



# PRELIMINARY YEAR-END REPORT

2022



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# LETTER FROM THE BOARD CHAIRPERSON



## Olga Feldmeier

Co-founder, board chairperson

## Dear Stakeholders, Customers and Supporters

First of all, we would like to thank each of you for your continued support and trust in us, both as a team and in SMART VALOR as a company.

2022 was one of the worst years in the history of the digital asset industry. This was due to two factors. On the one hand, the macroeconomic downturn connected to the war in Ukraine, rising inflation and fiscal tightening disrupted stock markets, resulting in the worst year for equities in 50 years. This coincided with the expected bear cycle connected to the Bitcoin halving schedule. As a result, during 2022 the total crypto market capitalization fell from \$2.7 trillion to \$0.8 trillion, losing 70% of its value. The trading volume in digital assets also collapsed in 2022. According to Coinmarketcap data, daily trading volumes dropped from \$120 trillion at the beginning of 2022 to as low as \$16 trillion towards the end of the year, representing a shrinkage of 87%. On the other hand, this market collapse was accompanied by some of the biggest scandals and instances of fraud ever encountered by the industry, including FTX, Terra, Celsius and many others. In these terrible market conditions, not even the best-run companies were spared.

Despite disastrous industry development, SMART VALOR managed to come through the year in much better shape, outperforming the overall market. Transaction volume on the SMART VALOR investment platform declined by “only” 35% from CHF 186 million in 2021 down to CHF 120 million in 2022. We went on to grow our retail customer base and continued to build out our technical platform without any increase in operating expenses. The number of registered customers grew in 2022 by an impressive 32%. On the product side, we listed an additional 50 trading pairs, launched new staking offerings on Ethereum and Cardano, partnered with a new custody provider and entered the development stage for our new mobile app.

We launched our first B2B offering in partnership with Switzerland-based bank Dukascopy, giving the bank’s customers access to the full product suite of SMART VALOR. We also made progress through our open banking integration with Enable Banking, which allowed us to connect our digital asset exchange to over 1,000 European banks for fiat onramping.

To economize costs, we have stopped further development of our NFT service, Valor Prime. As of 31 December 2022, we also stopped providing wealth management services to individuals through our Swiss entity. We have instead opted to build-out functionality for independent wealth and asset managers to use our custody and trading for their customers. Due to this and other savings we managed to keep a low cost-base. SMART VALOR expenses excluding financial, depreciation and taxes increased in 2022 only by +8.7%.

Another significant achievement in 2022 was our successful, oversubscribed IPO on Nasdaq First North in February 2022. We raised new capital in the amount of CHF 13 million, on a CHF 87 million post-money valuation. This resulted in +278% valuation increase in comparison to the previous equity funding round of 2019.

Our revenues decreased to CHF 4.5 million, down from CHF 9.1 million a year ago. This resulted in a negative operating result (EBITDA) of CHF -2.8 m. However, looking at the past two years, which were also the first two operational years of fully functional fiat-crypto exchange operations, we proudly recorded a compounded average growth rate of transaction volumes +170% p.a. and +30% p.a. revenue growth (CAGR).

Looking forward to 2023 we will continue to focus on two main areas: growing the retail business and building out the B2B business. The timing looks good for both. On one side we expect that this year is set to be a significantly better year in terms of price development and overall market activity than 2022. On the other hand, SMART VALOR is in a good position to become one of the first players in the EU to be licensed according to MiCA, if Liechtenstein maintains its pro-active, first-mover approach and quickly implements the new legislation.

Historically asset tokenization was at the heart of our mission and the reason SMART VALOR was founded. In 2017-18, we were one of the first players evangelizing the idea of faster and better digital securities with T0 settlement and 24/7 trading. But implementing tokenization was difficult back then because no regulatory frameworks for digital securities yet existed. With the DLT Pilot Regime coming into force this year, this major hurdle is moving out of the way and we are looking to embrace new market opportunities.

# COMPANY DEVELOPMENT

## Exchange transaction volumes

2022 was a disastrous year for the crypto industry in general and a challenging year for Smart Valor as a company. After the Bitcoin price peaked in November 2021, it then faced a 14-month slump, in which it lost two thirds of its value. Investment and trading activity declined in line with the market capitalization. Towards the end of the year, global monthly trading volume on exchanges declined significantly. In December 2022, the global trading volume on major exchanges tracked by CryptoCompare was down 73% to \$0.6 trillion in comparison to December 2021. The EUR-BTC trading volumes fell by 50% from \$333 trillion in 2021 to \$172 trillion in 2022.



Source: [Exchange Review - February 2023 \(cryptocompare.com\)](https://www.cryptocompare.com/exchange-review-february-2023/)

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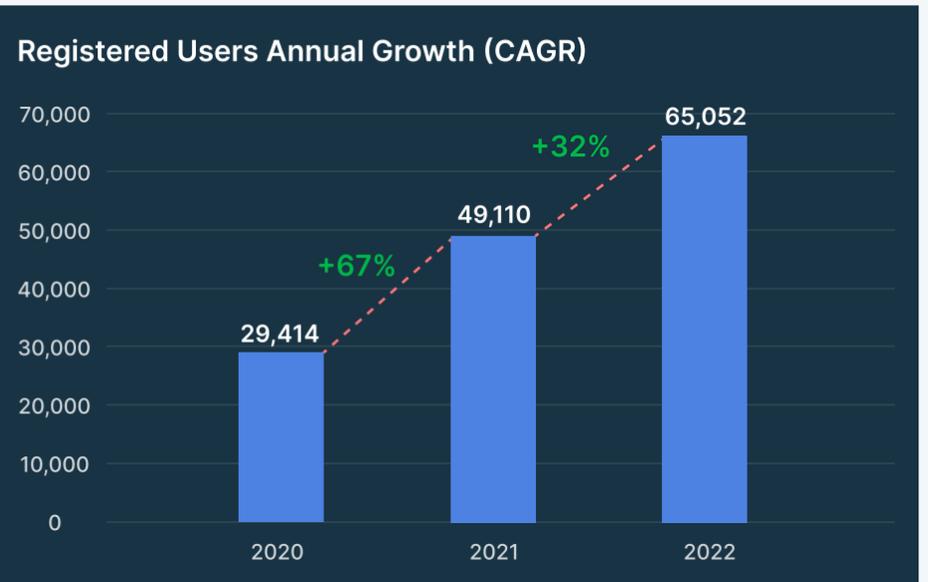
However, looking at the past two years, which were also the first two operational years of fully functional fiat-crypto exchange operations, we proudly recorded a compounded average growth rate of transaction volumes of +170% p.a.

## Annual Transaction Volume



## Retail platform user growth

On a more positive note, we continued to grow our retail customer base. The number of registered customers grew in 2022 by an impressive 32%. However, due to the previously mentioned macroeconomic pressures, combined with the 2022 bear market, the increase in customers did not immediately result in boosting transaction volume.



We also continued to build out our trading platform and extend product offerings. During 2022, we selected and listed an additional 50 trading pairs, launched new staking offerings on Ethereum and Cardano, partnered with a new custody provider and entered the beta development stage for our new mobile app. We are proud that we not only achieved key goals for the year, but did so without a proportionate increase of the cost base. SMART VALOR expenses excluding financial, depreciation and taxes increased in 2022 only by +8.7%.

2022 also saw strong B2B advancements for SMART VALOR. We managed to close an important partnership with Dukascopy, a Switzerland-based bank, and launch a crypto offering for banking customers. The partnership will provide the clients of Dukascopy with the possibility to buy, sell and trade 252 digital assets trading pairs in an easy and secure way.

## Financial results

While carefully managing our expenses, we went through several rounds of cost reduction, resulting in keeping the operational cost roughly at the level of the previous year, 2021. Our revenues decreased to CHF 4.5 million, down roughly from CHF 9.1 million in 2021. This resulted in a negative operating result of CHF -2.8 m. Looking at the past two years, the compounded average growth rate of revenues stood at +30% p.a. (CAGR).



## 2023 Highlights

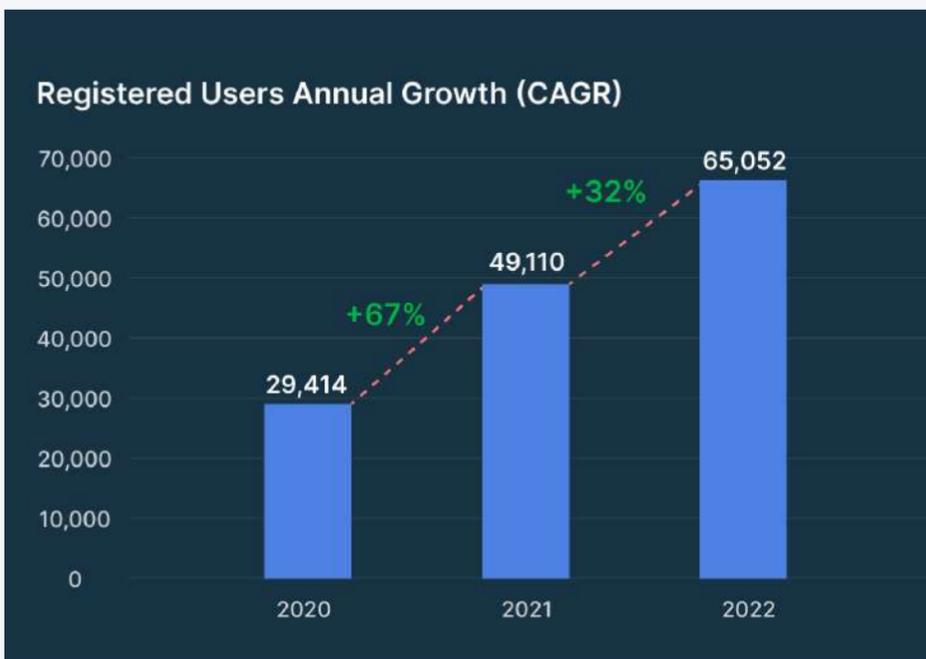
Despite the difficult market conditions, 2022 was a transformative year for SMART VALOR. Here are our top ten highlights for the year:



- Launch of B2B business and integration with Swiss bank Dukascopy
- Go-live with full crypto trading and custody product offering for bank customers



