



QUARTERLY REPORT

Q3/2022 | July - September



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LETTER FROM THE BOARD CHAIR



Olga Feldmeier

Board chair and co-founder

Dear stakeholders of SMART VALOR,

During the third quarter of 2022 the crypto market continued on a downward path. The total market trading volume of EUR-BTC pair decreased by 28%, down to EUR 15 billion. The total market cap and Bitcoin price developed sideways, giving back all gains of the summer by the end of September.

Despite this negative market development, we managed again to grow our customer base. Compared to Q3 of the previous year, when the company had 41,196 registered users, we were able to increase the number to 69,194 as per the end of September. This corresponds to a growth of 68% in comparison to Q3 2021 and an increase of 21% in comparison to Q2 2022. The number of executed orders on the platform also increased by 30% quarter on quarter, reaching 35,139 transactions. However, the total trading volume decreased by 8%, from CHF 33 m in Q2 to CHF 30 m in Q3. Revenues were CHF 0.9 million in Q3 2022, which represents an increase of 8% compared to Q2 2022 but decreased by 7% compared to Q3 2021. We managed to decrease operational expenditure (OPEX) from CHF 2.0 million in Q2 2022 by over 20% to CHF 1.6 million in Q3 2022. Operating profit before depreciation and amortisation (EBITDA) was CHF -0.7 million in Q3 2022, an improvement compared to CHF -1.2 million in Q2 2022.

On the technology side we continue to build out our infrastructure. As planned in Q3 we introduced Ethereum staking and integrated new coin offerings. We continued work on our mobile app and advanced UX design of the platform. Significant product improvement was achieved through partnership and integration with Finnish fintech company Enable Banking, one of the European leaders in open banking solutions. Now our customers can utilize the payment via popular wire transfer in near real-time and at no additional cost. Through the API connection to the bank of the customer, we are able to immediately recognise when a transaction has been created and instantly execute the crypto purchase on the

SMART VALOR platform, before the actual bank transfer has been completed. This works at scale with currently 1,000 European banks connected via integration.

We conservatively expect the remainder of 2022 and 2023 to remain challenging times for crypto companies. This is why we have suspended our staff growth plans and are putting focus on cost management. In light of this, we have temporarily paused further development of our NFT service Valor Prime and Wealth Management, while focussing on our core business and B2B partnerships.

Regarding the significant events after the end of Q3, I would like to point out that SMART VALOR had no exposure either to FTX, nor the companies associated with FTX or companies which were pulled into bankruptcy due to the FTX default. During the month of November, we did not experience any unusual client behavior in terms of withdrawals. The FTX meltdown had no negative impact on SMART VALOR. On the contrary, we feel our company will come out ahead in the aftermath of this biggest meltdown in the history of crypto.

We believe this because we have always put building trust at the heart of our strategy. We have achieved this through consequential decisions and investments in four key areas:

- Full compliance with regulation while choosing reputable jurisdictions as home base
- Focus on technical security while never being compromised
- Risk minimizing product strategy steering clear of leverage and yield products
- Outstanding transparency and corporate governance while going on to become the first digital asset exchange listed on Nasdaq in Europe.

Until now this value proposition was not broadly appreciated by the market. Events such as the meltdown of FTX are finally helping investors and users understand why compliance, transparency and being based in a reputable jurisdiction are so important.

So it is fair to say, that while such events are clearly bad for crypto markets on a short time frame, it helps legitimate businesses such as SMART VALOR to get the public recognition and appreciation for all the heavy lifting and work that was put into building a trusted brand.

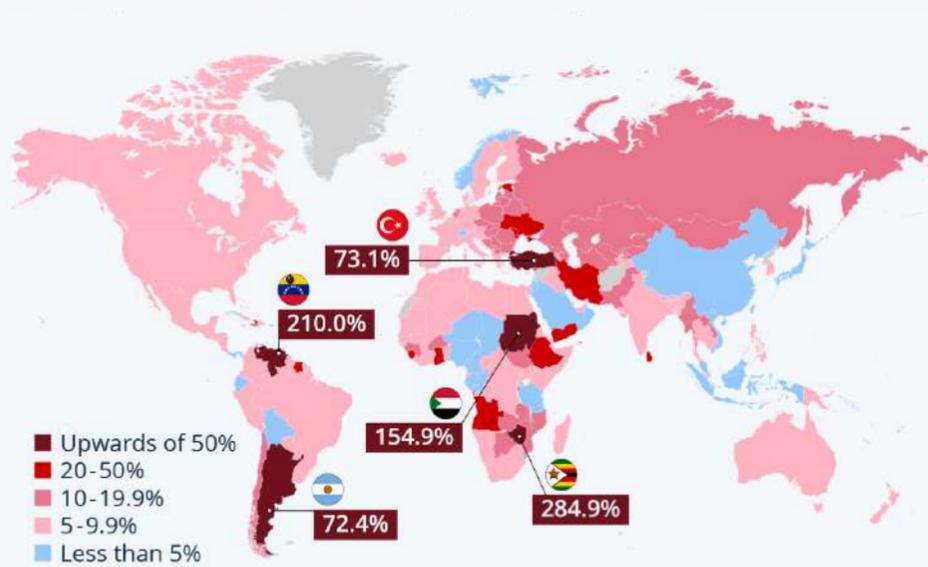
“Never let a good crisis go to waste” – said **Winston Churchill** as he was working to form the United Nations after WWII. The current trust crisis around centralized exchanges is our moment to shine and show to the world, that crypto can be done the right way.

