



QUARTERLY REPORT

Q2/2022 | April - June



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FOUNDERS' LETTER



Oliver Feldmeier

CEO and co-founder



Olga Feldmeier

Board chair and co-founder



Thomas Felber

CTO and co-founder

Dear fellow stakeholders,

The second quarter of 2022 in crypto was not an easy time. Despite difficult market conditions, SMART VALOR continued to grow in terms of customers and team size. However, strong crypto devaluation impacted our financial results. We remain strongly convinced that every crisis is also an opportunity and now is the right time to build.

In Q2, the market capitalization of the top 30 crypto assets lost over 50% of their value, falling below \$1 trillion. The expected turn of the crypto market 4-year-cycle coincided with the beginning of the Ukraine war and the global downturn of stock markets. Dramatic market moves placed many companies under pressure and even led to the collapse of seemingly established players such as Voyager, Blockfi, Celsius, Three Arrow Capital, Nuri and others. The contagion risk broke out like a fire. In retrospect, one can say that Q2 of 2022 was one of the hardest survival tests of the crypto industry companies to date.

Despite this tough environment, SMART VALOR continued to significantly grow its customers base and team. The registered user base almost doubled in Q2, growing by an impressive 47%, from 38,923 at the end of Q1 2021 to 57,101 in Q2 2022. On the transaction volume side, we managed to maintain the previously achieved level of CHF 33 million, outperforming the overall market, which came down 20% in BTC-EUR spot transaction

volume of top tier exchanges, which we use as a proxy for the European market.

On the B2B side, we successfully completed the technical implementation to connect our exchange with Swiss bank Dukascopy. This gave clients of Dukascopy the possibility to buy, sell and trade digital assets on SMART VALOR in an easy and secure way, directly from their bank account. We see this case as highly important as it marks our first banking client and the beginning of our B2B journey. According to a recent study by Ripple, around 76% of financial institutions and businesses will switch to using digital assets within the next three years. This is the trend we are set to capitalise on. We are currently using the down-market time to further build out our exchange infrastructure, to make it more scalable and easier to deploy for large partner integrations.

Whereas we withstood the market trend with positive customer and team growth, on the financial side the market crisis left an impact. Revenues in Q2 were 66% lower than they were in the previous quarter. The operating result (EBITDA) was CHF -1.2 million. On the cost side, we continue to stay lean and highly efficient with an average monthly operating expense of CHF 0.6 million.

For those who've been in the crypto business for long enough, going through the deep devaluation of the current phase of the market cycle is nothing unusual. As bad conditions push some players to



drop out, good hiring opportunities emerge, allowing survivors to re-focus on preparation for the next market upturn, in terms of building out the core product and hiring good teams. This is where we at SMART VALOR plan to focus on over the upcoming quarters. **The product roadmap includes new staking offerings and additional listings, a modern retail exchange app and further shift to a more scalable infrastructure while intensifying the work on long-term partnerships with fintechs and banks.**

Closing this letter, we would like to highlight that **SMART VALOR today is the only crypto platform from Switzerland that offers a fully integrated product suite covering all stages of the crypto investor's journey. Both beginners and advanced traders enjoy our service offering, accompanied by live customer support in local languages and strengthened by our focus on *trust*. We continue to believe that *trust* is the key differentiator in the crypto space. Our focus on *trust* is derived from four pillars: regulation, technical security, product offering and governance.**

On the regulatory side, having received regulatory approvals as *Patient Zero* in our home jurisdiction was a big achievement. Following through not only on compliance but on specifically challenging aspects of crypto compliance is another achievement worth noting. With tougher regulation, the times of thriving unregulated, off-shore exchanges providing services in the EU will be over soon. This will level off the playing field for compliant, local players such as SMART VALOR.

On the technical security side, we invested heavily in security measures and have been working hard on preventing vulnerabilities and hacks. The SMART VALOR exchange and custody has never been compromised. Looking at the history of crypto exchanges around the world, this is something that cannot be taken for granted.

On the product side, we built *trust* with our customers by being conservative with our service offering. We have never offered leveraged trading, nor derivatives or speculative yield products. We are highly selective with crypto assets available on our platform and don't offer paid listings. This is why we managed to steer clear from any disastrous events of the quarter. For example: Terra was not listed on SMART VALOR and we did not offer yield products from Celsius or any other yield or lending platforms.

On the governance side, one of our bigger recent investments in *trust* was listing on Nasdaq First North. Satisfying high requirements of the largest global exchange for tech companies such as board and governance requirements, transparency requirements, quarterly reports, audited financial statements, anti-market abuse regulation and disclosure requirements is clearly a challenging task for a young organization like SMART VALOR. Yet, we did this step as an investment in *trust* and are fully committed to fulfilling all obligations connected to it.

Establishing *trust* is a long-term investment which will pay off over time and cement our position as one of the most trusted players in Europe. On this note, let us close this letter and we thank you all again for your *trust* and continued support.