- SMART VALOR becomes public company
- successful IPO on Nasdaq First North



- Sustainable growth of user base despite negative crypto market
- +32% registered user growth



- CHF 13 million capital raised
- CHF 87 million post-money valuation realized: +278% valuation increase on previous funding round in 2019



- Partnership with Enable Banking
- Enabling direct bank integration with 1.000 financial institutions in Europe for fiat onramp



- Successful staging of CryptoSummit.ch, Smart Valor's own flagship conference
- The longest running crypto conference of Switzerland since 2017



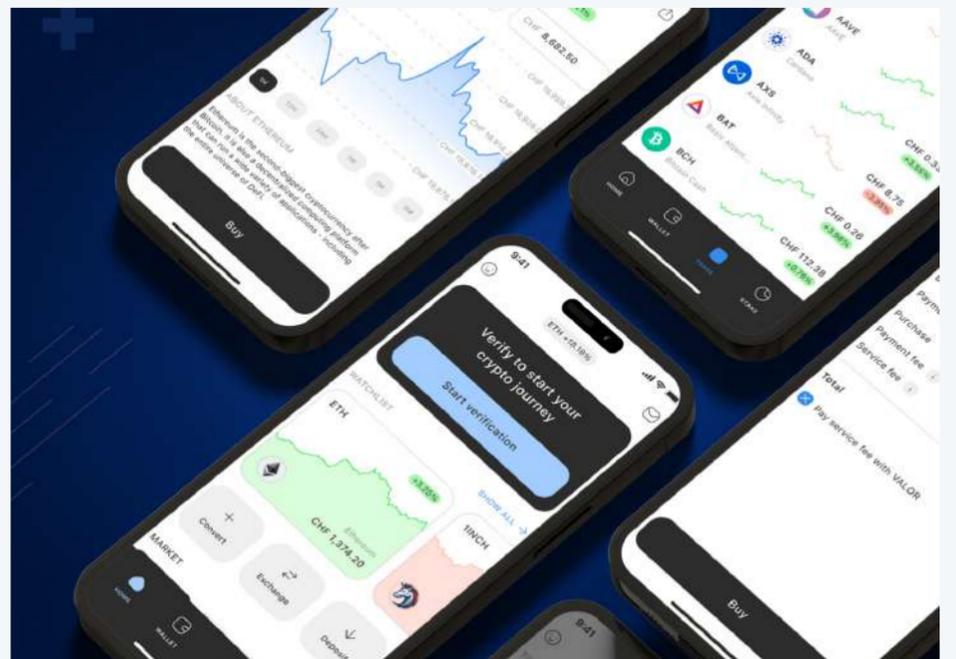
- Selection and listing of 50 additional trading pairs
- Adding Swedish Krona to the list of fiat currencies



- Launch of broad staking product offering
- Including Ethereum, Cardano and other



- Partnership with new custody provider
- Integration with Fireblocks finished



- Start of the development of Smart Valor Mobile App
- Beta version finished

## SMART VALOR outlook for 2023

Our outlook for the remainder of 2023 is in general moderately positive. This hypothesis is based on two assumptions. The first is that crypto markets will continue to develop in a cyclical manner in accordance with the Bitcoin halving cycle, in which the issuance rate decreases by half every 4 years. Each price cycle is made of an approximately two-year period of increasing prices around the halving event. Until now, these cycles have always repeated themselves since the invention of Bitcoin. The next halving event is expected in March 2024. Approximately one year before the halving event, the Bitcoin price normally starts to rise.

The repetition of this pattern would theoretically mean that the price dynamic should start to find its floor in the first half of 2023 and then rebound into a sustained positive trend.<sup>28</sup> It is possible that this dynamic could already be underway, with Bitcoin gaining 41% in two weeks as of 24 March. We assume that if the macroeconomic situation develops into a scenario of a mild but not severe recession, as currently expected, the Bitcoin cycle is likely to keep its historic pattern, as laid out in this commonly accepted hypothesis. This is why we expect that this year is set to be a significantly better year in terms of price development and overall market activity in comparison to 2022.

For both Smart Valor and other exchanges, this is an advantageous scenario as it would mean that more people are taking an interest in digital assets, more first-time buyers join the market and existing investors are more actively engaging in trading. Should this scenario come to pass, we expect to realize growing trading volumes. However, if the macroeconomic environment worsens, the Bitcoin price cycle could be disrupted, thereby delaying the market's move into a distinctive bull phase and dampening investor appetite.

### Positive impact of tightening regulation

One other avenue for positive development in the digital assets industry could come from changes to the regulatory landscape. Today, many unlicensed and unregulated exchanges are offering their services to EU citizens. This will finally come to an end once new regulation called Markets in Crypto-Assets regulation (MiCA) comes into force. The timeline for MiCA looks promising, with the European parliament expected to vote on its implementation in April 2023. Following the vote, there will be a 12-18 month transition period for EU/EEA member states to implement MiCA into their legislation.

The roll-out of MiCA is a very important milestone for Smart Valor. We expect it to be a major strategic advantage for our company. This is because today, even in our core market, we compete with a host of "grey" or even illegal exchanges (such as FTX) that operate from offshore jurisdictions and do not apply the same due diligence, regulation and compliance measures as we do. Lax onboarding procedures, the broad scope of unlicensed products and low fees offered by these players attract customers and take away a big share of our target market. With MiCA coming into force, these players will no longer be able to offer their services in EU/EEA. This is why MiCA will level the playing field for fair completion in European countries.

SMART VALOR is in a good position to become one of the first players in the EU to be authorized according to MiCA, if Liechtenstein maintains its pro-active, first-mover approach and quickly implements the legislation. The Liechtenstein Blockchain Act, developed in 2018-19 and brought into effect in 2020, is until today one of the most forward-looking and sophisticated regulatory frameworks. We consequently expect that the "upgrade" to MiCA will not bring any difficulties for SMART VALOR in order to satisfy any additional requirements. In this regard, we hope to continue to be a first-mover in terms of regulatory compliance.

### Regulatory impact on our B2B scaling strategy

MiCA also has other advantages for SMART VALOR. As we continue to work on the growth of our B2B business, our value proposition for banks and fintechs post-MiCA will become even more attractive. This is because SMART VALOR partners will be able to offer digital assets to their customers in each of the 30 European Economic Area (EEA) countries leveraging our Liechtenstein authorization. In doing so they can embrace a market of 520 million people. This common market potentially stands to outgrow US and possibly even Asian markets in the short to mid-term perspective.

Consequently, during the next 9 months of 2023, our strategic business development team will focus on preparing the ground for partnership with innovative European banks, neobanks, trading platforms, neobrokers, wealth managers and roboadvisors. These are the customer segments that have a good chance to be the first to tap into product shelf extension opportunities of digital assets, extending beyond crypto assets which already today have become one of the most important alternative investments asset class.

Today we are experiencing an ever-growing number of traditional financial products shifting to blockchain infrastructure. This process is more commonly known as tokenization (digitalization) of securities. During the past year there were many new pilots and product launches by traditional banks such as UBS, Societe Generali, Partners Group, digitalizing their bonds, funds and shares. To be able to offer these products to their customers, banks and fintechs will need to develop blockchain-based infrastructure for custody and trading.

Our view is that, for many traditional players, partnering with native Web3 fintech companies like SMART VALOR is inherently more attractive than building the tech and delivery organization for digital assets themselves from scratch. The examples of the Australian and Swiss Stock Exchange SIX, showed that companies have to spend years and budgets in excess of \$200 million to build infrastructure comparable to the one built by SMART VALOR.

## Regulatory breakthrough for digital securities

To make the transition to digital financial products both easier and compliant, the EU came up with a new regulatory adjustment called the DLP Pilot Regime. A pilot regime for market infrastructures based on distributed ledger technology is “part of a package of measures to further enable and support the potential of digital finance in terms of innovation and competition while mitigating the risks.” In general, this legislation is in line with the Commission priorities to make Europe fit for the digital age.<sup>29</sup> More specifically, the DLT Pilot Regime will enable digital asset exchanges such as Smart Valor to apply for the relevant authorizations and extend their offering to tokenized securities, something that was not possible before.

The application period for the DLT Pilot Regime opens at the end of March 2023.

### Summary

We believe that, within the current cycle of innovation, leaner and more efficient Web3 fintech companies such as SMART VALOR will pave the way for digital asset adoption by traditional financial institutions in the same way as fintech companies did in previous innovation cycles during the past 20 years. This is the strategic play that SMART VALOR is focusing on: enabling traditional finance to make a fast and cost-efficient shift to the next generation of financial products based on digital asset technology.

Historically asset tokenization was at the heart of our mission and the reason SMART VALOR was founded. In 2017-18, we were one of the first players evangelizing the idea of faster and better digital securities with T0 settlement, 24/7 trading and infrastructure without intermediaries thanks to the trustless public ledger technology. But implementing tokenization was difficult back then because no regulatory frameworks for digital securities existed.