MARKET DEVELOPMENT

Global financial instability

The year 2022 can already be described as one of the most difficult the world has experienced in modern times. Economic uncertainties, geopolitical events such as the war in Ukraine, economic slowdown, increasing environmental disasters and growing flows of refugees are just some of the issues weighing on the markets. Global economic activity experienced a broad-based and unexpectedly sharp slowdown in Q3 and inflation is the highest it has been in decades.^{1,2,3}

According to an IMF report, global growth is expected to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. Growth has not been this low since 2001, with the exception of the global financial crisis and the acute phase of the Corona pandemic. Inflation is projected to rise globally from 4.7% in 2021 to 8.8% in 2022. It is also projected to fall to 6.5 % in 2023.⁴



Source: [statista](https://www.statista.com)

War, energy crisis and high inflation

The war in Ukraine has led to a significant increase in gas prices, especially in Europe, with spikes of 300% above the peak. The drastic increase in energy prices is reflected in the economy and contributes to general inflation. In parts of Europe, prices are so high that they are considered one of the main factors behind the coming economic slowdown.

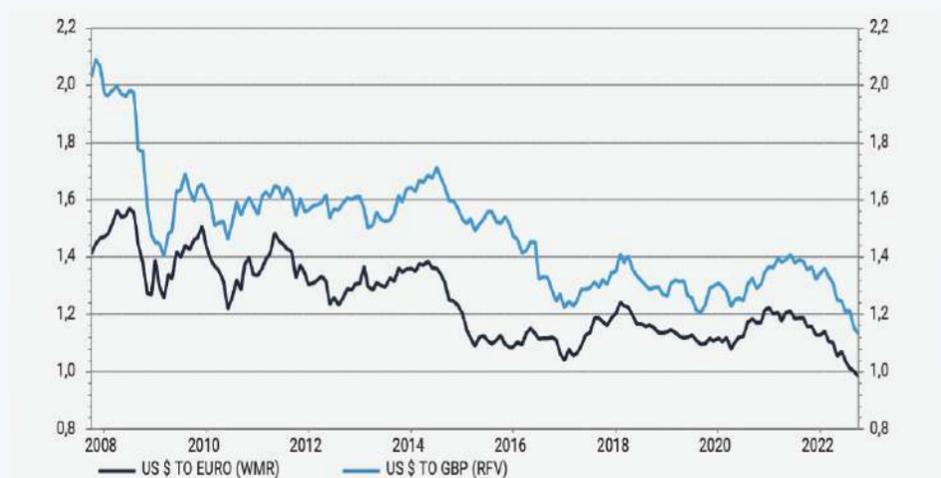
Research analysts have predicted recessions for many industrialised countries, including the US and Europe. The gloomy forecasts are largely due to the tight monetary policies that central banks around the world have enacted in their attempt to fight inflation.

Germany has experienced a price shock with the massive rise in energy prices, which experts say will send the country into recession before the end of the year.⁵ Europe's largest economy is consequently also dragging down overall growth in the EU. According to the EU Commission's autumn forecast, the Ukraine war will eventually plunge the entire Eurozone into recession.⁶



Source: [Lazard/Refinitiv Datastream](https://www.refinitiv.com)

The Euro depreciated to a two-decade low against the US dollar in August 2022 in the wake of the crisis. Continued depreciation is expected to increase the cost of imports and could have a strong impact on inflationary pressure.⁷

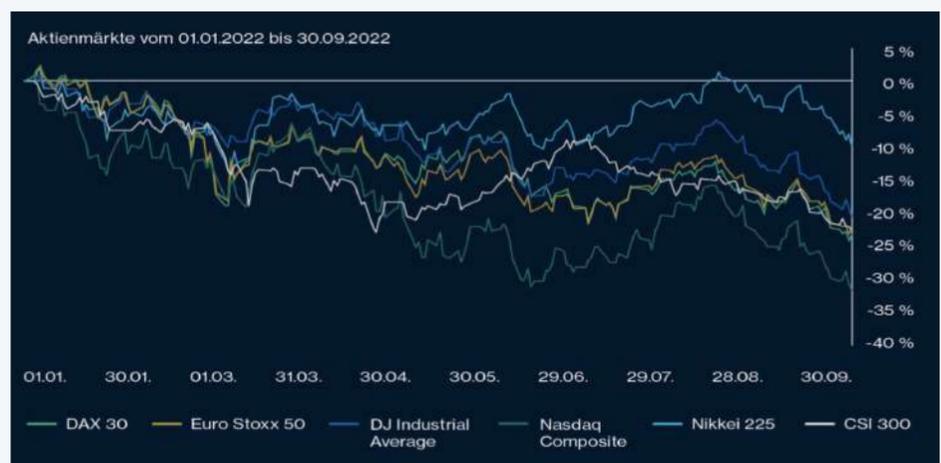


Source: [Lazard/Refinitiv Datastream](https://www.refinitiv.com)