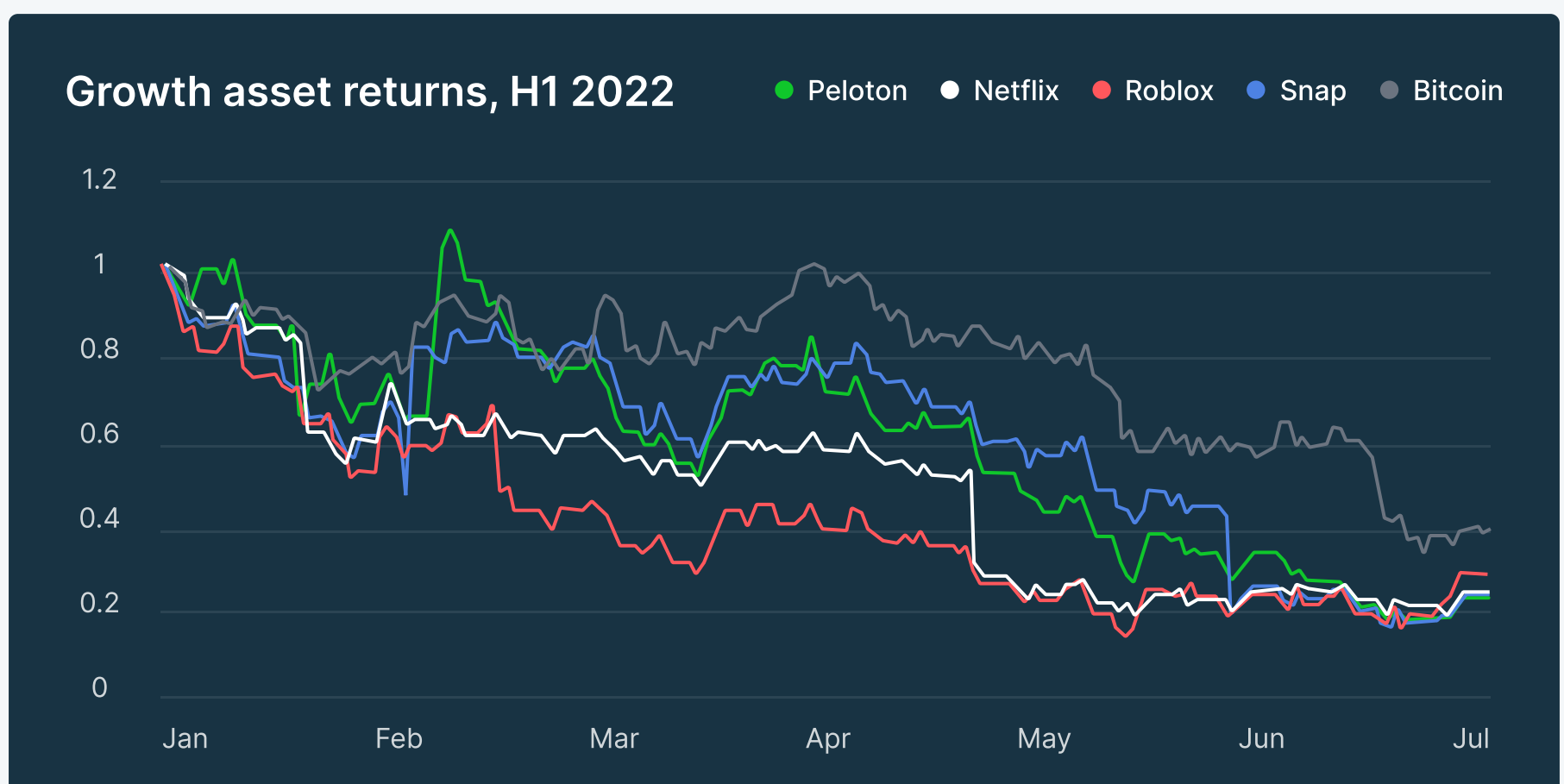
MARKET DEVELOPMENT

Instability of global markets, pandemic and war in Ukraine

Events in the last few years have proven costly for the global economy. Almost all countries shared the same fate during the COVID-19 pandemic and face similar challenges in managing the consequences of emergency measures put in place to keep local and global economies moving. The ongoing Russia-Ukraine war has worsened prospects for recovery, added extra strain to international supply chains and created a spike in food and energy prices.

Without a resolution to the war, analysts see sustained high energy prices and stagflation. With winter approaching, governments are scrambling to protect consumers and businesses alike.

As the cryptocurrency market becomes a major sector of the token-based stock market, its correlation with the global financial markets also increases. The situation for digital assets was further aggravated by the liquidity and credit crunch within the sector, as well as a repricing of risk assets in financial markets. Putting Bitcoin in context with other risk assets, it becomes apparent that traditional assets also performed extremely poorly this quarter.



Source: CryptoCompare

Current bear market

Against the backdrop of the global economy and the current stage of the Bitcoin cycle, H1 2022 signalled a change of fortune for the cryptocurrency markets. After a long bull market that took Bitcoin to new all-time-highs (ATH) and saw the onboarding of many new users and creation of new projects across the industry, prices dropped in correlation with the traditional financial markets and entered a bearish stage.

This bear market is notable because prices dropped lower than the ATH of previous bull runs. This is a

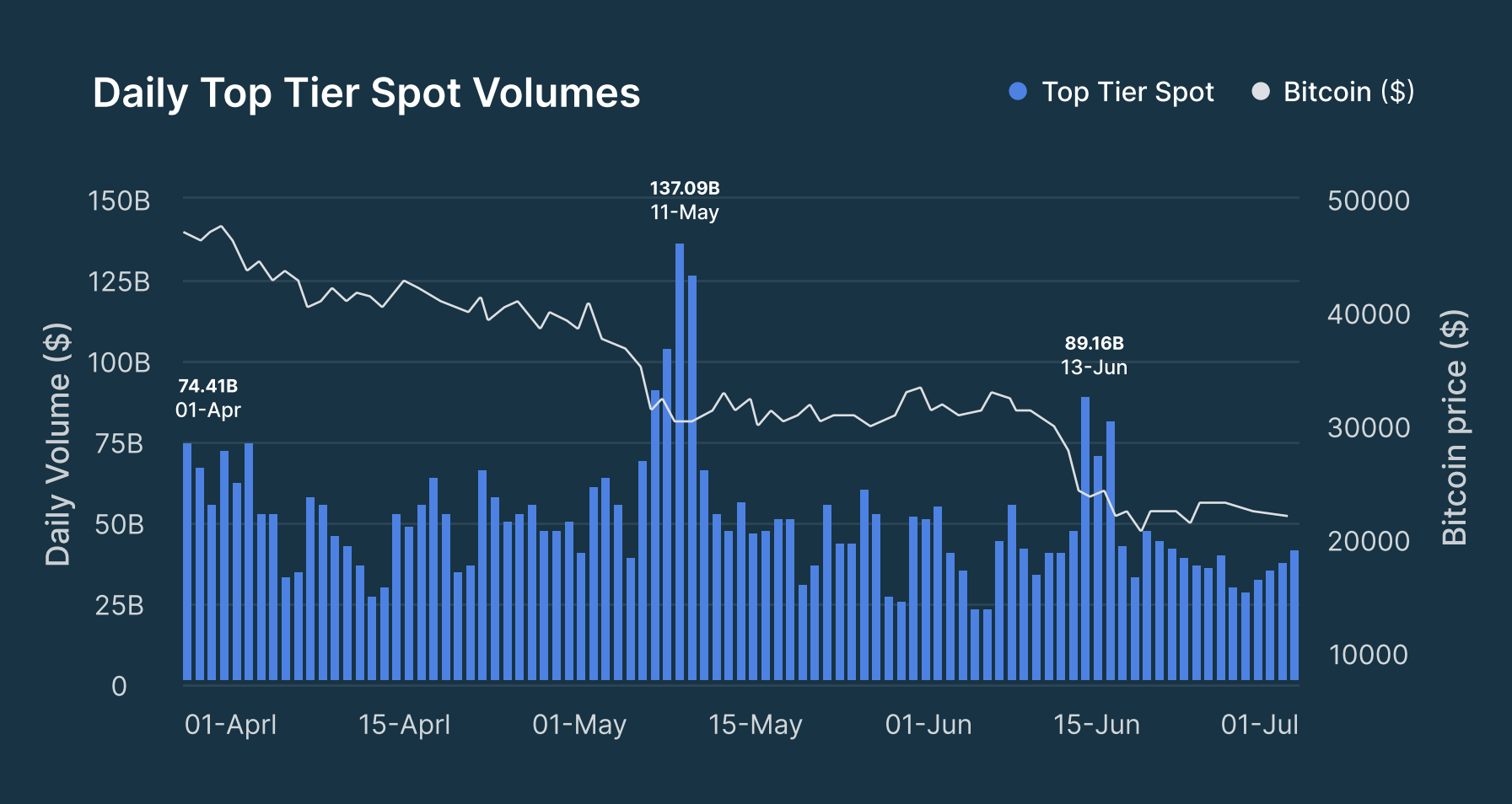
first for the industry and meant that many investors from the previous bull run were holding their assets at an unrealized loss. New investors face a challenging investment environment, especially if they bought near ATH. Intense media coverage of cryptocurrency prices encourages paradoxical behaviour from inexperienced investors in which they buy at high prices from fear of missing out and regardless of what prices are doing.