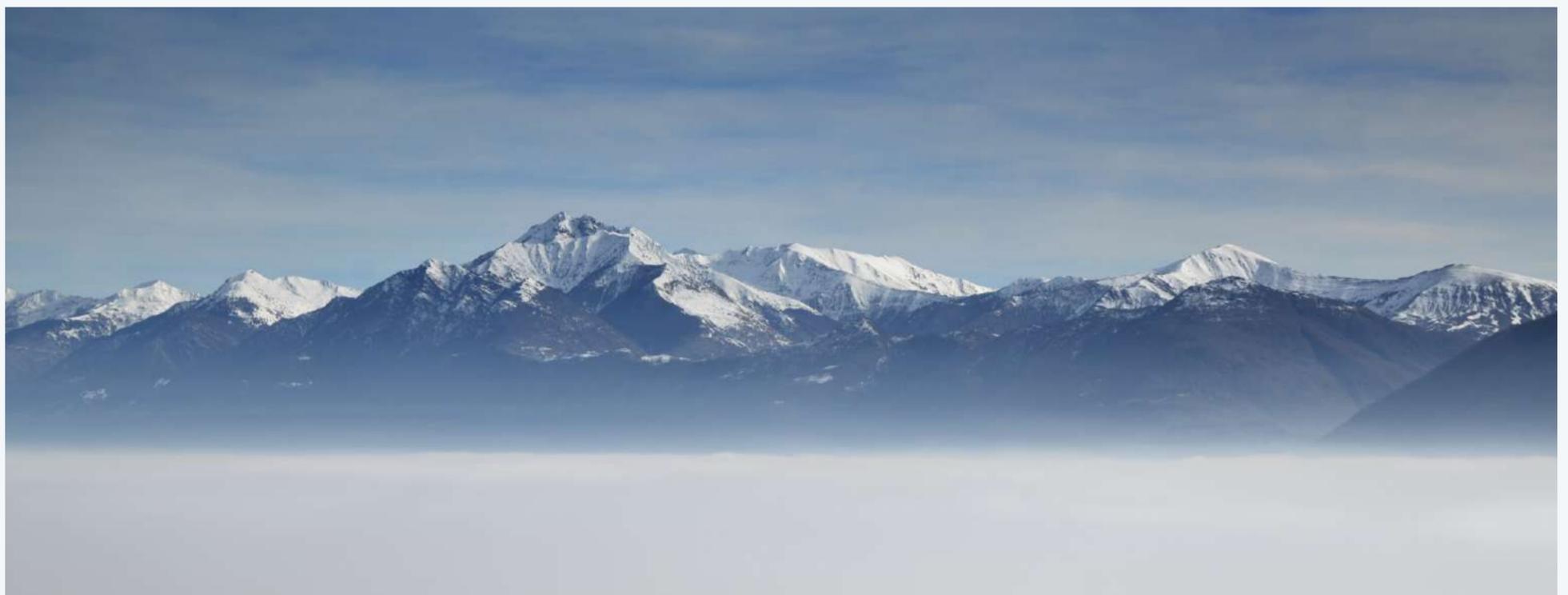
With the DLT Pilot Regime coming into force this year, this major hurdle is moving out of the way.

In the short term, SMART VALOR will continue to drive forward product development on the retail side. Our next product milestones are the roll-out of a mobile app for Android and iOS, the selection and integration of additional trading pairs, extension of

staking offerings, as well as the new offering of roboadvisory-style products such as asset baskets. We expect that this expansion of the product shelf, combined with our continued digital marketing efforts to result in growth and activation of our customer base and increase in transaction volumes, in the event that crypto markets move out of the bear cycle and start their way to the next bull phase this year.

## Significant events after the end of the year 2022

- In January 2023, we staged CryptoSummit.ch as a two-day conference in Zurich and Davos during the World Economic Forum (WEF) Annual Meeting. CryptoSummit.ch is the longest running crypto conference in Switzerland and the largest blockchain event in Zurich, which was launched by SMART VALOR in 2017.
- Shareholders approved the appointment of BDO as the company's new auditor.
- Thomas Felber stepped down as Managing Director.
- Zsolt Finta (Head of Finance) and Adrian Faulkner (General Counsel) were appointed as Managing Directors (Geschäftsführer) of SMART VALOR
- A capital increase in conjunction with the IPO was conducted on 2 March 2023 and, as a result, the total share capital of the company increased from CHF 147,701.73 to CHF 151,888.47.



# MARKET DEVELOPMENT

## Global financial instability

2022 will likely go down in history as one of the most challenging due to instability in the global economy. This was by no means a surprise for businesses and governments around the world but a variety of factors played into making 2022 a particularly difficult year, including the ongoing war in Ukraine, knock-on effects from the COVID-19 pandemic that continue to choke up supply chains and high levels of inflation.

An IMF report expected global growth to slow from 6.0% in 2021 to 3.2% in 2022, down to 2.7% in 2023.<sup>1</sup> This prediction would place growth at its lowest point since 2001, with the exception of the 2008 financial crisis and the most acute phase of the COVID pandemic.

Q2 witnessed the upward surge of inflation towards record levels, with the IMF predicting a global rise from 4.7% in 2021 to 8.8% in 2022. In Q3, the fight against inflation continued around the world, Russia's war in Ukraine raged on and a resurgence of COVID-19 in China after restrictive lockdown measures were finally lifted across the country weighed heavily on global economic development. Despite a very demanding macro climate, real GDP in many economies, such as the United States, the euro area and major emerging economies was strong. Bottlenecks from the supply side eased, and energy markets adjusted quickly to the market shock from Russia's invasion of Ukraine.

As Q4 rolled into view, this promising uptick slowed in most major economies. According to IMF reporting, high-frequency indicators such as business and consumer sentiment, mobility indicators and purchasing manager surveys suggested a slowdown.<sup>2</sup> Fuel and non-fuel commodities declined along with headline inflation in the fourth quarter, but underlying core inflation has likely not yet peaked. As a result, central banks continued to hike rates more than expected throughout the end of the year and beyond.

## War, energy crisis and high inflation

Q1 largely set the tone for the rest of the year. The general sentiment in the stock market was overwhelmingly negative and the tech sector witnessed a large decline. The war in Ukraine, high inflation and the largest interest rate hike in 22 years by the Federal Reserve impacted markets negatively. The NASDAQ Composite Index declined from 15'832 at the beginning of the year to 11'354 by 20 May 2022, losing around 30% of its market capitalization.

In Q2, the financial fallout broadened globally and few countries were spared the consequences of emergency measures put in place during the COVID-19 pandemic. The Russia-Ukraine war worsened prospects for recovery, added extra strain to international supply chains and created a spike in food and energy prices.

The pressure on global supply chains peaked in the third quarter, with energy prices in Europe spiking 300%. The drastic increase in energy prices was reflected in the economy and contributed to general inflation. Germany experienced price shocks due to its dependency on Russian-imported energy.<sup>3</sup>

The EU commission's autumn forecast predicted that the Ukraine war will plunge the entire Eurozone into recession.<sup>4</sup>

The escalation of the war in Ukraine remained a major source of vulnerability for the global economy in the fourth quarter and was a factor in contributing towards higher costs. Despite a dip in energy prices as Europe stored adequate gas to last the winter, the IMF cited refilling stocks, a potential failure of the Black Sea grain initiative and rising food prices as challenges for lower-income economies in both Q4 and further into 2023.<sup>5</sup>



## Crypto and stock markets

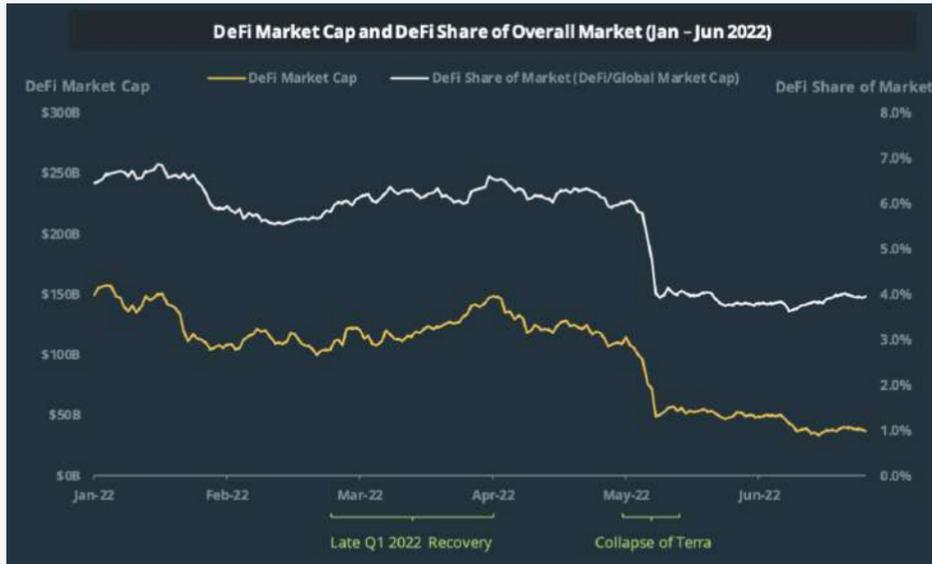
Due to the extremely tough macro climate, the crypto markets experienced significant volatility in 2022. Digital assets were not alone in this, with traditional financial markets also entering a period of significant turbulence as 2022 got underway.

In Q1, crypto trading volumes slowed in comparison to 2021, with the global trading volume sliding from the 2021 peak of USD 4.7 trillion down to USD 1.6 trillion in March 2022. This equated to a loss of 66% of its previous peak volume. The European market also experienced significant decline. In March, spot fiat-crypto trading volume of the Bitcoin- Euro (BTC-EUR) pair on top-tier exchanges decreased by 6% down to 197k Bitcoin or approximately EUR 7.3 billion. Overall, for Q1 the volumes decreased by 28% in comparison to Q4 2021.

In Q2, the cryptocurrency market continued its evolution into a major sector of the token-based stock market. Consequently, its correlation with the global financial markets also increased. In this context, digital assets were negatively impacted by the liquidity crunch within the sector, as well as a wider repricing of risk assets in financial markets. The depth of the bear market became more pronounced in Q2, with many investors from the previous bull run holding their assets at an unrealized loss.

Q2 also marked the point at which the bear market became more intense, with the implosion of the Terra network kickstarting a credit crunch across the industry and leaving a trail of collapsed companies that had a serious effect on decentralized finance (DeFi) and the wider cryptocurrency sector. Several big names in the industry were unable to cope with the degree of liquidations and filed for bankruptcy, sending further ripples across the DeFi sector.

The DeFi market capitalization fell by over 74% in Q2.<sup>6</sup> Providers such as Celsius, BlockFi and Three Arrows Capital, which had staked large amounts of UST and Luna tokens, lost billions of dollars in customer deposits.