Crypto and stock markets

The crypto markets, as well as the financial sector in general, are facing major challenges. Investors have become uncertain in the past quarter with regard to inflation. Higher interest rates are driving up borrowing costs for companies and consumers, leaving them with less money to invest and reducing demand.

Hopes for a summer rally were dashed with the announcement of further key interest rate hikes in late August. International investors sent the indices on a downward slide, as high interest rates in the long term could weaken the economy and trigger a recession. Yet, the US central bank saw further interest rate hikes as an indispensable tool to contain inflationary pressure.⁸



Source: [Maneris](https://www.maneris.com)

Since the 2021 bull market, Bitcoin has increasingly correlated with U.S. Tech stocks. In Q3 2022, the average correlation between Bitcoin and the NASDAQ 100 was 0.6 as inflation and rate hikes dominated the narrative.⁹



Source: [Maneris](#)

After the brutal sell-offs in May and June, the crypto market is mostly in a sideways range. Following the weak performance in the summer months, a rally was expected towards the end of the year – both for the conventional indices and the crypto market. Whether this forecast will come to pass must be doubtful in view of the dramatic economic developments.

Bitcoin: Holding steady

Bitcoin (BTC), the world's first decentralised digital currency, remains the number one cryptocurrency by market capitalisation in the 14th year since the white paper was published. In Q3, Bitcoin dominance fell slightly from 41.1% to 38%. 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.

Despite the stagnating crypto market and the challenging macroeconomic environment, 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.¹⁰



Bitcoin to USD Chart – first three quarters 2022

Source: [Messari](#)

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

The Ethereum network is a blockchain-based platform with a focus on smart contracts and decentralised applications (dApps). The protocol gained broad recognition for its DeFi ecosystem and, more recently, many interesting Web3 use cases. Ethereum's cryptocurrency is called Ether (ETH). Ether is the second largest cryptocurrency by market capitalization after Bitcoin. ETH dominance climbed in Q3 2022 from 14.3% to 16.4%.¹¹

On September 15th, Ethereum completed the long-awaited Merge, an important milestone in 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 expected positive effect for the ETH price did not happen. After some strong price increases in the weeks before the Merge, the price went down again after the switch. In Q3 2022 the ETH price return was +25.7%, peaking at \$1,982 in mid-August.¹²



Ethereum to USD – first three quarters 2022

Source: [Messari](#)

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.

Top tech companies such as Microsoft and Twitter and big consumer brands like Disney, Nike and Starbucks have recognised the potential growth opportunities and started to experiment with Web 3.0. According to recent research, the global Web 3.0 market reached US\$3.2 billion in 2021 and is expected to grow at a CAGR of 43.7% by 2030.¹³

Despite the challenges of the fledgling industry, adoption of Web 3.0 applications has grown at an exponential pace. VC investments in Web 3.0 topped \$18 billion in the first half of 2022 and could surpass the 2021 total of \$32.4 billion.¹⁴

Web 3.0 games continue to be a driving force in the dApp industry. Despite challenging market conditions, analyses by dApp Radar show a bright future for blockchain gaming with the potential to become a frontrunner on the Web 3.0. Gaming accounted for almost half of all blockchain activity tracked by DappRadar in the last quarter. In September, 912,000 unique active wallets (UAW) interacted with games' smart contracts every day.

During the third quarter, investors poured \$1.3 billion into the blockchain gaming business. This is a decrease of 48% from the second quarter but the capital raised by this segment has almost doubled last year's total. Furthermore, the steadily rising number of users on many platforms can be seen as an indicator of great growth potential:

- Play-to-earn game Benji Bananas increased its daily unique active users in September by 2,468%.
- Web 3.0 gaming platform Gameta became the most used dApp in September with over 1.83 million users.
- The Sandbox, one of the most popular metaverse games successfully launched its Alpha Season 3, with 4 million people registered with a wallet, and over 200,000 daily active users.¹⁵

Crypto adoption continues

While growth has become more sporadic with the onset of the recent bear market, global adoption remains well above pre-2020 bull market levels. According to data from Chainalysis, a critical mass of new users puts capital in cryptocurrency during times of price growth and continues to invest a significant portion of their wealth in digital assets even when prices fall. As a result, the crypto ecosystem continues to grow throughout market cycles.¹⁶

Large companies have continued to invest in crypto by buying assets or funding blockchain and crypto start-ups. In addition, many institutions are looking to offer digital assets to their clients and are hiring crypto experts to compete.