According to Glassnode research, these long-term Bitcoin holders played a role in the formation of the



market floor during Q2. The report supported the theory that these long-term investors began to dominate the market and once assets neared

important positions for bear market pricing models after the capitulation of newer and less experienced investors.



Source: CryptoCompare

Market cycles and outlook

The general price behavior of the cryptocurrency markets is cyclical. Most of the assets across the industry follow the price of Bitcoin, which itself has a distinct price behavior depending on the stage of its 4-year-cycle. The Bitcoin cycle centers around an event called a halving, in which the Bitcoin reward miners receive for maintaining the network is cut by 50%.

In general, in the two years leading up to the halving, prices tend to increase. This is followed by a year of consistently high prices, followed by a year of low prices. These cycles have always repeated themselves. During bearish periods, the largest cryptocurrencies regularly fall to lows of 80% to 90% compared to their respective highs. In Q2 of 2020, the top 30 crypto market cap performed poorly, losing over 50% of its value and falling below \$1 trillion.¹

Like all disruptive, emerging technology, digital assets have their critics. These critics tend to be loudest when prices fall, despite this being a well-established part of most cryptocurrencies’ cyclical

behavior. During this time, it’s fairly common to see widespread predictions about the collapse of Bitcoin. However, Bitcoin, along with the performance of the wider industry, continues to grow and achieve higher prices and adoption with each new cycle.

Over the last decade the entire crypto market has grown tremendously, with its market cap peaking at over \$3 trillion in November 2021.² Interest in digital assets continues to increase, as both institutional and private investors seek to insulate their assets against inflation.

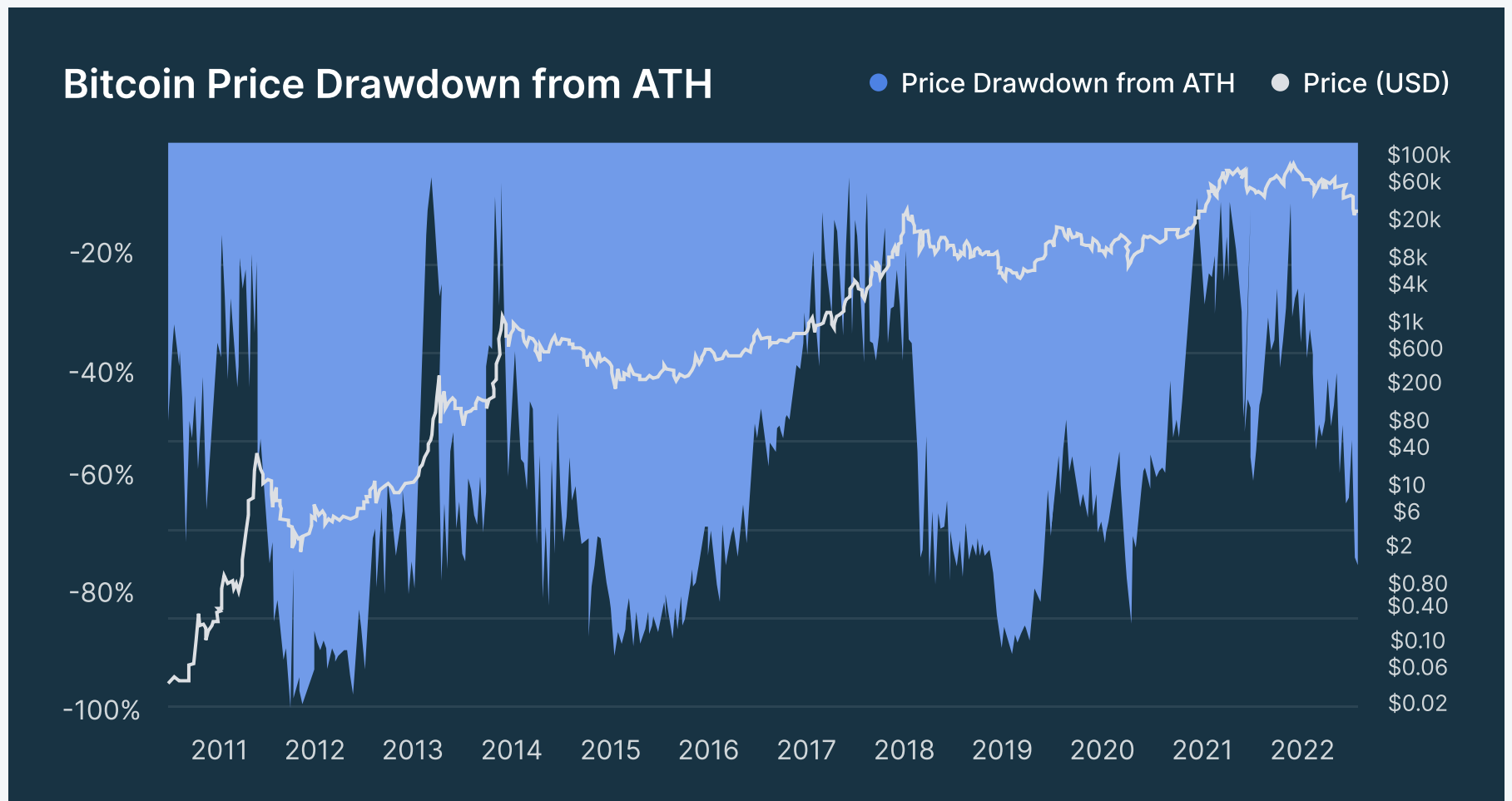




Bitcoin and Ethereum

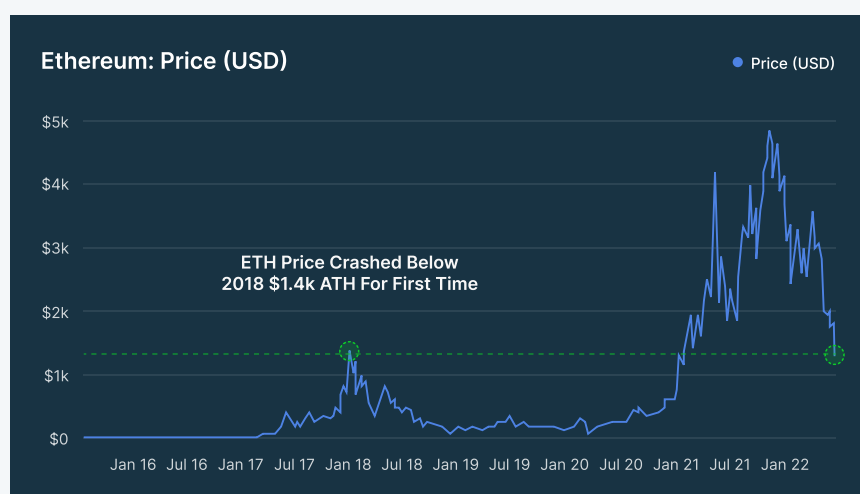
During the 2022 bear market, Bitcoin's price dropped -73% below the November 2021 ATH. The market has experienced the largest monthly

decline in the Realized Cap in history. The ratio of transfer volume in losses to gains has reached historically high levels.³ This is equivalent to a deeply disturbed investor base.