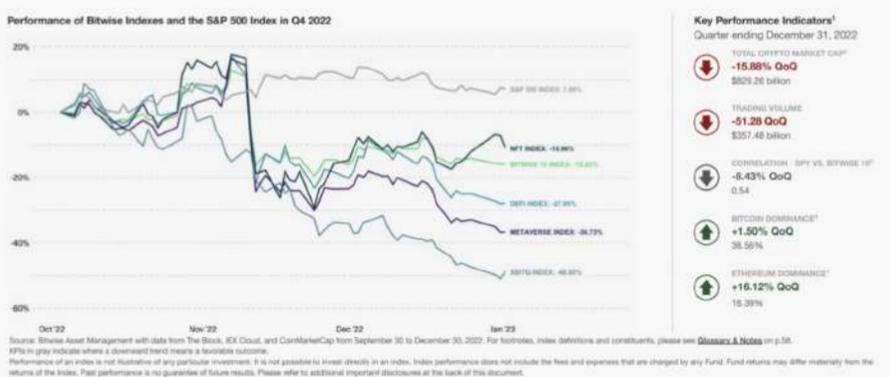
Source: [CoinGesco](#)<sup>7</sup>

The rapid contagion kickstarted by the Terra network spooked investors and consequently investment suffered. This, combined with higher interest rates, drove up borrowing costs for companies and consumers, leaving them with less money to invest and reducing demand. The sharp nose-dive triggered in part by the collapse of Terra, combined with the stage of the Bitcoin cycle and external macro pressure dashed any hopes of a summer rally in Q3. Since the 2021 bull market, Bitcoin has increasingly correlated with U.S. Tech stocks.<sup>8</sup> In Q3 2022, the average correlation between Bitcoin and the NASDAQ 100 was 0.6 as inflation and rate hikes dominated the narrative.<sup>9</sup> After the brutal sell-offs in May and June, the crypto markets moved mostly in a sideways range.

After an objectively brutal year, many crypto investors were hoping for a rally in Q4. Unfortunately, this did not come to pass as the markets were subjected to the failure of another of the sector's largest companies: FTX. FTX filed for Chapter 11 bankruptcy on Nov. 11, 2022 and former founder and CEO Sam Bankman-Fried was arrested about a month later and consequently extradited to the U.S. where his trial procedure is ongoing. Bankman-Fried had been using customer funds as his own "personal piggy bank" according to the SEC and the collapse of this ponzi scheme left an \$8 billion hole in FTX's accounts.<sup>9</sup> Over 1 million depositors, creditors and investors were affected, including BlockFi, Genesis Global Trading and Silvergate Bank.

Bitwise Crypto Market Quarterly Review | Q4 2022 | [bitwise.com/messari](#)

**Q4 2022 Review: Continued macro headwinds and the FTX fallout pummeled crypto assets, with crypto equities bearing the brunt of the decline.**



Source: [Bitwise](#)<sup>10</sup>

The overall crypto market capitalization decreased by 15.9% quarter-on-quarter in Q4. The Average daily trading volume for crypto markets dropped from 32.8% from \$88.1 billion in Q3 to \$59.2 billion in Q4.<sup>11</sup>

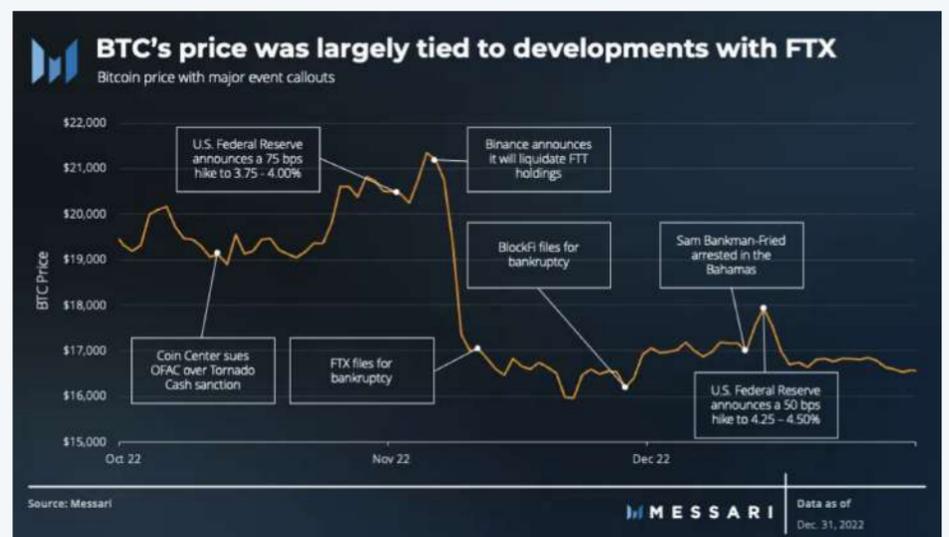
A Bitwise Investment report found that Q4 2022 topped off one of the worst years in crypto's history, with Bitcoin falling 65% throughout the year, making it the second worst year on record. Coingecko reported that the year closed off with a total crypto market capitalization of \$829 billion, 64.1% lower than the \$2.3 trillion at the start of year.

2022 might be over, but it's likely that the enormous effects of FTX will be felt in both 2023 and beyond. The multi-billion dollar collapse and associated criminal proceedings lit a fire under both regulators and politicians that had their fingers burned by Bankman-Fried. The result was a wave of legal action from the SEC and the United States generally taking a much tougher stance on digital assets. Consequently, the United States started to see talent move elsewhere as regulatory winds changed.

**Bitcoin: Holding steady**

In Q3, Bitcoin dominance fell slightly from 41.1% to 38%.<sup>12</sup> Despite overwhelmingly negative sentiment in traditional markets, Bitcoin (BTC) managed to hold its ground in Q3 of 2022, posting a neutral performance. After having reached its low of \$17,760 in Q2, BTC traded mainly between the \$18k and \$22k range during Q3. The quarter's high was at \$24,433.

Bitcoin managed to outperform equities and most major fiat currencies in the third quarter, with the exception of the US Dollar Index (DXY). The world's largest cryptocurrency topped the rankings with a return of 3.1%. Apart from BTC, precious metals and cash, all other asset classes were in negative territory.<sup>13</sup>



Source: [Messari State of Bitcoin Q4](#)

In Q4, Bitcoin's narrow trading range that bounced around the \$20,000 level was foiled by the collapse of FTX and the consequent market volatility had a strong negative impact on Bitcoin's price. According to Messari reporting, BTC fell 25% in 4 days, ending the quarter at \$15,533.<sup>14</sup> This resulted in a 15% quarter-on-quarter decline. Messari also found that Bitcoin was the worst performing asset class in Q4, largely due to panic selling and contagion-related collapse from FTX. Despite this, Bitcoin managed to outperform some notable blue chips, in Q4, such as Paypal (-17%), Amazon (-26%), and Tesla (-54%).

According to the same report, Bitcoin experienced an abnormally high degree of correlation both over the past two quarters and 12 month period. Messari's State of Bitcoin report showed that BTC experienced a strong positive correlation with the Dow Jones Industrial Average, NASDAQ 100, S&P 500, and Russell 2000. The report also showed that BTC maintained a strong negative correlation with the U.S. Dollar Index and the 10-Year Treasury Yield over the same 12 month period. Transaction volume remained high throughout Q4, with an average of 259,000 daily transactions, an increase of 3% compared to Q3. This rise can largely be attributed to the implosion of FTX.

Despite the knock-on effects of FTX, Bitcoin saw some key moments, including VISA launching BTC debit cards in 40 countries, Google accepting BTC for cloud services, BNY Mellon offering BTC custody service, Honk Kong Announcing its intention to legalize BTC retail trading, Fidelity launching BTC trading accounts for retail investors and Microstrategy's launch of BTC lightning solutions.

## Ethereum: The successful switch to Proof-of-Stake (Merge)

2022 was a tough year for all digital assets and the second largest cryptocurrency by market cap, Ether, was no exception. ETH took a big hit from Terra as the DeFi and NFT bubbles burst, causing overleveraged companies and overhyped projects to come crashing down to earth. With this, the market moved from extreme greed to extreme fear. Total value locked (TVL), the sum of all cryptocurrencies staked, loaned, deposited in a pool, on Ethereum in Q2 fell 42.4% from 59.42B to 34.21b.<sup>15</sup>

Much like the rest of the traditional and digital markets, Q2 was the start of the 2022 bear market in earnest and consequently saw metrics dip across the board. Network revenue fell by 33.4% QoQ from \$1.91B to \$1.28b. Average daily addresses fell 20.6% from 593, 404 to 471, 447, likely fuelled by the bearish sentiment spreading across the market at the time. Staking, however, increased 115% from 6.01m to 12.98m, in anticipation of the network's transition from Proof-of-Work (PoW) to Proof-of-Stake (PoS). According to Bankless research, 10.86% of the total supply of ETH was staked by the end of Q2.

ETH dominance climbed in Q3 2022 from 14.3% to 16.4%.<sup>16</sup> Q3 also saw the completion of the long awaited Merge, a cornerstone of the Ethereum roadmap. The Merge is the first of five software upgrades planned for the Ethereum blockchain and involved moving from the Proof-of-Work (PoW) method of validating transactions and securing the network to the more energy-efficient Proof-of-Stake (PoS).

Although the transition was successful and went smoothly during ongoing operations, the effective positive price effect anticipated by some for the ETH price did not materialize. Strong price increases leading up to the weeks before the Merge indicate that the switchover was fully priced in by the time it took place. In Q3 2022 the ETH price return was +25.7%, peaking at \$1,982 in mid-August.<sup>12</sup>

While Ethereum's upgrade to Proof-of-Stake made it more resistant to shocks from the market, it was not immune to market impact from the catastrophic implosion of FTX in Q4. ETH ended the quarter down 10%, but managed to outperform close peers such as BTC and SOL. Network revenue dropped 93.8% from \$.4.3b to 267.8m, which Bankless reporting attributes to falling crypto prices. DeFi TVL fell -75.8% from \$95.7b to 23.2b, again due to the wider decline in prices across the 12 month period. Transactions, active addresses and lending volumes were all down for the quarter across the Ethereum blockchain.



## Web 3: The next internet

After Web 1.0, which was predominantly defined by static text and images, and Web 2.0, in which websites became more interactive, Web 3.0 is commonly described as the next evolution stage of the internet. A truly decentralised internet without intermediaries and with users in full ownership of their data. Blockchain technology is fast becoming the key building block of an alternative financial system that will be used in the next iteration of the internet. Beyond the financial system, a framework for digital identity, collaboration and ownership rights is also being built through blockchain technology, meaning that Web3 is a wide-ranging and important technology sector that cannot be overlooked by investors.