The two biggest moves of financial institutions into digital assets in Q3 have been with BlackRock and Nasdaq. BlackRock, the world's largest asset manager, launched a private BTC trust.¹⁷ Nasdaq announced the launch of "Nasdaq Digital Assets", which will offer custody solutions tailored to institutional clients.¹⁸

Also MicroStrategy, the largest institutional Bitcoin buyer entered an agreement to sell \$500 million in shares to fund more purchases of BTC.¹⁹ Citigroup announced hiring new staff to its digital-assets team,²⁰ and venture capital firm Andreessen Horowitz, a significant investor in the industry, continued to invest in crypto despite losses during the bear market.²¹

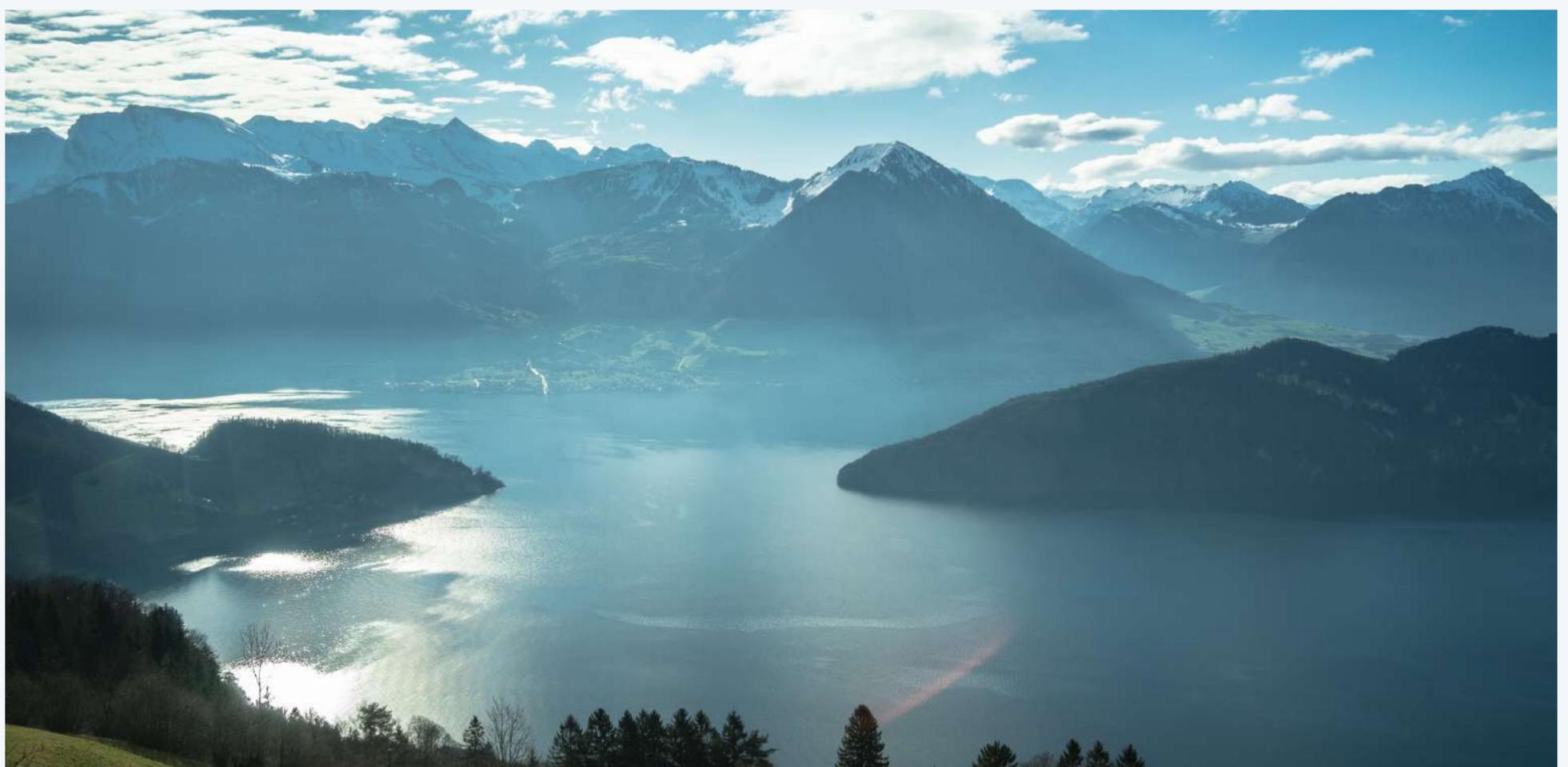
Conclusion

All of this shows that despite a difficult geopolitical and economic situation, the crypto industry continues its growth and to reach new milestones in terms of institutional adoption.

