21Shares AG

Interim Financial Report

For the six months ended 30 June 2023

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 since September 2023	Pelikanstrasse 37 8001 Zurich Switzerland

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Management Report
For the Six Months Period Ended 30 June 2023

The Directors present the interim report and the unaudited financial statements for the six months period ended 30 June 2023.

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 in the Commercial Register of the Canton of Zug under number CHE-347.562.100. In September 2023 the Company changed the registered office to Zurich.

21Shares has been a wholly owned subsidiary of Jura Pentium AG since 28 December 2022. Prior to that, the sole shareholder of 21Shares was Amun Holdings Limited and prior to May 2020, its parent company was Jura Pentium 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’ 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 2023, the Company offered 37 ETPs available across 12 exchanges in 7 currencies.

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

Economic Report

Economic framework conditions and outlook

Despite the tumultuous first half of 2023 with macroeconomic uncertainty caused by failure of a handful of banks, the crypto asset markets recorded a relatively strong performance year to date.

Bitcoin now serves as a macro asset in a diversified portfolio. Bitcoin decoupled from stocks and showed an increased correlation to Gold.

We continue to believe crypto will disrupt and expand business models in financial services and other areas such as e-commerce, art, music and many more. The Bitcoin and Ethereum blockchains maintained an uptime of 100% this year and benefited from a steady adoption rate of new entrepreneurs, innovators and end-users. During the first half of the year, crypto assets continued their march towards becoming increasingly mainstream on both commercial and regulatory fronts.

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 innovate product offering, expand geographic footprints, and improve infrastructure. The Directors expect the crypto ecosystem to continue to evolve and the Company continue to grow for the remainder of 2023.

Business results of the Company

During the first half of 2023, the Company made a profit of USD17 thousand despite the challenges of the overall economic condition and the market volatility. Gross revenue totaled USD18.3 million for the first half of 2023 (2022 half year: USD33.3 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 USD11.9 million and USD8.4 million net of revenue share (2022 half year: USD17.3 million gross and USD11.5 million net). The Company also earned staking rewards of USD6 million (2022 half year: USD14.9 million) 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 accounted for through transfer pricing.

2023 half year expenses include mainly cost of sales of USD1.7 million (2022 half year: USD2.9 million) and intercompany service fees of USD13.1 million (2022 half year: USD12.8 million). The Company also recorded a financial loss of USD6 thousand (2022 half year: USD11 million loss due primarily to crypto asset revaluation). Foreign exchange gains were USD49 thousand (2022 half year: USD22 thousand). This resulted in an after tax profit for the half year period of USD17 thousand (2022 half year: net profit of USD610 thousand).

Financial position of the Company

We continue to see an increase in Net New Assets ("NNA") during the first half of the year. The Company's total assets increased from USD830 million at 31 December 2022 to USD1.2 billion as at 30 June 2023, mainly due to the NNA and the rise in the prices of underlying cryptocurrencies.

The Company had cash and cash equivalents of USD206 thousand at 30 June 2023 (31 December 2022: USD1.7 million) held in deposit accounts at financial institutions.

Trade and other receivables were USD19.2 million at 30 June 2023 (31 December 2022: USD14.9 million), consisting of receivables due from affiliates and third parties.

Portfolio assets of USD1.2 billion at 30 June 2023 (USD814 million at 31 December 2022) is in the form of cryptocurrencies held at the Company's custodians. The significant increase is due to the rise in the prices of underlying cryptocurrencies and NNA. Net AUM inflows measured in cryptocurrency units remained positive during the first six months of 2023.

The Company has always been able to meet its payment obligations in the 2023 financial year to date.

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, including single and index crypto currencies. The primary risks for the Company relate to its ability to operate that business and the risks associated with digital assets.

The price of any crypto asset is volatile and may be affected by a variety of factors. Should demand for a crypto asset decrease, for example, due to a sudden loss of confidence in such crypto asset attributed to it by market participants, or should it fail to achieve adoption among the crypto asset community or should it suffer technological or coding failures or hacks, for example, then its value could drop sharply and permanently. 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

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 several 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 Depositary 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, 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.