In Q1, the bear market had not yet fully taken hold of the narrative surrounding Web3 and Emergen Research predicted that the NFT market would grow 10.7% annually, reaching USD 130.4 b by 2030.<sup>17</sup> Q2 witnessed a nosedive across most aspects of digital assets, but did not initially dampen prospects for Web3, NFTs and the metaverse. Financial titan JP Morgan signed a one-year lease for a Decentraland property and Hyundai launched their "Metamobility Universe" NFT space on April.<sup>18</sup> Gucci also entered the metaverse by creating Gucci Town, a digital destination for exhibitions and interactive shopping activities, as well as partnering with SuperRare to curate digital art.

Despite the downturn, top tech companies such as Microsoft, Twitter and big consumer brands like Disney, Nike and Starbucks started to experiment with Web3. According to recent research, the global Web3 market reached US\$3.2 billion in 2021 and is expected to grow at a CAGR of 43.7% by 2030.<sup>19</sup> VC investments in Web 3.0 topped \$18 billion in the first half of 2022.

Bitwise

**Q4 2022 Review: Amid the continued bear market, NFTs held up better than crypto assets in Q4. NFT royalty wars, new primitives gaining traction, and major brand activations dominated the quarter.**



Source: [Bitwise Crypto Market Quarterly Review: Q4 2022](#)

For Web3, Q4 was brutal as it combined an onslaught of macroeconomic pressure, shockwaves from the Q2 liquidity crunch and the implosion of FTX. This fraught market environment led to a 74% drop in funding to Web3 start-ups across the ecosystem, falling from \$9.3 billion to just \$2.4 billion compared to Q4 2021.<sup>20</sup> Despite this, developer activity spiked in Q4 2022, regardless of market volatility. Ethereum saw an increase of 453% in mainnet smart contract deployments in Q4 2022, according to Alchemy's Web3 Development Report.<sup>21</sup> The fastest growing category of decentralized application (Dapp) is social dapps, which saw a 105% increase Y/Y and a 58% increase compared to Q3 2022.

NFTs, on the other hand fell 10% QoQ, but increased by more than 10% on a year-on-year basis, mostly based on strong sales from H1 2022. Bitwise reporting showed that NFTs with utility opened up new revenue streams for major brands, with Prada, Givenchy, Ralph Lauren, Warner Bros and NBCUniversal all announcing NFT projects in Q4 2022.

**Crypto adoption continues**

2022 was a terrible year for crypto prices, but that volatility didn't stop adoption from both retail and institutional investors alike. Many investors now understand that digital assets are a diverse and varied investment class with a wide selection of functions. This means that investors of all types are now aware that digital assets can be bought and held throughout multiple market cycles over a long period of time. This is why we saw a rise of long-term holders throughout the bear market and a consistent flow of adoption and experimentation from investors.

In Q1, Blackrock, the world's largest asset manager entered a strategic partnership with Circle, one of the most prominent stable coin operators (USDC) and JPMorgan reported in February that their long-term theoretical target for BTC would be around \$150,000. The financial titan also said Bitcoin was its preferred alternative asset class along with hedge funds.

Q2 soured the mood for the cryptocurrency industry as prices plummeted and the macroeconomic climate worsened. Nevertheless, Gartner Research forecasted that the business value of blockchain would reach \$176 billion by 2025 and over \$3 trillion by 2030.<sup>22</sup> Grayscale also reported that digital asset adoption among institutional investors was growing and expected to reverse the ratio of institutional to retail who currently dominate 97% of the market, by the end of this decade.

The two biggest moves of financial institutions into digital assets in Q3 were from BlackRock and Nasdaq. BlackRock launched a private BTC trust and Nasdaq announced the launch of "Nasdaq Digital Assets", which will offer custody solutions tailored to institutional clients.<sup>23</sup>

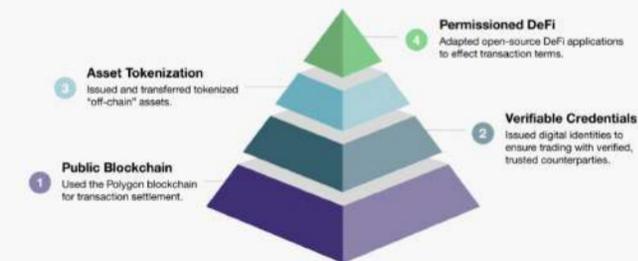
MicroStrategy, the largest institutional Bitcoin buyer entered an agreement to sell \$500 million in shares to fund more purchases of BTC.<sup>24</sup> Citigroup announced hiring new staff to its digital-assets team, and venture capital firm Andreessen Horowitz, a significant investor in the industry, continued to invest in crypto despite losses during the bear market.

Inflation and global turmoil helped play into higher levels of global adoption in Q4. JP Morgan popped back up to remind everyone that they're still interested in digital assets by conducting their first trade on Polygon. The transaction was only for \$0.02 but shows that DeFi is clearly a strong contender worthy of the attention of the world's top financial institutions even at the depths of a bear market.

Bitwise

**Takeaway #3: JPMorgan, the world's largest bank, executed its first DeFi trade using Polygon and Aave.**

The Technology Stack JPMorgan Used in its First DeFi Trade



The transaction settled in two seconds with a fee of just \$0.02. JPMorgan used Polygon and Aave to deposit and borrow tokenized currencies like the Japanese Yen (JPY) and Singapore Dollar (SGD).  
Executing transactions on-chain simplifies the transfer and custody of the assets and reduces the cost, duration, and risk associated with settlement. Off-chain, financial institutions rely on third parties to transfer and settle the assets, which is costly and time-consuming.  
This trade—while a test project—is a signpost that DeFi is making a dent in the world, and permissioned DeFi and scaling solutions are leading the charge. A year or two ago, this would have been unthinkable.

Source: [Bitwise](#) <sup>25</sup>

According to Gemini's 2022 adoption report, more respondents whose currency had experienced more than 50% devaluation against USD over the last 10 years and were more than 5 times as likely to buy digital assets in the near future.<sup>26</sup> Europe had the highest number of crypto-curious respondents and Ireland led the charge with 58% and Germany coming a close second with 53% saying they will consider buying in the next year.

Respondents said that concerns about trust volatility and security, as well as a lack of understand about how to purchase crypto were the biggest blockers. This only confirms to us that SMART VALOR's mission of making digital assets available to as many people as possible in a simple and secure way remains a vital service in a growing digital asset industry.

Chainalysis reporting noted that global adoption remains well above 2020 bull market levels, despite extremely challenging market conditions.<sup>27</sup> According to the report, conviction holders are committed to the long term, while a critical mass of new users that bought during periods of price growth will stay through bear markets.

# FINANCIAL PERFORMANCE

## Accounting overview

The figures presented in the financial statements are consolidated figures for the SMART VALOR group "SMART VALOR". SMART VALOR (Switzerland) is the parent company of the SMART VALOR group, fully owning SMART VALOR (Liechtenstein) and SMART VALOR Services GmbH (Germany). Liechtenstein is the seat of the SMART VALOR exchange. The German entity is the main IT service provider to the SMART VALOR group.

The financial statements for the SMART VALOR group have been prepared according to the locally accepted accounting standards in each of its entities. The local standards used are:

- Switzerland: Obligationenrecht (OR) - the Swiss Code of Obligations
- Liechtenstein: Personen und Gesellschaftsrecht (PGR) - the Persons and Companies Act
- Germany: Handelsgesetzbuch (HGB) - the primary commercial code for companies in Germany

The consolidated financial statements for SMART VALOR have been prepared using the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations), Articles 963 and 964.

The yearly reporting period for SMART VALOR is 1 January to 31 December, and the quarterly reporting period presented in this report is for the period 1 October 2022 to 31 December 2022.

## Key definitions

Below are SMART VALOR's definitions of several alternative ratios that have not been defined or specified in accordance with BFNAR ("Alternative Ratios"). SMART VALOR believes that these Alternative Key Figures are used by certain investors, securities analysts and other stakeholders as supplemental measures of performance and financial position. Unless otherwise indicated, these Alternative Key Figures have not been audited and should not be considered in isolation or as an alternative to ratios prepared in accordance with the BFNAR. In addition, such Alternative Key Figures, as defined by SMART VALOR, should not be compared to other similarly titled ratios used by other companies. This is because these Alternative Key Figures are not always defined in the same way and other companies may have calculated them in a different way than SMART VALOR.

Key figures	Definition	Purpose
EBITDA	Operating profit (EBIT) before depreciation and amortization.	This measure is used to measure the profit from operating activities before depreciation and amortization.
Gross profit	Net turnover minus cost of goods sold.	The measure is used to gauge the Company's efficiency in using resources to produce goods and services.
Balance sheet total	Summary of the Company's assets at the end of the period.	Shows an overview of the Company's assets and liabilities and what they amount to.
OPEX	Operational expenditures (OPEX) are expenses incurred to perform operational activities. They comprise the total of "Service and development", "Sales commission fees", "Personnel costs", "VALOR Token Incentives" and the items under "operating expenses" on the income statement.	OPEX are presented in 3 separate categories on the income statement to facilitate discussions with the Swiss tax authorities, when discussing the annual tax obligations.

## GROUP KEY FIGURES

Key figures in millions (m) for the full year 2022 and Q4 2022 were:

**CHF 0.25 m** Revenues were CHF 0.25 m in Q4 2022, compared to CHF 2.7 m in Q4 2021 and CHF 4.5 m in 2022, compared to CHF 9.1 m in 2021.

**CHF -1.5 m** Operating profit before depreciation and amortisation (EBITDA) was CHF -1.5 m in Q4 2022, compared to CHF 0.5 m in the fourth quarter of 2021. EBITDA was CHF -2.8 m in 2022, compared with CHF 2.4 m in 2021.

**CHF 1.4 m** Operating expenses were CHF 1.369 m in Q4 2022, a decrease of 38% from Q4 2021, when they were CHF 2.240 m. Operating expenses were CHF 1.595 m in Q3 2022, highlighting additional cost cutting measures that were implemented at the company.

**CHF -4.1 m** The net loss in Q4 2022 amounted to CHF -4.1 million, compared with a net loss of CHF -0.7 m in the same quarter the previous year. Net loss for 2022 was CHF -6.7 m in comparison to CHF -0.7 m a year ago.

**CHF 2.4 m** The key drivers increasing the loss on the expense side were a change in inventory driven by the VALOR token write off of CHF 2.436 m and investment banking fees of CHF 0.818 m.

