees	9	(12'846'594)	(6'329'781)
Profit/(loss) from operations		11'679'968	(73'380)
Financial income/(expenses)		(10'940'856)	1'441'347
Foreign exchange gains		21'584	108'718
Profit before tax		760'696	1'476'685
Income tax expense		(150'233)	(977)
Profit for the period		610'463	1'475'708
Other comprehensive income		-	-
Total comprehensive income		610'463	1'475'708

The accompanying notes form an integral part of the condensed financial statements

21Shares AG

Condensed statement of changes in equity for the six months period ended 30 June

(in United States Dollars)

	Paid-up share capital	Reserves from capital contributions	Accumulated deficit and profit for the period	Total equity
	USD	USD	USD	USD
At 1 January 2021	50'804	-	(3'151'068)	(3'100'264)
Comprehensive loss for the period				
Profit for the period	-	-	1'475'708	1'475'708
Total comprehensive income	-	-	1'475'708	1'475'708
Contributions by and distribution to shareholder				
Paid-up share capital	-	-	-	-
Total contributions by and distributions to shareholder	-	-	-	-
At 30 June 2021	50'804	-	(1'675'360)	(1'624'556)

	Paid-up share capital	Reserves from capital contributions	Accumulated earnings and profit for the period	Total equity
	USD	USD	USD	USD
At 1 January 2022	50'804	623'953	247'067	921'824
Comprehensive income for the period				
Profit for the period	-	-	610'463	610'463
Total comprehensive income	-	-	610'463	610'463
Contributions by and distribution to shareholder				
Paid-up share capital	-	-	-	-
Total contributions by and distributions to shareholder	-	-	-	-
At 30 June 2022	50'804	623'953	857'530	1'532'287

The accompanying notes form an integral part of the condensed financial statements

21Shares AG

Condensed statement of cash flows for the six months period ended 30 June

(in United States Dollars)

	30 June 2022 USD	30 June 2021 USD
Cash flows from operating activities		
Profit for the period	610'463	1'475'708
Adjustments for:		
Fair value gains/(losses) on digital assets	(10'955'164)	2'552'028
Changes in operating assets and liabilities:		
Change in trade and other receivables	2'816'981	(2'608'032)
Change in digital assets	37'492'469	(8'892'770)
Change in trading portfolio of assets	1'480'298'134	(792'251'171)
Change in trade and other liabilities	4'120'417	5'201'875
Net cash inflow/(outflow) from operating activities	1'513'772'837	(795'998'070)
Cash flows from financing activities		
Change in intergroup borrowings	(33'676'967)	2'260'215
Change in short-term borrowings	(20'608)	19'320
Change in due to ETP holders	(1'480'298'134)	792'251'171
Net cash inflow/(outflow) from financing activities	(1'513'995'709)	794'530'706
Net increase in cash and cash equivalent	387'591	8'344
Cash and cash equivalents as at start of the period	229'427	6'462
Cash and cash equivalents as at the end of the period	617'018	14'806

The accompanying notes form an integral part of the condensed financial statements

21Shares AG

Notes to the condensed financial statements for the six months ended 30 June 2022

1 Reporting entity

21Shares AG, formerly Amun AG ("21Shares" or the "Company") is a public limited company (AG) incorporated in July 2018 in Switzerland. The Company's registered office is at Dammstrasse 19, 6300 Zug, Switzerland. As a technology and finance company, the Company's principal activity is to issue listed 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 is a wholly owned subsidiary of Amun Holdings Limited.

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 crypto 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 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 35 products listed on various European exchanges and traded in five currencies (CHF, EUR, GBP, SEK, JPY and USD).

2 Basis of preparation

These unaudited condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They were authorised for issue by the Company's board of directors on 30 September 2022.

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

The condensed financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these statements are to be read in conjunction with the annual financial report for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period.

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 period presentation.

Basis of measurement

The condensed 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
Digital Assets	Market value at balance sheet date
Trading portfolio of 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 condensed 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 condensed financial statements for the six months ended 30 June 2022

3 Accounting policies

Changes in accounting policies and new accounting pronouncements

New and amended standards adopted by the Company

A number of amended standards became applicable for the current reporting period:

- 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
- 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 condensed financial statements of the Company as at 30 June 2022.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted

The following new and/or revised standards and interpretations have been issued but are not yet effective. They have not been applied early in these condensed financial statements:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

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 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.

Other fees, including market 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 condensed financial statements for the six months ended 30 June 2022

3 Accounting policies (continued)

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 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, an affiliated entity.

	30-Jun-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	-	1'256'461
Total	-	26'537'305

21Shares AG

Notes to the condensed financial statements for the six months ended 30 June 2022

5 Trade and other receivables

	30-Jun-2022 USD	31-Dec-2021 USD
Intergroup Receivables	15'914'221	-
Accrued Receivable	3'944'330	6'555'737
Accounts Receivable	259'400	324'573
Prepayments	72'169	133'828
Other	-	78'741
Total	20'190'120	7'092'879

6 Trade and other payables

	30-Jun-2022 USD	31-Dec-2021 USD
Intergroup Payables	6'249'297	24'012'043
Accounts Payable	8'889'855	5'621'457
Accrued Expenses	3'473'027	2'782'921
Other	161'914	-
Total current liabilities	18'774'093	32'416'421

7 Short-term borrowings

The Company was granted a Line of Credit ("LOC") for a maximum amount of USD 542'192 (CHF 518'000) 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 USD 500'758 (CHF 478'414) outstanding. The Company intends to reduce the loan balance in the second half of 2022.

8 Revenue

A summary of the Company's revenue for the six months period are as follows:

	30-Jun-2022 USD	30-Jun-2021 USD
Management Fees (net)	11'472'894	6'853'526
Staking Rewards	14'886'195	65'868
Other	1'030'854	1'180'905
Total	27'389'943	8'100'299

21Shares AG

Notes to the condensed financial statements for the six months ended 30 June 2022

9 Related party transactions

As a SPV, 21Shares' ETP operation is supported by its parent company, other group companies and external service providers. In 2021, Amun Holdings Limited made a contribution of USD 623'953 to 21Shares AG.

Jura Pentium AG and Jura Pentium Inc. are the 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 12.9 million service fees to Jura Pentium AG during the half year ending 30 June 2022. As at 30 June 2022, the Company had a payable balance of USD 6.2 million to Jura Pentium AG. In June 2022 the Company transferred its corporate digital assets portfolio to Jura Pentium AG and reduced the intercompany liability.

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

	30-Jun-2022	31-Dec-2021
	USD	USD
Amun Holdings Limited	15'544'920	-
Jura Pentium AG	(6'193'959)	(24'012'043)
Amun Limited	369'301	-
Jura Pentium Ltd	(55'338)	-
Net intercompany receivable/(payable)	9'664'924	(24'012'043)

10 Events after the reporting period

In September 2022 the Company's parent company announced its newly launched brand name 21.co with the mission of building bridges into the crypto world.