Source: Glassnode

Ether (ETH), the second largest digital asset by market cap, fell shortly below the 2018 ATH of \$1.4k. In addition to the correlation with Bitcoin and the stock market, much of this decline was caused by large-scale deleveraging in the DeFi ecosystem.



Source: Glassnode

DeFi, stablecoins and the fall of Terra

Stablecoins play an important role in the industry, providing a reliable way for people to carry out transactions or receive payments in digital assets. But some stablecoins are inherently riskier than

others. All stablecoins are backed by an asset to anchor their price around a fixed value. This is often a fiat currency like the US dollar such as with USDC or USDT, both of which are listed on our exchange.

But other more experimental stablecoins are backed by volatile assets. This means if the asset they are backed by rapidly loses value, the stablecoin itself can lose its price peg. Many investors found this out the hard way during the fallout from the Terra/Luna collapse in May.

The collapse of the Terra ecosystem had a serious impact on the decentralized finance (DeFi) sector, revealing the fragility of certain companies that were overleveraged when the ensuing credit crunch took hold. 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 Q2.⁴ 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.

Web3, NFTs and the metaverse

The start of the bear market hasn't stopped the momentum for metaverse innovation. Instead of becoming a byword for a frothy market atmosphere, the metaverse is being implemented by a growing number of industries. It's not just young, daring start-ups turning to the metaverse either.

Financial titan JP Morgan signed a one-year lease for a Decentraland property⁵ and Hyundai launched their "Metamobility Universe" NFT space in April.⁶ 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.⁷ These firms clearly don't view the metaverse as a passing trend. JP Morgan sees potential for \$1 trillion in revenues and Technavio's report on fashion brands in the metaverse expects the market to register a year-on-year growth rate of 30.5% in 2022.⁸

McKinsey reported to \$5 trillion in impact by 2030 across e-commerce, virtual education, advertising and more.⁹ The research and consulting company Gartner predicts that by 2026 one quarter of us will use the metaverse for working, studying, shopping and socializing on a regular basis. By that time, about 30% of companies worldwide will have metaverse products and services.¹⁰

However, also the NFT market has changed dramatically in the last quarter. NFT trading volume decreased by 26.2% in Q2, registering only \$830 million in total volume, the lowest figures since June 2021.¹¹ Ethereum is still the most active chain for NFT activity, however Solana is also working on increasing its market share. NFTs have undoubtedly been affected by the wider macroeconomic conditions at play in Q2, as well as suffering from the bearish conditions of the cryptocurrency markets. Prices for even the most prominent collection, Bored Ape Yacht Club, fell by over 79% during this period but began to make modest gains as Q2 drew to a close.¹²

Crypto adoption

The macroeconomic climate in the near term is challenging but Gartner Research forecasts that the business value generated by blockchain will reach \$176 billion by 2025 and \$3.1 trillion by 2030.¹³

According to the latest study by Ripple, around 76% of financial institutions and businesses will switch to using digital assets in the next three years. In addition to the benefits of fast peer-to-peer transactions, cryptocurrencies will serve as a hedge against inflation, a trend that is appealing to many investors across the industry given the current climate.¹⁴ Bitcoin is now more widely understood to be useful as store of value and, combined with tokenized commodities such as PAX Gold, give investors the option to protect their savings from the impact of inflation and other recession-associated risks.

The percentage of institutional investment in digital assets is growing rapidly, according to a recent survey by Grayscale. This is expected to reverse the ratio of institutional to retail investors, who currently dominate 97% of the market, by the end of this decade.¹⁵



Regulation

Almost two years after the first publication of the draft for the Regulation on Markets in Crypto-assets (MiCA), the European Commission finally came to a provisional agreement on 30 June 2022. The document is broad in scope and will mean stricter control, commitments to environmental concerns and a further tightening of anti-money laundering measures. It also brings clarity to the regulation of stablecoins, something that has long been pushed for by cryptocurrency projects in the Euro area. Stablecoin providers must now be supervised by the European Banking Authority. MiCA also requires the data collection of both parties in transactions



carried out on crypto exchanges so that it can be used to aid investigations into money laundering.

We hope that the EU's agreement on MiCA can usher in a new era for digital asset innovation in the Euro zone now that there are clear guidelines in place. We welcome clear and progressive regulation for the cryptocurrency sector because we believe it promotes sustainable growth for both companies and the wider adoption of digital assets. Strong regulation is crucial for protecting investors, particularly in the safeguarding of customer wallets and from market abuse.

Our decision to list as the first digital asset exchange on Nasdaq in Europe was driven by the desire to live out our commitment to our customers in public, as well as to be subjected to the highest possible degree of regulatory oversight. Consequently, we already hold ourselves to a very high standard, and will always seek new ways to enshrine customer protection and transparency complying with the respective regulation.

Outlook

Despite the challenging nature of the markets, Q2 has proven to be a good test of quality for companies in the digital asset space.

The fact of the matter is that, for any digital asset company or project to survive, it needs to be able to perform in both bear and bull markets. That was clearly not the case for many companies during Q2 and we have seen major industry names fall victim to contagion risk.

Drawing on previous experience of bearish parts of the market cycle, we expect to see a shift towards the tools, tokens and protocols that will create value during the next bull run. Prominent market commentators believe that Bitcoin will reach new all-time highs in the next 24 months.¹⁶ In this sense, we remain bullish on prospects for the markets, regardless of the current stage of the price cycle. Bitcoin has been the best performing asset of the last decade and we believe its price will continue to rise both during the next cycle, as well long term.

New projects, for example in DeFi, offer investors attractive opportunities. Major developments, such as the upcoming Ethereum Merge in Q3 will have a big impact on the industry, both for the creation and distribution of wealth across the sector but also in terms of the attractiveness of digital assets to new types of investors. We are confident that this is the ideal time to build and further expand our business.



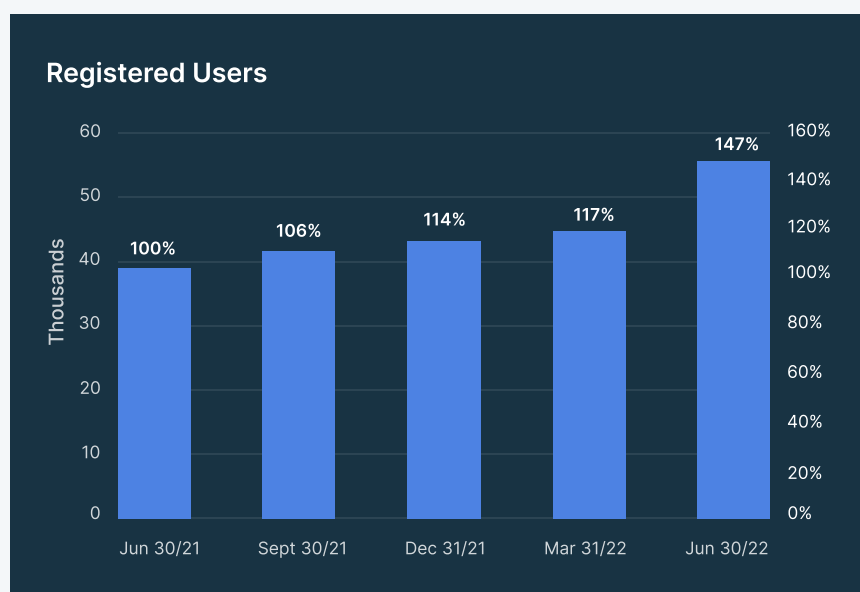
COMPANY DEVELOPMENT

During Q2 2022, the company focused on building out its tech infrastructure, customer acquisition on the retail side and launch of its B2B service with its first partner.