Regulatory developments

In September 2020, the European Commission published a proposal for a Regulation on Markets in Crypto-assets (MiCA), which entered into force in June 2023 and will enter into application in the member states in 2024. Once formally adopted and implemented, MiCA will be one of the first unified and comprehensive regulatory frameworks for digital assets in the world.

Furthermore, the Company closely monitors the regulation surrounding the topic of crypto and continuously assesses the risks.

Events after the reporting period

The Company has moved the registered office from Dammstrasse 19, 6300 Zug to Pelikanstrasse 37, 8001 Zurich, effective as of 13 September 2023.

21Shares AG

Zurich, Switzerland

27 September 2023

The Board of Directors

Hany Rashwan

Ophelia Snyder

21Shares AG

Condensed Statement of Financial Position

(in United States Dollars)	Notes	30 June 2023 USD	31 December 2022 USD
Assets			
Current assets			
Trade and other receivables	*5*	19’193’979	14’891’593
ETP Products - Digital assets and other		1’157’757’761	813’794’869
Cash and cash equivalents		206’417	1’681’076
Total assets		**1’177’158’157**	**830’367’538**
Liabilities			
Current liabilities			
Trade and other payables	*6*	17’903’056	15’035’709
Due to ETP holders		1’157’757’761	813’794’869
Short-term borrowings	*7*	447’693	504’502
Total current liabilities		**1’176’108’510**	**829’335’080**
Total liabilities		**1’176’108’510**	**829’335’080**
Net assets		**1’049’647**	**1’032’458**
Shareholder's equity			
Paid-up share capital		104’917	104’917
Reserves from capital contributions		629’840	629’840
Retained earnings		297’701	247’067
Profit for the period		17’189	50’634
Total shareholder's equity		**1’049’647**	**1’032’458**
Total liabilities and shareholder's equity		**1’177’158’157**	**830’367’538**

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 Month Period Ended 30 June

(in United States Dollars)	Notes	30 June 2023 USD	30 June 2022 USD
Gross revenue	*8*	18’291’997	33’288’041
Revenue sharing		(3’429’933)	(5’898’098)
Cost of sales		(1’740’722)	(2’863’381)
Gross profit		**13’121’342**	**24’526’562**
Intercompany service fees	*9*	(13’142’545)	(12’846’594)
Profit/(loss) from operations		**(21’203)**	**11’679’968**
Financial income/(expenses)		(5’784)	(10’940’856)
Foreign exchange gains		49’176	21’584
Profit before tax		**22’189**	**760’696**
Income tax expense		(5’000)	(150’233)
Profit for the period		**17’189**	**610’463**
Other comprehensive income		-	-
Total comprehensive income		**17’189**	**610’463**

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

21Shares AG

Condensed Statement of Changes in Equity for the Period Ended 30 June

(in United States Dollars)

	Paid-up share capital	Reserves from capital contributions	Retained 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 for the period	**-**	**-**	**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**

	Paid-up share capital	Reserves from capital contributions	Retained earnings and profit for the period	Total equity
	USD	USD	USD	USD
At 1 January 2023	**104'917**	**629'840**	**297'701**	**1'032'458**
Comprehensive income for the period				
Profit for the period	-	-	17'189	**17'189**
Total comprehensive income for the period	**-**	**-**	**17'189**	**17'189**
Contributions by and distribution to shareholder				
Paid-up share capital	-	-	-	**-**
Total contributions by and distributions to shareholder	**-**	**-**	**-**	**-**
At 30 June 2023	**104'917**	**629'840**	**314'890**	**1'049'647**

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

21Shares AG

Condensed Statement of Cash Flows for the Period Ended 30 June

(in United States Dollars)