However, tensions and macroeconomic turmoil keep the world on edge in 2022. The situation is particularly precarious in many European countries. Europe was in the process of overcoming the economic consequences of the pandemic and by the end of 2021 the signs were pointing to moderate growth and a slowdown of rising inflation.

With the start of the war in Ukraine, the situation changed completely. Europe's economy was put under extreme pressure in the months following the outbreak of the war. Growth prospects were weakened, inflation rose dramatically and as a result a cost-of-living crisis occurred.

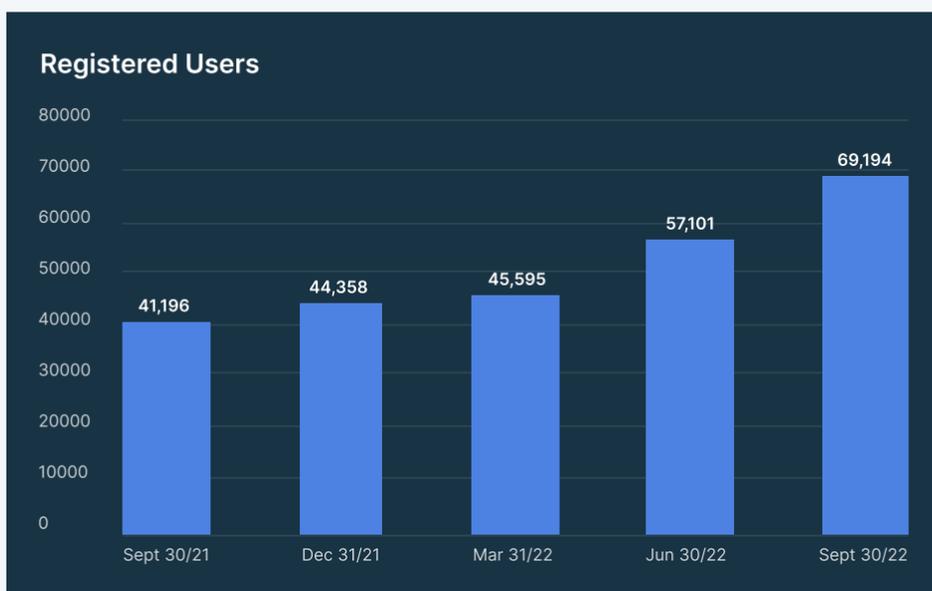
Against this backdrop, the short-term outlook for cryptocurrencies remains difficult. On a positive note, developers continue to build during the bear market, which will likely pay off when the market finally recovers. Nevertheless, for companies as well as investors and traders, the near term remains challenging.



COMPANY DEVELOPMENT

Registered users quarter on quarter growth 21%

The number of SMART VALOR customers increased again in the third quarter of 2022. To drive customer acquisition, our marketing team continues to apply highly sophisticated digital marketing strategies and targeted campaigns. Compared to Q3 of the previous year when the company had 41,196 registered users, we were able to increase the number to 69,194. This corresponds to a growth by +68% within one year. This is a remarkable achievement, especially given the very difficult market conditions and rising economic uncertainty we are experiencing this year. Even in comparison to the previous quarter the number of users increased by 21%. This means 84% customer growth on an annualized basis.



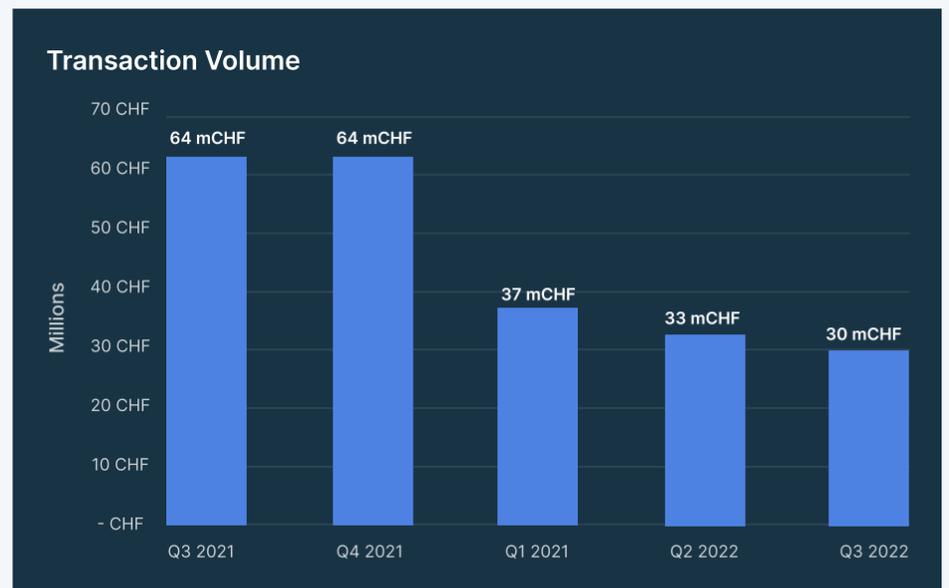
Executed orders up 30% quarter on quarter

The number of executed orders on the platform also increased by 30% quarter on quarter, reaching 35,139 transactions. However, this constitutes only 35% of the volume in Q3 2021.