Retail business

Digital asset prices experienced a significant decline in the second quarter of 2022 and the capitalization of the top 30 digital assets fell over 50%. The relevant benchmark, BTC-EUR trading volumes on top-tier exchanges, as reported by CryptoCompare, decreased by 21% from EUR 24 billion in Q1 2022 to EUR 19 billion in the Q2 2022.

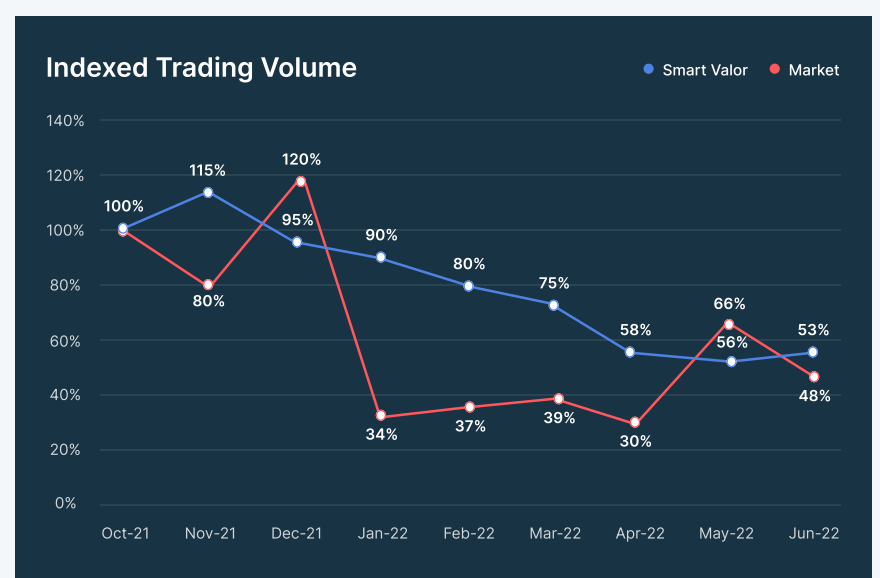
Despite the strong negative sentiment in the market, the transaction volume on SMART VALOR remained approximately the same as in the previous quarter at CHF 33 million. This is a remarkable achievement considering the market developments.



Even more pronounced decoupling from market trends happened on the customer acquisition side. Regardless of the challenging market conditions during Q2 2022, SMART VALOR managed to

significantly increase the number of customers. The registered user base grew by an impressive 47%, from 38,923 at the end of Q1 2021 to 57,101 in Q2 2022, gaining more than 18,000 registered new users.

Over the last nine months, SMART VALOR transaction volumes developed similarly to those of its competitors. For comparison we use again the benchmark volume from the spot BTC-EUR trading pair. As such, the trading volume on top-tier exchanges decreased by 52% during the last 9 months, according to the CryptoCompare exchange report, while the SMART VALOR volume fell by 47%.



Crypto-as-a-Service Business

During Q2 of 2022, we successfully completed the technical implementation to connect our exchange with the Swiss bank Dukascopy. The cooperation will provide the clients of Dukascopy with the possibility to buy, sell and trade digital asset pairs at SMART VALOR in an easy and secure way directly from their bank account.

For SMART VALOR, the integration with Dukascopy is an important step with the potential for significant customer growth. While we focus on growing in Europe, with a special emphasis on the DACH region, the Dukascopy customer base is diversified internationally.

Through the cooperation, Dukascopy clients have easy access to our digital asset platform. They can link their SMART VALOR account to their bank account and buy cryptocurrencies directly from there. This advantage is a very promising factor for us with regard to new customer acquisition.



Furthermore, customers of both companies will benefit from our collaboration, as it enables:

- Instant buying and selling of digital assets
- All-in-one solution with bank deposits
- Secure custody and trading for traditional and digital assets with two established Swiss companies



Partnership with Enable Banking

Making cryptocurrencies easy and secure for everyone is one of the key components of our business model. For this reason, SMART VALOR decided to cooperate with the Finnish company Enable Banking. The main goal of this partnership is to offer instant purchase of cryptocurrencies via bank transfer.



The software solution provided by Enable Banking allows us to connect our digital asset exchange with over 1,000 European banks. Thus, we can significantly speed up the transfer of funds for our customers. They will receive their assets almost instantly after the transfer, without having to wait days for their bank's approval.

Enable Banking is ISO/IEC 27001 certified and regulated by Finnish Financial Supervisory Authority, ensuring the highest security standards and compliance.

Technical updates and usability

In Q2, our tech teams mainly focused on software developments related to security, compliance and automation. The investment in these areas has a strategic character as they are needed for the onboarding of further B2B and B2B2C partners, providing them with a highly scalable infrastructure for the trading and custody of digital assets.

We have made many optimisations to the functions of our platform in order to further increase user-friendliness. The aim of these efforts is to provide our growing customer base with an easy-to-use intuitive interface. Our focus here was on brokerage, wallet view and the sign-up process.

Various adjustments made by our UX (user experience) team to the user interface make the platform even more appealing and easier to use. Consequently, users always have a good overview of their transactions and holdings on the SMART VALOR exchange. In addition, we have introduced a more customer-friendly language to make the sign-up process more straightforward and appealing.

Branding strategy

In the early days of our company, with a very limited marketing budget and even more limited staff, we have achieved a lot and developed SMART VALOR into a successful scale-up company. With an increasing size and not least due to our growing importance as a public company listed on Nasdaq First North, we started investing in targeted marketing and a branding strategy. In doing so, we set the important course to continue to occupy a top position in the local markets.

In order to effectively leverage the SMART VALOR brand in the young crypto sector, we adopted a new comprehensive brand strategy. For its development and implementation, we brought experts into the company who, together with the staff and management, worked out a comprehensive branding approach. The implementation began in the second quarter and



includes the entire corporate and brand communication in social media, content, website, the product experience, sales concepts and much more.

Growing the organization and staff

The dramatic decline in the total market capitalization of the digital asset industry caused many companies in the sector to lay off employees or put new hires on hold. Contrary to this negative trend, SMART VALOR continued to focus on growth in the second quarter and strengthened its team in strategically important areas.

We have hired numerous developers and test engineers to ensure rapid deployment of new functionalities and enhance the overall quality of our products. More technical staff has already been hired and will join our company in the near future.

Our marketing department has grown significantly and, by bringing on board our new VP of Growth, we've been able to assemble a team with an excellent mix of experience and skills to grow our business in a sustainable way for the long term. Numerous other new senior positions strengthen our teams in areas such as product, software engineering, and compliance.