	30 June 2023 USD	30 June 2022 USD
Cash flows from operating activities		
Profit for the period	17’189	610’463
Adjustments for:		
Fair value gains/(losses) on digital assets	-	(10’955’164)
Changes in operating assets and liabilities:		
Change in trade and other receivables	(865’156)	2’816’981
Change in digital assets	-	37’492’469
Change in trading portfolio of assets	(343’962’892)	1’480’298’134
Change in trade and other liabilities	2’867’347	4’120’417
Net cash inflow/(ouflow) from operating activities	**(341’960’701)**	**1’513’772’837**
Cash flows from financing activities		
Change in intergroup borrowings	(3’437’230)	(33’676’967)
Change in short-term borrowings	(56’809)	(20’608)
Change in due to ETP holders	343’962’892	(1’480’298’134)
Net cash inflow/(outflow) from financing activities	**340’468’853**	**(1’513’995’709)**
Net increase (decrease) in cash and cash equivalent	**(1’474’659)**	**387’591**
Cash and cash equivalents as at start of the period	1’681’076	229’427
Cash and cash equivalents as at the end of the period	**206’417**	**617’018**

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 2023

1 Reporting entity

21Shares AG, formerly Amun AG ("21Shares" or the "Company") is a public limited company (AG) incorporated in July 2018 in Switzerland and a member of the 21.co Group. 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. On 28 December 2022, Jura Pentim AG became the direct parent company and sole shareholder of 21Shares (both are subsidiaries of Amun Holdings Limited and under the 21.co Group) as a result of an internal restructuring.

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 37 products as at 30 June 2023 listed on primarily European exchanges and traded in seven currencies (USD, CHF, EUR, GBP, JPY, SEK and AUD).

2 Basis of preparation

These unaudited condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They were authorised for issuance by the Company's board of directors on 27 September 2023.

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 2022 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
Due to ETP Holders	Market value at balance sheet date
ETP digital and other assets	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.

3 Accounting policies

Changes in accounting policies and new accounting prounoucements

New Standards, interpretations and amendments
The following amended standards became applicable for the current reporting period:
have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

– 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

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 2023.

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

– Insurance Contracts IFRS17 - the company does not have any contracts that meet the definition of insurance contracts
– International tax reform - pillar two model rules - Amendment to IAS 12
– Definition of Accounting Estimates (Amendments to IAS 8)
– Supplier finance arrangements (Amendments to IAS 7 and IFRS 7)

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.

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.

5 Trade and other receivables

	30-Jun-2023 USD	31-Dec-2022 USD
Intergroup Receivables	14’417’292	10’950’873
Accrued Receivable	4’298’365	3’757’140
Accounts Receivable	386’262	155’830
Prepayments	82’097	27’750
Other	9’963	-
Total	**19’193’979**	**14’891’593**

6 Trade and other payables

	30-Jun-2023 USD	31-Dec-2022 USD
Intergroup Payables	29’190	-
Accounts Payable	13’105’237	11’548’119
Accrued Expenses	4’749’208	3’487’590
Other	19’421	
Total current liabilities	**17’903’056**	**15’035’709**

7 Short-term borrowings

The Company was granted a Line of Credit ("LOC") for a maximum amount of USD 568'518 (CHF 510'203) 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 447'693 (CHF 449'452) outstanding as at June 30, 2023. The Company intends to reduce the loan balance within a year.

8 Revenue

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

	30-Jun-2023 USD	30-Jun-2023 USD
Management Fees (net)	8’434’955	11’472’894
Staking Rewards	5’966’246	14’886’195
Other	460’863	1’030’854
Total	**14’862’064**	**27’389’943**

9 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 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 13.1 million and USD 12.8 million service fees to Jura Pentium AG during the half year ending 30 June 2023 and 2022, respectively. As at 30 June 2023, the Company had a receivable balance of USD 14.4 million from 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 lending (borrowing) balances between the Company and its related parties are disclosed below:

	30-Jun-2023 USD	31-Dec-2022 USD
Jura Pentium AG	14’388’102	10’950’873
Net intercompany receivable/(payable)	**14’388’102**	**10’950’873**

10 Events after the reporting period

The Company has moved the registered office from Dammstrasse 19, 6300 Zug to Pelikanstrasse 37, 8001 Zurich, effective as of 13 September 2023.