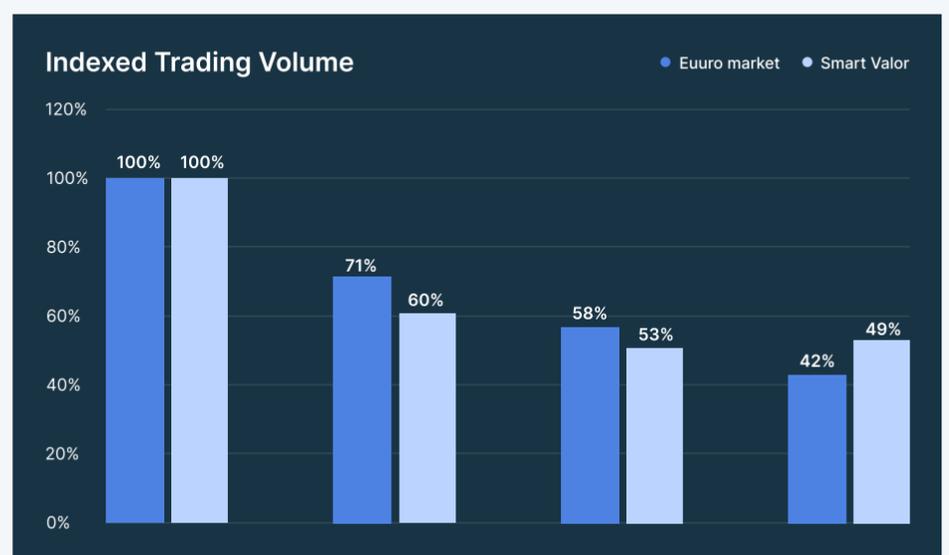
Transaction volume down 8%

In the third quarter of 2022, the number of transactions executed on the SMART VALOR platform stood at CHF 30.2 million. Compared to the same quarter of the previous year, this corresponds to a decrease of -47%. In comparison to the previous quarter transaction volumes decreased by -8%.



SMART VALOR performs well in comparison with the market

We continue to use the volume of the BTC-EUR trading pair as proxy for the European market. According to data provided by CryptoCompare, the trading volume on top-tier exchanges stood only at 49% of the volume in Q3 2021. In comparison to the previous quarter of 2022 the volume in Q3 decreased by another 28%. However SMART VALOR trading volume decreased only by 8% in this time, from CHF 33 m in Q2 to CHF 30 m in Q3. Looking at development during the last 12 months, we saw that the volume at SMART VALOR developed in parallel to overall market volume, keeping only 49% of its Q4 2021 levels, while the same number for the overall relevant market is 42%.



Source: CryptoCompare exchange report, SMART VALOR

First B2B integration with a bank went live

During Q3 of this year, we launched service for fast and easy crypto transfers and trading for our B2B client Swiss bank Dukascopy. Dukascopy Bank, based in Geneva, Switzerland, is an online bank offering internet-based and mobile trading services with a focus on foreign exchange, CFD and binary options, as well as various other financial services. Dukascopy is regulated by the Swiss Financial Market Supervisory Authority FINMA as both a bank and a securities firm. Dukascopy customers now have access to all trading pairs on the SMART VALOR platform through their bank account, without the need to wire fiat funds to their SMART VALOR account. Through the API integration between the back end of the bank and the exchange, the bank's customers get the opportunity to buy, sell and trade digital assets in an easy and secure way.



Olga Feldmeier, board chair of SMART VALOR:

"Making transacting in digital assets available to bank customers is the core mission of our B2B2C strategy. We are happy to launch this service offering by partnering with a bank that is close to us in terms of innovation mentality and is, just like us, based in one of the most prestigious and regulated jurisdictions – Switzerland. Two Swiss financial technology companies joining forces to deliver a better user experience and access to digital assets – this milestone will demonstrate the way forward for many traditional financial institutions which are currently contemplating available entry options."

The co-CEO of Dukascopy Bank Dr. Andre Duka states:

"Despite the recent swings in the crypto markets, we at Dukascopy Bank continue to witness the growing interest and demand from our international client base to this domain of instruments. Therefore, we ceaselessly work to improve our crypto infrastructure in all possible directions including the formation of new partnerships. We are welcoming the SMART VALOR exchange as a new member of our ecosystem and have no doubt that the clients of both institutions will gain from our collaboration."

Connecting banking system with crypto: 1000 banks more for SMART VALOR user

Another significant achievement on the side of product improvement through partnerships was achieved by the integration with Enable Banking. The Finland-based company offers connectivity software that allows connecting with every European bank without 3rd party services. Enable Banking is ISO/IEC 27001 certified and regulated by Finnish Financial Supervisory Authority, ensuring the highest security standards and compliance now and in the future.