With our newly recruited agile coach, our employees get the best ability to adopt agile practices and methodologies while embedding agile values and mindsets. We are just getting started, but big things are expected and we are very

confident that by adapting our processes we will master whatever challenges we might face in the months and years to come.

AGM

On 29 June 2022, the Annual General Meeting (AGM) was held in SMART VALOR AG in the offices of PST legal & consulting in Zug. Holders of Swedish Depositary Receipts (SDRs) were able to vote by proxy before the AGM. All resolutions were passed with the required majority, as follows:

- Approval of the financial statements and the annual report of the Board of Directors
- Re-election of the board members, formation of the Remuneration Committee and appointment of PST Legal as independent proxy
- Approval of the Employee Stock Option Plan (ESOP) and compensation plan
- Resolution to carry forward the annual loss
- Discharge of liability to the Board of Directors and Management

Board change

Jan Risberg stepped down from his board position at SMART VALOR AG and joined the board of the Company's wholly-owned Liechtenstein based subsidiary ("SMART VALOR FL"). Jan Risberg's resignation from the board of SMART VALOR AG was effective on 13 May 2022 and his appointment to the board of SMART VALOR FL was effective on 4 May 2022.




Social impact

Led by SMART VALOR co-founder Olga Feldmeier, SMART VALOR jointly with civil initiative *Tech For Peace* and organized the House of Ukraine event in Davos on 25 May 2022 during the World Economic Forum. We provided marketing organization and logistics and attracted speakers and sponsors such as Ringier, Boston Consulting Group, ATOS and AlphaPoint. All ticket sales from the event were donated to a UNICEF program for helping children suffering from the war in Ukraine.

Olga Feldmeier, board chair of SMART VALOR:
“I am very happy that we managed to establish new connections at the House of Ukraine creating impact in yet another way, in addition to the UNICEF donation generated by the contributions of the visitors and sponsors. The World Economic Forum in Davos was an ideal place to enable dialogue between ordinary Ukrainians, aid organizations and WEF members. The connections established here will help to create even more impact and help thousands of people.”

Visit the House of Ukraine during WEF 2022

The colorful format of the event is centered around speeches and panel discussions dedicated to the topic of achieving peace in Ukraine delivered by leading Ukrainian representatives, top-level politicians, tech thought leaders and support organisations, embedded in beautiful Ukrainian music and food.



Key Facts

Theme: Stand with Ukraine. Stop Russia's war

Date: 25-May-22

Time: 9:00-16:00 CET

Venue: Hotel Seehof, Davos

WEF Venue status: Security Zone hotel

Access: Registration and security clearance through WEF

Organizer: TechForPeace.io

Type of event: Conference, non-for-profit

Proceeds donated to UNICEF help for Ukrainian children

Agenda


The way forward: How and when the war in Ukraine will stop

The lives of the people on the ground: Witnesses report

Economic implications of the war for the world economy

The role of big tech in stopping the war

How emerging technology can be used to stop the war



Who Supports House of Ukraine At WEF

The House of Ukraine brings together all people on the ground who want to express their support for Ukraine, not only WEF members. It is inclusive and uniting. All Ukrainian citizens have a free entrance to the House of Ukraine. There is a place and space for them to be during WEF in Davos. Your contribution as a sponsor will make this access and dialogue possible. Moreover, you support children in Ukraine as all proceeds beyond the cost of the venue will go to UNICEF help for Ukrainian children.

Significant events after the end of the quarter

- The launch of a new payment option for instant crypto purchases in collaboration with Dukascopy.
- Start of the partnership with Enable Banking and completed integration for faster crypto purchases via wire transfer.
- Signed agreement to switch to a new crypto custody infrastructure provider, pending regulatory approval.



FINANCIAL PERFORMANCE – OVERVIEW

Accounting overview

The figures presented in the financial statements are consolidated figures for the SMART VALOR group. 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, and where our CTO and core tech team are based.

The financial statements for the SMART VALOR group have been prepared according to the locally accepted accounting standards in each of its entities. 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 Obligation), Articles 963 and 964.

The yearly reporting period for Smart Valor AG is 1 January to 31 December, and the quarterly reporting period presented in this report is for the period 1 April 2022 to 30 June 2022.

Key definitions

Below are SMART VALOR's definitions of several "Alternative Ratios" that have not been defined or specified in accordance with BFNAR (accounting standards developed by the Swedish Accounting Standard Board). 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.

GROUP KEY FIGURES

CHF 0.8 million	Revenues were CHF 0.8 million in Q2 2022, compared to CHF 2.1 million in Q2 2021.
CHF -1.2 million	Operating profit before depreciation and amortisation (EBITDA) was CHF -1.2 million in Q2 2022, compared to CHF 0.2 million in the second quarter of 2021.
CHF -1.6 million	The net loss in the current reporting period amounted to CHF -1.6 million, compared with a net profit of CHF 0.3m in the same quarter the previous year.
CHF 14 million	Assets held as at 30.06.2022 were CHF 14 million, an increase of +67% over assets held as at 31.12.2021, which were CHF 8.4 million.
CHF 9.8 million	SMART VALOR had total cash and crypto assets in the amount of CHF 9.8 million as at 30.06.2022, compared to CHF 5 million as at 31.12.2021.

Consolidated Income Statement

CHF	01/04/22 30/06/22	01/04/21 30/06/21	01/01/22 30/06/22	01/01/21 30/06/21
Revenue from sale of goods to Swiss residents	53,750	325,104	333,477	590,061
Revenue from sale of goods to non-Swiss residents	17,146	224,317	167,523	404,996
Revenue from foreign exchange on VALOR Token	91,399	345,128	234,212	540,508
Revenue from market making activities	604,398	1,025,222	2,350,626	3,493,211
Revenue from services	1,152	33,668	39,748	33,669
Other Revenue	74,041	132,755	176,189	308,047
Total income	841,886	2,086,193	3,301,775	5,370,492
Service and development	-1,517,649	-1,077,140	-2,535,980	-1,814,596
Sales commission fees	-4,441	-106,797	-21,149	-245,585
Gross result I	-680,204	902,256	744,646	3,310,310
Personnel costs incl. social securities	-320,902	-155,717	-588,862	-326,508
VALOR Token Incentives	-91,399	-345,128	-234,212	-540,508
Gross result II	-1,092,505	401,412	-78,428	2,443,294
Rental expenses	-14,341	-19,123	-25,186	-23,220
Insurance premiums	-8,687	-195	-17,516	-362
Consulting and accounting expenses	-69,037	-58,387	-79,040	-96,514
Legal advice expenses	-94,581	-2,452	-239,961	-5,816
Administrative, other consulting and IT expenses	-11,495	-22,930	-18,686	-39,253
Promotion, marketing and advertising expenses	-136,810	-62,624	-592,378	-118,614
Travel and customer care expenses	-39,008	-60	-49,636	-807
Other costs	-84,409	-106,068	-90,408	-154,364
activated personal contributions	357,739	80,634	598,468	149,307
Total operating expenses	-100,629	-191,205	-514,343	-289,643
Operating result	-1,193,135	210,206	-592,772	2,153,650
Depreciation and valuation adjustments on intangible assets	-252,001	-167,420	-479,469	-322,560
Financial income	0	0	104	0
Extraordinary changes	0	24	0	2,486
Financial expenses	-139,130	298,264	-384,897	-1,137,481
Profit / Loss for the period before taxes	-1,584,266	341,074	-1,457,034	696,095
Taxes	-3,010	0	-3,363	0
Profit / Loss for the period	-1,587,276	341,074	-1,460,398	696,095

Revenues in 2022-Q2 were 60% lower than they were last year in 2021-Q2 and 66% lower than they were in the previous quarter in 2022-Q1. Revenues from market making activities and treasury management decreased from KCHF 1,025 in 2021-Q2 to KCHF 604 in 2022-Q2.