**CHF 8.6 m** Assets held at the end of 2022 were CHF 8.6 million, an increase of +2.5% over 2021 year-end, when they were CHF 8.4 million.

**CHF 3.2 m** Smart Valor had a cash balance of CHF 3.2 million at the end of 2022, compared with a cash balance of CHF 1.6 million at the end of 2021.

## Consolidated Income Statement

CHF	Notes	01/10/22 31/12/22	01/10/21 31/12/21	01/01/22 31/12/22	01/01/21 31/12/21
Revenue from sale of goods to Swiss residents		19,579	426,777	177,369	993,771
Revenue from sale of goods to non-Swiss residents		6,814	93,537	564,075	608,102
Revenue from foreign exchange on VALOR Token		32,871	101,103	324,920	824,813
Revenues from market making and treasury management		142,160	1,747,264	3,067,410	5,775,161
Revenue from services		-7,792	10,148	33,055	51,133
Other Revenue	3.	55,568	321,684	297,389	799,942
<b>Total income</b>		<b>249,200</b>	<b>2,700,512</b>	<b>4,464,218</b>	<b>9,052,922</b>
Service and development	3.	-407,283	-1,459,005	-3,727,707	-3,936,554
Sales commission fees		-2,991	84,151	-27,638	-185,320
<b>Gross result I</b>		<b>-161,075</b>	<b>1,325,659</b>	<b>708,873</b>	<b>4,931,048</b>
Personnel costs incl. social securities		-307,144	-351,654	-1,226,830	-847,637
VALOR Token Incentives		-32,871	-96,550	-324,920	-820,260
<b>Gross result II</b>		<b>-501,090</b>	<b>877,455</b>	<b>-842,877</b>	<b>3,263,151</b>
Rental expenses		-15,380	-9,823	-56,978	-43,475
Insurance premiums		-8,473	-8,070	-34,477	-8,432
Consulting and accounting expenses	3.	-96,839	-46,139	-210,911	-192,072
Legal advice expenses	3.	-6,366	-52,655	-414,614	-67,055
Administrative, other consulting and IT expenses		-28,982	-35,099	-69,082	-93,273
Promotion, marketing and advertising expenses	3.	-155,502	-138,304	-901,317	-369,166
Travel and customer care expenses		-55,909	-9,451	-107,013	-25,624
Other costs		-10,791	32,272	-114,766	-45,473
Activated personal contributions		-240,729	-149,307	0	0
<b>Total operating expenses</b>		<b>-976,711</b>	<b>-416,574</b>	<b>-1,909,157</b>	<b>-844,569</b>
<b>Operating result</b>		<b>- 1,477,801</b>	<b>460,880</b>	<b>-2,752,034</b>	<b>2,418,583</b>
Depreciation and valuation adjustments on intangible assets		-357,193	-214,943	-1,120,183	-718,211
Donations		0	0	-10,000	0
Financial income		42,202	0	42,306	0
Financial expenses	3. 5.	-2,645,338	-808,324	-3,128,941	-2,239,611
Extraordinary changes	1. 6.	368,704	-166,745	368,704	-164,259
<b>Profit / Loss for the period before taxes</b>		<b>- 4,069,426</b>	<b>-729,131</b>	<b>-6,600,148</b>	<b>-703,498</b>
Taxes		-2,594	-9,261	-116,727	-17,457
<b>Profit / Loss for the period</b>		<b>-4,072,020</b>	<b>-738,392</b>	<b>-6,716,874</b>	<b>-720,956</b>

Revenues in Q4 2022 were CHF 0.249 m, compared with CHF 2.701 m in Q4 2021. Revenues for the full year in 2022 were CHF 4.464 m, 51% lower than revenues of CHF 9.053 m in 2021. Sales of VALOR tokens in Q4 2022 were CHF 27,000 compared to CHF 520,000 in Q4 2021. Sales of VALOR tokens in 2022 were CHF 741,000 compared with CHF 1.602 m in 2021. Revenues from market making activities and treasury management were CHF 3.067 m in 2022 down from CHF 5.775 m in 2021.

The operating result (EBITDA) in Q4 2022 was CHF -1.478 m compared to CHF 0.461 m in Q4 2021, and CHF -2.752 m for all of 2022, compared to CHF 2.419 m in 2021. Operating expenses were CHF 1.369 m in Q4 2022, a decrease of 38% from Q4 2021, when they were CHF 2.240 m. Operating expenses were CHF 1.595 m in Q3 2022, highlighting additional cost cutting measures that were implemented at the company.

## Consolidated Balance Sheet

CHF	Notes	31/12/22	31/12/21
<b>ASSETS</b>			
Cash and cash equivalents		3,220,035	1,601,499
Inventory		1,222,270	3,356,111
Other Current Assets	1. 2.	119,442	615,014
Prepaid expenses and accrued income		76,889	6,236
<b>Total current assets</b>		<b>4,638,636</b>	<b>5,578,859</b>
Intangible Assets		3,893,745	2,757,149
Investments		25,254	25,254
Investments in Subsidiaries	4.	0	0
Other non-current assets		15,133	6,301
Subscribed Capital (not paid in capital)		0	0
<b>Total non-current assets</b>		<b>3,934,132</b>	<b>2,788,703</b>
<b>TOTAL ASSETS</b>		<b>8,572,769</b>	<b>8,367,563</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Trade accounts payable		1,047,435	336,098
Other current liabilities	1. 2.	644,626	845,177
Convertible Loan		0	3,681,461
Loan from Shareholders		1,433,714	1,841,504
Subscribed Capital (paid-in advance)		0	0
Accrued expenses and deferred income		112,704	621,635
<b>Total current liabilities</b>		<b>3,238,479</b>	<b>7,325,874</b>
Other non-current liabilities		0	0
<b>Total non-current liabilities</b>		<b>0</b>	<b>0</b>
<b>Total liabilities</b>		<b>3,238,479</b>	<b>7,325,874</b>
Share capital	4.	147,702	121,170
Capital Reserves		13,951,304	2,976,080
<b>Voluntary retained earnings</b>			
Profit / Loss brought forward		-2,041,319	0
Profit / Loss for the period		-6,716,874	-1,330,068
Foreign currency translation adjustments brought forward		-3,464	-720,956
Foreign currency translation adjustments for the period	2.	-3,059	-2,865
Unrealised FX of VALOR Token		0	-1,673
Capital offset difference		0	0
Intercompany Difference	1. 6.	0	0
<b>Total shareholders' equity</b>		<b>5,334,290</b>	<b>1,041,688</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>8,572,769</b>	<b>8,367,563</b>

The assets held at the end of Q4 2022 were CHF 8.573 m, slightly higher than the CHF 8.368 m held at the end of 2021 year-end. The main driver for the asset increase was an increase in the company's cash position increasing from CHF 1.601 m at the end of 2021 to CHF 3.220 m at the end of 2022, which was facilitated by the capital raise that took place in Q1 2022. The company's inventory of crypto assets decreased from CHF 3.356 m to CHF 1.222 m, driven predominantly by the write-down of the company's VALOR token holdings to a value of 1 CHF. This symbolic amount includes the full inventory of 28,389,851 VALOR tokens. SMART VALOR has taken a very conservative approach in this write-down, as a booking of unrealized losses with a significantly lower balance sheet impact, would have adhered to Swiss law, and a full write-down was not required. The Company continues to follow the imparity and prudence principles when valuing all of its digital assets. When the market value of its digital asset holdings decreases below their accounting values an unrealised loss is booked. However, when market values rise above accounting values, an unrealised gain is not booked, thereby adhering to the aforementioned principle. See Note 1 to the consolidated cash flow statement for more details on the VALOR token write-down.

The current liabilities of SMART VALOR decreased significantly from CHF 7.326 m at the end of 2021 to CHF 3.238 m at the end of the fourth quarter of 2022. This is predominantly driven by the conversion of the CHF 3.681 m convertible loan from debt to equity. In addition, its combined accounts payable and other current liabilities positions increased by CHF 511 k from CHF 1.181 m at the end of 2021 to CHF 1.692 m at the end of Q4 2022.

A capital increase in conjunction with the IPO was conducted on 2 May 2022 and as a result, the total equity of the company increased from CHF 1.042 m at the end of 2021 to CHF 5.334 m at the end of Q4 2022, this can be seen in the increased share capital and capital reserves figures.

The company holds total cryptocurrency balances for its users in the amount of CHF 7.805 m, valued as at 31 December 2022 using the market rates. These user balances are kept segregated from company assets and therefore not included in the balance sheet of the company.



## Notes to the Consolidation 2022 - Disclosure on balance sheet and income statement items

The following foreign exchange rates were used in the completion of the financial statements:

	CHF/EUR
Closing rate as at 31. December 2022 (according to the published foreign exchange rates from the ESTV)	0.9958
Historical rate	1.1679

A number of acronyms were used, when referencing the financial statements and the notes to the consolidation.

SV- CH is the abbreviation for SMART VALOR Switzerland, SV-FL for SMART VALOR Liechtenstein and SV-DE refers to SMART VALOR Services GmbH in Germany.

### 1. Intercompany asset / liability accounts between SV-FL and SV-CH

	2022 in CHF
Other current assets between SV-FL and SV-CH	0
Trade accounts payable between SV-FL and SV-CH	-716,160
Other current assets between SV-CH and SV-FL	716,160
Other current liabilities between SV-CH and SV-FL	0
<b>Total</b>	<b>0</b>

There are no intercompany differences between the SV-FL and SV-CH entities.

**Reference to Note 1. on the income statement:** In 2020 and 2021, intercompany differences between SV-FL and SV-CH existed in the combined amount of CHF 368,704. These differences were booked

as extraordinary expenses on the prior year income statements. As these differences have now been clarified, an "Extraordinary change" was booked to the income statement as revenue for the same amount, thereby reversing the prior expenses.

### 2. Intercompany asset/liability accounts between SV-DE and SV-CH

	in EUR	2022 in CHF
Trade accounts payable between SV-DE and SV-CH	-27,747	-27,630
Trade accounts between SV-CH to SV-DE	0	29,850
<b>Total</b>		<b>2,220</b>

The difference between the intercompany accounts of SV-DE and SV-CH is based on a difference in exchange rates they use. The financial statements of the German entity are prepared in EUR, whereas the statements of the Swiss entity are prepared in CHF.