Offering a choice of payment methods on a crypto exchange is an important requirement for providing high-quality customer service. However, not all options are equally attractive to users. Some involve higher fees charged by the payment service providers, while others may require a customer to wait several days for their assets to arrive.

With Enable Banking integration, SMART VALOR customers now use the popular wire transfer with an improved option of instant transfer, in near real-time at no additional cost. The function is easy to activate with several clicks and it gives access to more than 1,000 European banks. The new feature allows us to immediately recognise when a transaction has been created and we can instantly execute the purchase on the platform, before the actual bank transfer has been completed.

Combining crypto services with traditional banking is a major challenge for companies in the blockchain industry. At SMART VALOR, we have always been committed to giving access to Bitcoin and other digital assets in a simple and secure way. A key element of this is trusted payment options that everyone is familiar with. Thanks to the cooperation with Enable Banking, we were able to simplify and significantly speed up crypto purchases via bank transfer – the favourite payment option of many customers.

Joonas Tomperi, CEO and Co-Founder of Enable Banking: "We are excited to be working with SMART VALOR, one of the leading crypto investment platforms in the region. Their focus on security and innovation is something we admire, and we are looking forward to seeing great things from them in the future. As a company, they have shown a dedication to their clients and to the development of their product, and we are confident that they will continue to be a leader in the industry."



Technical infrastructure build-out

During Q3 we have introduced multiple new features and improvements covering UX/UI, product, compliance, automation and key technical infrastructure. Despite the ongoing tense situation in the crypto market, we are continuing to work intensively to make SMART VALOR the most trusted crypto exchange in the German-speaking world. Due to our very successful past business year, we were able to grow our team in all important areas of our company. We have thus created the necessary workforce to implement various projects, all of which are geared towards our core objectives:

- Secure and easy access to digital assets;
- High user-friendliness and cutting-edge services;
- Excellent customer support for our growing number of users.

The biggest part of software development has taken place in the areas of security, compliance and automation. These areas and their further development, although not visible to users, are the key pillars of our technology stack.

The investment in these areas has a strategic character which means they are needed to be able to onboard further B2B and B2B2C partners and providing them with a highly scalable infrastructure for trading and custody of any digital asset.

From the space which is visible for users, the most important improvements and updates that our teams have completed in the last months are the company website, UX design features and integration with a bank. As the company's homepage is the first point of contact for potential customers, we have made an update to provide greater clarity and a better visitor experience. New users find their way around immediately and get a quick overview of all the important functions and of the available markets on the platform.

Better UX design

In terms of UX (user experience), we have made many small optimizations to the functions of our platform to further increase user-friendliness. The aim of these efforts is to evolve the user experience of our growing customer base from good to excellent. Here, the focus of our UX team was on brokerage, wallet view and sign-up process. To give customers a better overview of their transaction history, several adjustments have been made to the user interface of the exchange. Only the events that are essential to the user are now displayed in a very clear manner, rather than multiple related and potentially confusing transaction events. In the menu item "My Wallet", adjustments have been made to clearly display broker-related transactions in a separate "Buy/Sell" tab. Furthermore, we have introduced more customer-friendly language in many areas to make the onboarding process easier and more appealing. This includes elements such as the email address verification screen, the personal information form and the welcome pop-up screens.



We have started developing a mobile app

In Q3 we launched the development of the new mobile app which will cover initially all key functions of onboarding, brokerage, custody and wallet management. We hired new team members who are currently exclusively working on this new product extension.

Ethereum staking for new Proof-of-Stake era was launched in September

On 15 September, the long-awaited Merge, the transition of the Ethereum network from Proof-of-Work to Proof-of-Stake, took place. In the run-up to this important event for the crypto industry, we introduced Ethereum staking on our platform. This allows our customers to earn passive income with their Ether in an easy and secure way.

Significant events after the end of the quarter

- In October, we listed Solana (SOL) and Polkadot (DOT), bringing the number of tradable digital assets to 30.
- We added the Swedish krona (SEK) as the fifth national currency to the platform.
- We announced staging of the next Crypto Summit as a two-day conference in Zurich and Davos in January 2023 during the World Economic Forum Annual Meeting. The oldest and largest blockchain and crypto conference in Switzerland was launched by SMART VALOR in 2017. Planning has been completed and preparations are underway.
- We made a public announcement about having zero exposure to FTX crypto exchange.