It can be concluded that the broader macroeconomic climate has affected crypto businesses and SMART VALOR.

The operating result (EBITDA) in 2022-Q2 was KCHF -1,193 compared to KCHF 210 in 2021-Q2.

SMART VALOR's operating result in 2022-Q1 was KCHF 600, consistent with positive operating results in prior quarters. Total operating expenses in 2022-Q2 were KCHF 2,035, 8% higher than in 2021-Q2 when they were KCHF 1,876 and 9% higher than in 2022-Q1 when they were KCHF 1,860. Net income for the period 01.01.2022 to 30.06.2022 was KCHF -1,460 compared to KCHF 696 in the same period in 2021.

Consolidated Balance Sheet

CHF	30/06/22	31/12/21
ASSETS		
Cash and cash equivalents	6,808,958	1,601,499
Inventory	2,957,082	3,356,111
Other Current Assets	718,712	615,014
Prepaid expenses and accrued income	17,326	6,236
Total current assets	10,502,078	5,578,859
Intangible Assets	3,398,713	2,757,149
Investments	25,254	25,254
Other non-current assets	44,456	6,301
Subscribed Capital (not paid in capital)	-	-
Total non-current assets	3,468,423	2,788,703
TOTAL ASSETS	13,970,501	8,367,563
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	659,222	336,098
Other current liabilities	207,167	845,177
Convertible Loan	-	3,681,461
Loan from Shareholders	1,822,592	1,841,504
Subscribed Capital (paid-in advance)	-	-
Accrued expenses and deferred income	400,787	621,635
Total current liabilities	3,089,768	7,325,874
Other non-current liabilities	32,055	-
Total non-current liabilities	32,055	-
Total liabilities	3,121,823	7,325,874
Share capital	147,702	121,170
Capital Reserves	13,951,304	2,976,080
Voluntary retained earnings		
Profit / Loss brought forward	-2,049,883	-1,330,068
Profit / Loss for the period	-1,468,957	-720,956
Foreign currency translation adjustments brought forward	-2,865	-2,865
Foreign currency translation adjustments for the period	591	-1,673
Intercompany Difference	270,786	-
Total shareholders' equity	10,848,678	1,041,688
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	13,970,501	8,367,563

The assets held as at 30.06.2022 were KCHF 13,971 compared to KCHF 8,368 held as at 31.12.2021. The main driver for the increase in assets held from 31.12.2022 to 30.06.2022 is the increased cash position of the company due to the equity raise. The digital asset inventories of the company decreased slightly by KCHF 399. In line with Swiss accounting principles, SMART VALOR follows the principles of impairment and prudence when accounting for its digital assets. As such when the market value of digital assets decreases below their book value, an unrealised loss is booked, thereby

resulting in a decrease in the value of digital asset inventories on the books of SMART VALOR. The current liabilities for the company decreased significantly from KCHF 7,326 to KCHF 3,090. This is predominantly driven by the convertible loan in the amount of KCHF 3,681 being converted to equity.

The capital increase for the company was completed on 02.05.2022 and its Share Capital increased to KCHF 148 as at 30.06.2022 from KCHF 121 as at 31.12.2021. With this capital raise, the Capital Reserves of the company increased by 369% to KCHF 13,951 from KCHF 2,976 during this period.

Consolidated Cash Flow Statement

CHF	01/04/22 30/06/22	01/04/21 30/06/21	01/01/22 30/06/22	01/01/21 30/06/21
Profit / loss of the period	-1,587,276	341,074	-1,460,397	696,095
Depreciation, amortization, impairment and gains on non-current assets	252,001	167,420	479,470	322,560
Change in inventory	889,627	389,689	-40,110	-181,847
Change in other current assets	167,253	-791,626	-103,698	-2,252,500
Change in prepaid expenses and accrued income	71,986	-368	-11,249	5,806
Change in non-current assets	-26,844	-61,102	-37,891	-168,303
Change in trade accounts payable	-2,237,923	1,413,816	-208,119	2,228,715
Change in other current liabilities	2,038,709	-74,950	-163,591	-385,664
Change in accrued expenses and deferred income	-183,372	-5,584	202,160	17,523
Change in non-current liabilities	32,055	-	32,055	-
Other non cash-related expenses / revenues	2	-	62,535	-
Change in capital offset difference	485,892	-	342,459	211,276
FX differences from transaction corrections	-679	-1,752	2,583	-3,506
Cash flow from operating activities	-98,569	1,376,617	-903,795	490,155
Investments in intangible assets	-630,370	-263,472	-1,121,029	-511,362
Disposal of intangible assets	-	-	-	-
Purchase of investments	-	-	-	-
Disposal of investments	-	-	-	-
Cash flow from investing activities	-630,370	-263,472	-1,121,029	-511,362
Increase/decrease of other financial liabilities	-	-	100,000	-
Increase/decrease of loan from Shareholders	-89,913	-975,493	-18,912	306,330
Dividends	-	-	-	-
Change in not paid in capital	-	-	-	-
Change in paid in capital	-	-	7,153,083	-
Capital increase / capital decrease	-	-	-	-
Purchase / sale of own shares	-	-	-	-
Cash flow from financing activities	-89,913	-975,493	7,234,171	306,330
Change in cash and cash equivalents	-818,852	137,652	5,209,347	285,123
Change in cash and cash equivalents				
Beginning of the period	7,630,122	873,017	1,601,499	725,572
FX differences in cash and cash equivalents	2,312	-1,201	1,888	-1,176
End of the period	6,808,958	1,011,870	6,808,958	1,011,870
Change in cash and cash equivalents	-818,852	137,652	5,209,347	285,123

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 we added back non-cash expenses, such as amortisation and changes in inventory, accounts payable and other current assets.