**Reference to Notes 1. | 2. in the balance sheet:** The intercompany receivables and payables for all entities have been eliminated from

the consolidated balance sheet, with the impact of a reduction to the "Other current asset" account of CHF 746,010 and a reduction to "Trade Accounts Payable" of CHF 743,790 and the remainder of CHF 2,220 being booked to Equity under "Foreign currency translation adjustments for the period."

### 3. Profit/Loss

	SV-DE	SV-CH	2022 in CHF
Elimination intercompany revenue	-1,511,077	0	0
Elimination Service and development (platform development related parties)	0	1,202,612	0
Elimination Advertising & Marketing	0	226,119	0
Elimination Accounting, Audit, Tax, Payroll Services	0	44,501	0
Elimination Legal Advice Expenses (Compliance)	0	43,728	0
<b>Total</b>	<b>-1,511,077</b>	<b>1,516,960</b>	<b>5,883</b>

**Reference to Note 3. in the income statement:** Intercompany revenues of CHF 1,511,077 earned by SV-DE from SV-CH are eliminated from Other Revenues, thereby resulting in an ending balance of CHF 297,389 for Other Revenues. Similarly, the equivalent amount, less foreign exchange differences

(CHF 1,516,960), are removed from the following expense accounts: "Service and development", "Advertising & Marketing", "Accounting, Audit, Tax, Payroll Services" and "Legal Advice." The foreign exchange differences of CHF 5,883 are booked against "Financial expenses."

### 4. Investments Consolidation (Share Capital)

		2022	2022 in CHF
Smart Valor FL, Vaduz	100% in CHF	50,000.00	50,000.00
Smart Valor Services DE, München	100% in EUR	25,000.00	29,197.84
<b>Total</b>			<b>79,197.84</b>

The foreign exchange rate used to convert the Share Capital for SV-DE was the historical rate of 1.1679 CHF/EUR referenced in the beginning of the notes to the financial statements.

**Reference to Note 4. in the balance sheet:** Share capital held by SV-CH in its subsidiaries is removed from the balance of the

consolidated financial statements, resulting in an ending Share Capital balance of CHF 147,702 which is equivalent to the registered Share capital of SV-CH. The Share Capital of the Swiss entity increased from CHF 121,170 to CHF 147,702 after the conclusion of the capital raise in February 2022.

### 5. Financial expense

	2022 in CHF	2021 in CHF
Financial expenses	-3,128,941	-2,239,611

**Reference to Note 5. in the income statement:** The financial expenses of 2022 consist predominantly of a CHF - 2,436,364 write down on the value of all VALOR tokens, so that the total value

of the VALOR on the balance sheet is one (1) CHF. Additional unrealized losses on crypto assets of CHF 58,871 were also booked.

## 6. Extraordinary changes

	2022 in CHF	2021 in CHF	2020 in CHF
Extraordinary changes	368,704	-164,259	-204,445

### Reference to Note 6. in the income statement:

#### In 2022:

An extraordinary revenue in the amount of CHF 368,704 was booked in the Liechtenstein entity after prior year differences from 2020 and 2021 were clarified.

For 2021: An extraordinary expense of CHF 164,259 was booked in the Liechtenstein entity to bring the intercompany accounts between SV-CH and SV-FL in line. This was in keeping with the accounting principle of prudence ("Vorsichtsprinzip"). This correction was temporary and off-set in 2022. The difference was connected to holdings of SV-CH funds on the bank accounts of SV-FL.

For 2020: An extraordinary expense of CHF 204,445 was booked in the Liechtenstein entity to bring the intercompany accounts

between SV-CH and SV-FL in line. This was in keeping with the accounting principle of prudence ("Vorsichtsprinzip"). This correction was temporary and off-set in 2022. The difference was connected to holdings of SV-CH funds on bank accounts of SV-FL.

### Additional note on assets held for clients:

Smart Valor holds CHF 7.8 million in crypto on behalf of its clients on dedicated client wallets. These balances are not reflected on the balance sheet of the company. A monthly verification of client reserves is also prepared. Clients hold Vouchers in the amount of CHF 26,606 and the company held fiat in the amount of CHF 19,638 on behalf of its clients. The main business is based in Liechtenstein.



## Consolidated Cash Flow Statement

CHF	Notes	01/10/22 31/12/22	01/10/21 31/12/21	01/01/22 31/12/22	01/01/21 31/12/21
<b>Profit / loss of the period</b>		<b>-4,072,020</b>	<b>-591,766</b>	<b>-6,716,874</b>	<b>-574,330</b>
Depreciation, amortization, impairment and gains on non-current assets		357,193	214,705	1,120,183	717,974
Change in inventory	1.	2,191,192	-429,159	1,694,702	-1,596,253
Change in other current assets		-19,066	-604,781	495,571	-365,833
Change in prepaid expenses and accrued income		-68,051	-12,473	-70,812	1,957
Change in non-current assets		25,771	8,566	-8,568	-2,028
Change in trade accounts payable	2.	849,403	-89,680	180,094	478,377
Change in other current liabilities	3.	450,342	-137,411	273,867	-130,065
Change in accrued expenses and deferred income		-87,206	-31,873	-85,923	-78,848
Change in non-current liabilities		-32,055	0	0	0
Result from disposal of assets		0	0	0	0
Other non cash-related expenses / revenues	4.	-56,661	147,313	5,873	147,313
Change in capital offset difference		-52,264	-149,100	71,674	0
FX differences from transaction corrections		7,720	22,299	16,893	18,793
<b>Cash flow from operating activities</b>		<b>-505,702</b>	<b>-1,653,360</b>	<b>-3,023,320</b>	<b>-1,382,943</b>
Investments in intangible assets		-445,636	-466,151	-2,215,978	-1,446,567
Disposal of intangible assets		0	0	0	0
Purchase of investments		0	0	0	0
Disposal of investments		0	0	0	0
<b>Cash flow from investing activities</b>		<b>-445,636</b>	<b>-466,151</b>	<b>-2,215,978</b>	<b>-1,446,567</b>
Increase/decrease of other financial liabilities		0	2,040,380	100,000	3,281,461
Increase/decrease of loan from Shareholders	3.	-388,878	-223,797	-407,790	369,828
Dividends		0	0	0	0
Change in not paid in capital		0	100,000	0	50,000
Change in paid in capital		0	0	7,153,083	0
Capital increase / capital decrease		0	0	0	0
Purchase / sale of own shares		0	0	0	0
<b>Cash flow from financing activities</b>		<b>-388,878</b>	<b>1,916,583</b>	<b>6,845,293</b>	<b>3,701,289</b>
<b>Change in cash and cash equivalents</b>		<b>-1,340,216</b>	<b>-202,928</b>	<b>1,605,995</b>	<b>871,779</b>
Beginning of the period		4,552,762	1,798,936	1,601,499	725,572
FX differences in cash and cash equivalents		-7,489	-5,491	-12,541	-4,148
End of the period		3,220,035	1,601,499	3,220,035	1,601,499
<b>Change in cash and cash equivalents</b>		<b>-1,340,216</b>	<b>-202,928</b>	<b>1,605,995</b>	<b>871,779</b>

The company uses the indirect method for the preparation of its cash flow statement, the more common method used by Swiss companies in our industry. The net income is the starting point, to which non-cash expenses, such as amortisation and changes in inventory, accounts payable and other current assets are added back.

In Q4 2022 the company's cash outflows from operating activities were CHF 0.506 m, compared to cash outflows of CHF 1.653 m in 2021-Q4 and cash outflows of CHF 3.023 m in 2022. The key drivers were a change in inventory driven by the VALOR token write down of CHF 2.436 m and an increase in accounts payable as CHF 0.818 m in investment banking fees owing were booked in 2022, with the payment being deducted from the final payout from the

capital raise of 2022 being paid out in Q1 2023. The company's cash outflows from investing activities were CHF 0.446 m in Q4 2022, compared to CHF 0.466 m in Q4 2021. Significant investments continue to be made into the SMART VALOR platform asset, as new features continue to be developed and new digital assets are listed for trading on the platform. Cash outflows from financing activities during Q4 2022, relate to a reclass of the Shareholder Loan to Other Current Liabilities. In Q4 2021 cash inflows from financing activities were CHF 1.917 m.

In Q4 2022, the overall position in cash and cash equivalents for the company decreased by CHF 1.340 m from CHF 4.552 m at the end of Q3 2022 to CHF 3.220 m at the end of Q4 2022.

## Notes to the consolidated statement of cash flows

### 1. Change in inventory

The digital asset inventory of Smart Valor as held by its Swiss entity, decreased from CHF 3,413,462 at the end of 2022-Q3 to CHF 1,222,270 at the end of 2022. This was predominantly driven by a write down of CHF 2,436,363 of VALOR token held on its balance sheet to a total value of CHF 1. This write down of VALOR was comprised of 5,921,571 VALOR held on the books, as acquired from clients. An additional supply of 22,468,280 VALOR tokens was previously valued at a total of CHF 1. With this write down, all company-held VALOR tokens, in the amount of 28,389,851 VALOR is valued at a total of CHF 1. As mentioned also in the write-up below the balance sheet, SMART VALOR has taken the most conservative approach with respect to the valuation of its VALOR inventory.

### 2. Change in trade accounts payable

Expenses incurred as part of the IPO of the company to its investment bankers was booked in the fourth quarter of 2022 in

the amount of SEK 9,229,218 (or CHF 818,708), thereby making up most of the CHF 849,403 increase in the trade accounts payable line item of the fourth quarter of 2022.

### 3. Decrease of the Shareholder loan

A decrease in the Shareholder loan of CHF 388,878 was booked in the fourth quarter of 2022. The amount owing was reclassified to "Other Current Liabilities" as this amount owing functions as a line of credit available to the company and is not part of the formal Shareholder Loan.

### 4. Other non-cash related expenses / revenues

Total interest expenses of CHF 6,312 in the fourth quarter of 2022 in addition to CHF 62,973 earlier in 2022 were removed from cash flows from operating expenses.