In 2022-Q2 the company's cash outflows from operating activities were KCHF 99, compared to cash inflows of KCHF 1,377 in 2021-Q2, driven by a decrease in accounts payable. The company's cash outflows from investing activities were KCHF 630 in 2022-Q2 as significant investments continue to

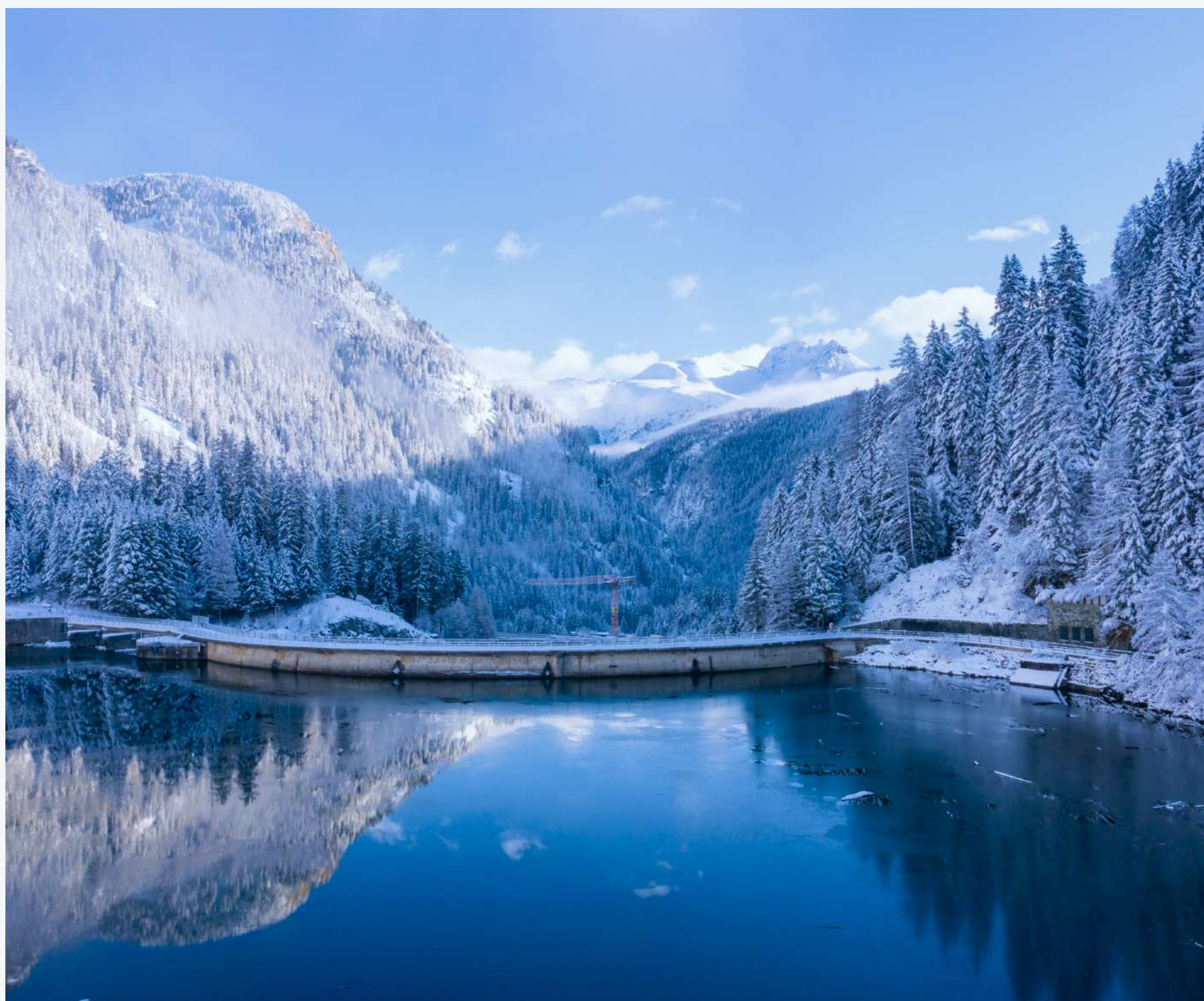
be made into the SMART VALOR platform asset. This is in comparison to a cash outflow of KCHF 263 in 2021-Q2. Cash outflows from financing activities were KCHF 89 in 2022-Q2 compared to cash outflows of KCHF 975 in 2021-Q2, driven by decreases in the outstanding amount of the shareholder loan.

In 2022-Q2, the overall position in cash and cash equivalents for the company increased by KCHF 5,797 from KCHF 1,012 at the end of 2021-Q2 to KCHF 6,809 at the end of 2022-Q2. The increase in the cash balance is attributed to proceeds received from the IPO.

Changes in Consolidated Equity

CHF, for the period:	01/01/22 - 30/06/22	01/01/21 - 30/06/21
Balance at beginning of period	1,041,688	1,765,213
Equity raise during quarter	11,001,755	-
Net Profit/Loss SV AG CH at end of period	-1,461,217	616,506
Net Profit/Loss SVS GmbH at end of period	-14,769	53,428
Net Profit/Loss SV AG FL at end of period	15,589	26,160
Other equity including intercompany difference	271,164	211,276
Foreign currency adjustment for the year	-5,532	-2,430
Equity at end of period	10,848,678	2,670,154

The equity of the company increased by KCHF 8,179 from KCHF 2,670 at the end of the second quarter of 2021 to KCHF 10,849 at the end of the second quarter in 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

Net earnings per share and average number of shares outstanding.

As of 30 June 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 which was 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 to be completed later in the year.

The average number of shares outstanding is calculated as the (total number of shares outstanding at the beginning of the period + total number of shares outstanding at the end of the period) divided by 2.

Net earnings per share	01/04/22 30/06/22	01/04/21 30/06/21	01/01/22 30/06/22	01/01/21 30/06/21
Net income	-1,587,276	341,074	-1,460,398	696,095
# 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	-0.13	0.03	-0.12	0.06
Net earnings / share post-dilution	-0.11	0.03	-0.10	0.06
Average number of shares outstanding				
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, not 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

Event	Date
Q3 Statements 2022	30 November 2022
Year-end Statements 2022	30 March 2023
Q1 Statements 2023	30 May 2023
Annual Report 2022	7 June 2023
Annual General Meeting	29 June 2023
Q2 Statements 2023	30 August 2023
Q3 Statements 2023	29 November 2023

Auditor Review

This report has not been reviewed by the company's auditor.

GLOSSARY

Fiat currency	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.
Stable coins	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.
Non-stable coins	Non-stable coins refer to cryptocurrencies that are not backed by an asset. The best examples of these are BTC and ETH.
Proof-of-stake/Staking	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.
Decentralised Finance (DeFi)	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.
NFT	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.
BTC	Cryptocurrency - Bitcoin
USDT	Cryptocurrency - Tether
EOS	Cryptocurrency - EOS
ETH	Cryptocurrency - Ether
PAXG	Cryptocurrency - PAX Gold
VALOR	Cryptocurrency - VALOR
Dark pool	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.
AML	Anti-money laundering (AML) refers to the laws, regulations and procedures designed to prevent criminals from disguising illegally obtained funds as legitimate income.
B2B	Business-to-Business
B2C	Business-to-Consumer



Blockchain	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.
Cryptocurrency	Cryptocurrency is a type of digital currency that usually only exists electronically.
KYC	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.
OTC	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.
Wallet	Cryptocurrency wallets store secret keys that are used to digitally sign transactions for blockchain-distributed ledgers.
Family-office	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.
Decentralised stock exchange	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.
Token	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.
API	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.
TVTG	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.
Physical validator	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".
Gas fee	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.
Smart contract	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.
Fiat on-ramp	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.
DApp	A decentralized application running on the Ethereum network.

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