## Changes in Consolidated Equity

CHF, for the period:	01/01/22 - 31/12/22	01/01/21 - 31/12/21
<b>Balance as of 01.01.2022</b>	<b>1,041,688</b>	<b>1,765,212</b>
Net Gain/Loss at SV AG CH for the period 01.01.2022 to 31.12.2022	-6,685,512	-840,501
Net Gain/Loss at SVS GmbH for the period 01.01.2022 to 31.12.2022	36,436	46,766
Net Gain/Loss at SV AG FL for the period 01.01.2022 to 31.12.2022	-67,798	72,780
Capital increase	11,001,755	0
Other equity including intercompany difference	0	-895
Foreign currency adjustment for the year	7,721	-1,673
<b>Equity as of 31.12.2022</b>	<b>5,334,290</b>	<b>1,041,688</b>

The equity of the company increased by CHF 4.293 m from CHF 1.042 m at the end of 2021 to CHF 5.334 m at the end of the fourth quarter of 2022. This was predominantly driven by the capital raise

completed on 2 May 2022. The increase was partially offset by the net loss incurred during the period.



## Financial performance – Other key financials

As of 31 December 2022, the total outstanding shares of SMART VALOR were 14,770,173. This is an increase of 2,653,145, over the previous number of outstanding shares as at year-end 2021 which were 12,117,028. The net earnings per share pre and post dilution

are presented in the following table. The capital increase resulting from the IPO is being executed in two stages, with the first capital increase having been completed on 2 May 2022 and the second stage being completed in the first quarter of 2023.

### Net earnings per share and average number of shares outstanding

<b>Net earnings per share</b>	<b>01/10/22 31/12/22</b>	<b>01/10/21 31/12/21</b>	<b>01/01/22 31/12/22</b>	<b>01/01/21 31/12/21</b>
Net income	-4,072,020	-738,392	-6,716,874	-720,956
# of shares outstanding pre-dilution	12,117,028	12,117,028	12,117,028	12,117,028
# of shares outstanding post-dilution	14,770,173	12,117,028	14,770,173	12,117,028
Net earnings / share pre-dilution	-0.34	-0.06	-0.55	-0.06
Net earnings / share post-dilution	-0.28	-0.06	-0.45	-0.06
<b>Average number of shares outstanding</b>				
pre-dilution	12,117,028	12,117,028	12,117,028	12,117,028
post-dilution	13,443,601	12,117,028	13,443,601	12,117,028

### Additional comments

#### Closely-Related Party Transactions

During the reporting period, no closely-related party transactions took place.

### Significant Risks and Uncertainty

The growth of the blockchain industry in general is subject to a high degree of uncertainty. The factors affecting the development of the cryptocurrency industry include, but are not limited to: Worldwide growth in the adoption and use of ETH and other blockchain technologies; Regulation of ETH and other blockchain assets and their use, as well as restrictions or regulation on access to and operation of blockchain platforms; Maintenance and development of relevant open source software; Changes in consumer demographics and public tastes and preferences; The availability and popularity of other forms or methods of buying and selling goods and services or trading assets, including new ways of using fiat currencies or current platforms; and General economic conditions and crypto-related regulation. The uncertainty associated with the growth of the cryptocurrency industry may cause the Company to grow more slowly than expected and may also result in increased expenses and lower margins.

### Calendar

<b>Event</b>	<b>Date</b>
Q1 Statements 2023	30/05/2023
Annual Report 2022	7/06/2023
Annual General Meeting	29/06/2023
Q2 Statements 2023	30/08/2023
Q3 Statements 2023	29/11/2023
Preliminary Year-End Report 2023	30/03/2024

### Auditor Review

This report has not been subject to review by the company's auditor.

# SMART VALOR IN THE MEDIA IN 2022

The SMART VALOR leadership team continues to be featured on main business channels in print and television, represented by Olga Feldmeier, co-founder and board chair of SMART VALOR.



**Handelszeitung: Erste Firma aus dem Schweizer Crypto Valley will an die Börse**

[Gründerin Olga Feldmeier will mit Krypto-Firma Smart Valor an die Börse](#)  
[Handelszeitung](#)



**Dagens Industri: "Kryptodrottningen" tar sitt bolag till First North**

["Kryptodrottningen" tar sitt bolag till First North \(di.se\)](#)



**Bilanz: Smart-Valor-CEO Olga Feldmeier über Bitcoin: «Die 100'000er Marke wird locker übertroffen»**

[Smart-Valor-CEO Olga Feldmeier über Bitcoin: «Die 100'000er Marke wird locker übertroffen»](#) | [BILANZ \(handelszeitung.ch\)](#)



**BILANZ Standpunkte: Krieg, Inflation, Deglobalisierung - Wohin steuert die Wirtschaft?**

[Krieg, Inflation, Deglobalisierung: Wohin steuert die Wirtschaft?](#)



**NZZ: Schweizer Krypto-Queen - «Die mediale Inszenierung von Zug als Krypto-Valley ist übertrieben»**

[Schweizer Krypto-Queen: «Die mediale Inszenierung von Zug als Krypto-Valley ist übertrieben»](#)



**SRF Eco Talk: Cyberkrieg - muss die Schweiz jetzt aufrüsten?**

[Cyberkrieg: Muss die Schweiz jetzt aufrüsten?](#)



**Cointelegraph: Experten teilen mit - Ist der Krypto-Winter 2022 anders als der von 2018?**

[Experten teilen mit: Ist der Krypto-Winter 2022 anders als der von 2018? - Teil 2 \(cointelegraph.com\)](#)

# GLOSSARY

<b>Fiat currency</b>	Fiat currency is a government-issued currency that is not backed by a commodity such as gold. Most modern paper currencies, such as the Swedish krona or the US dollar, are fiat currencies.
<b>Stable coins</b>	Stable coins are digital assets built with cryptography, designed to maintain a fixed price. They link their prices to other assets, such as the USD.
<b>Non-stable coins</b>	Non-stable coins refer to cryptocurrencies that are not backed by an asset. The best examples of these are BTC and ETH.
<b>Proof-of-stake/Staking</b>	Staking involves holding Proof-of-Stake (or "PoS") for cryptocurrency in a wallet on a Blockchain network for the currency in question. Participants run the protocol on their own servers and secure the validation transaction for the blockchain on the distributed network. As a reward, a payment is received that depends on the amount of cryptocurrency locked into the protocol.
<b>Decentralised Finance (DeFi)</b>	Decentralised finance (often referred to as DeFi) is a blockchain-based form of finance that does not rely on central financial intermediaries such as brokerage firms, exchanges or banks to offer traditional financial instruments but instead uses smart contracts on blockchains, the most common of which is Ethereum.
<b>NFT</b>	An NFT ("non-fungible token") is a digital asset that represents real objects such as art, music, game objects and videos. They are bought and sold online, often with cryptocurrency, and are generally encoded with the same underlying software as many cryptocurrencies. NFTs have been around since 2014 and have recently started to become popular as they become an increasingly popular way to buy and sell digital artworks.
<b>BTC</b>	Cryptocurrency - Bitcoin
<b>USDT</b>	Cryptocurrency - Tether
<b>EOS</b>	Cryptocurrency - EOS
<b>ETH</b>	Cryptocurrency - Ether
<b>PAXG</b>	Cryptocurrency - PAX Gold
<b>VALOR</b>	Cryptocurrency - VALOR
<b>Dark pool</b>	Dark pools are a type of Alternative Trading System (ATS) that allows some investors to submit large orders and make trades without publicly revealing their intentions while searching for a buyer or seller.
<b>AML</b>	Anti-money laundering (AML) refers to the laws, regulations and procedures designed to prevent criminals from disguising illegally obtained funds as legitimate income.
<b>B2B</b>	Business-to-Business
<b>B2C</b>	Business-to-Consumer



<b>Blockchain</b>	A blockchain is a growing list of records, called blocks, that are linked together using cryptography. Each block contains a cryptographic hash of the previous block, a timestamp and transaction data.
<b>Cryptocurrency</b>	Cryptocurrency is a type of digital currency that usually only exists electronically.
<b>KYC</b>	Customer due diligence (KYC) guidelines in financial services require business owners to make an effort to verify the identity, suitability and risks of maintaining a business relationship.
<b>OTC</b>	Over-the-counter (OTC) refers to the process by which securities are traded over a network between broker and trader as opposed to a centralised exchange.
<b>Wallet</b>	Cryptocurrency wallets store secret keys that are used to digitally sign transactions for blockchain-distributed ledgers.
<b>Family-office</b>	A family office is a privately owned firm that handles investment management and wealth management for a wealthy family, typically with over \$100 million in investable assets.
<b>Decentralised stock exchange</b>	Decentralised Exchanges (DEX) are a type of cryptocurrency exchange that allows direct transactions between counterparties to be carried out securely and without the need for intermediaries.
<b>Token</b>	The term token refers to a specific virtual currency token or how cryptocurrencies are denominated. These tokens represent fungible and transferable assets or tools that reside in their own blockchains.
<b>API</b>	In computing, an application programming interface (API) is an interface that defines interactions between several different software applications or intermediaries for both hardware and software.
<b>TVTG</b>	Also known as the new Blockchain Law in Liechtenstein. The comprehensive legal framework for digital assets was the result of three years of work by regulators and the government.
<b>Physical validator</b>	The main problems with NFTs have been ensuring that a token is backed by a real asset - how the process should work and who is responsible for issuing and ensuring the existence of the underlying asset. A physical validator is a licensed party that answers these questions and has been described as "the last missing piece of the puzzle in the great game of real asset tokenisation".
<b>Gas fee</b>	Gas fee refers to the device that measures the amount of computational power required to perform specific operations on the Ethereum network. Since each Ethereum transaction requires computational resources to execute, each transaction requires a fee. Gas fee refers to the fee required to successfully complete a transaction on Ethereum.
<b>Smart contract</b>	A smart contract is a self-executing contract where the terms of the agreement between buyer and seller are written directly into lines of code. The code and the contracts within it reside on a distributed, decentralised blockchain network.
<b>Fiat on-ramp</b>	A fiat on-ramp is a platform that allows the user to convert fiat currencies, such as US dollars, into a cryptocurrency like Bitcoin. These platforms are commonly called exchanges and they basically accept fiat currencies and sell you the corresponding amount of cryptocurrency based on current market rates.
<b>DApp</b>	A decentralized application running on the Ethereum network.



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