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 July 2022 to 30 September 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 for the current reporting period in Q3 2022 were:

CHF 0.9 million	Revenues were CHF 0.9 million in Q3 2022, compared to CHF 1.0 million in Q3 2021.
CHF -0.7 million	Operating profit before depreciation and amortisation (EBITDA) was CHF -0.7 million in Q3 2022, compared to CHF -0.2 million in the third quarter of 2021.
CHF -1.2 million	The net loss in the current reporting period amounted to CHF -1.2 million, compared with a net loss of CHF -0.7m in the same quarter the previous year.
CHF 11.9 million	Assets held at the end of Q3 2022 were CHF 11.9 million, an increase of +42% over 2021 year-end, when they were CHF 8.4 million.
CHF 4.5 million	Smart Valor had a cash balance of CHF 4.5 million at the end of Q3 2022, compared with a cash balance of CHF 1.6 million at the end of 2021. Crypto assets at the end of Q3 2022 are flat when compared to year-end 2021 at CHF 3.4 million.

Consolidated Income Statement

CHF	01/07/22	01/07/21	01/01/22	01/01/21
	30/09/22	30/09/21	30/09/22	30/09/21
Revenue from sale of goods to Swiss residents	-175,686	-23,068	157,791	566,994
Revenue from sale of goods to non-Swiss residents	389,738	109,570	557,261	514,566
Revenue from foreign exchange on VALOR Token	57,836	183,202	292,048	723,710
Revenues from market making and treasury management	574,625	534,686	2,925,251	4,027,897
Revenue from services	1,099	7,317	40,847	40,986
Other Revenue	65,631	170,211	241,820	478,258
Total income	913,243	981,919	4,215,018	6,352,411
Service and development	-784,444	662,953	4,320,424	6,477,550
Sales commission fees	-3,498	23,886	24,647	269,471
Gross result I	125,302	295,079	869,947	3,605,390
Personnel costs incl. social securities	-330,824	-169,475	-919,686	-495,983
VALOR Token Incentives	-57,836	-183,202	-292,048	-723,710
Gross result II	-263,359	-57,598	-341,787	2,385,696
Rental expenses	-16,411	-10,433	-41,597	-33,653
Insurance premiums	-8,488	0	-26,005	-362
Consulting and accounting expenses	-35,032	-49,419	-114,072	-145,933
Legal advice expenses	-168,287	-8,584	-408,248	-14,400
Administrative, other consulting and IT expenses	-21,414	-18,921	-40,100	-58,174
Promotion, marketing and advertising expenses	-153,436	-112,248	-745,814	-230,862
Travel and customer care expenses	-1,467	-15,365	-51,104	-16,173
Other costs	-13,567	76,619	-103,975	-77,745
Activated personal contributions	0	0	240,729	149,307
Total operating expenses	-418,103	-138,351	-932,446	-427,994
Operating result	-681,462	-195,948	-1,274,233	1,957,702
Depreciation and valuation adjustments on intangible assets	-283,520	-180,708	-762,990	-503,269
Donations	-10,000	0	-10,000	0
Financial income	0	0	104	0
Financial expenses	-98,706	-293,805	-483,603	-1,431,287
Extraordinary changes	0	0	0	2,487
Profit / Loss for the period before taxes	-1,073,688	-670,462	-2,530,722	25,633
Taxes	-110,769	-8,197	-114,132	-8,197
Profit / Loss for the period	-1,184,457	-678,658	-2,644,855	17,436

Revenues in Q3 2022 were KCHF 913, 7% lower than they were in Q3 2021, but 8% higher than they were in Q2 2022. Token sales in Q3 2022 were KCHF 214, compared to KCHF 87 in Q3 2021. There was a correction to prior bookings on both the token sales to Swiss and non-Swiss residents accounts, resulting in a negative balance on the token sales to Swiss residents' account. Revenues from market making activities and treasury management were flat quarter on quarter, increasing from KCHF 535 in Q3 2021 to KCHF 575 in Q3 2022.

The operating result (EBITDA) in Q3 2022 was KCHF -681 compared to KCHF -196 in Q3 2021, but an improvement over Q2 2022, where EBITDA was KCHF -1,193. Operating expenses were KCHF 1,595 in Q3 2022, an increase of 35% over operating

expenses in Q3 2021 which were KCHF 1,178. However, average monthly operating expenses in Q3 2022 were KCHF 531 compared with KCHF 650 over the 9-month period ending in Q3 2022. This highlights the added focus on cost efficiency, without compromising key development efforts.

The company's OPEX are defined as the sum of "Service and development" and "Sales commission fees" (above the "Gross result I" line), "Personnel costs" and "VALOR Token Incentives" (above the "Gross result II" line) and the items totalled under "operating expenses", starting with "Rental expense" through till "Activated personal contributions". OPEX are divided as per the above format to facilitate discussions with the Swiss tax authorities, when discussing the annual tax obligations.

Consolidated Balance Sheet

CHF	30/09/22	31/12/21
ASSETS		
Cash and cash equivalents	4,552,762	1,601,499
Inventory	3,413,462	3,356,111
Other Current Assets	100,376	615,014
Prepaid expenses and accrued income	8,838	6,236
Total current assets	8,075,438	5,578,859
Intangible Assets	3,764,472	2,757,149
Investments	25,254	25,254
Investments in Subsidiaries	0	0
Other non-current assets	40,904	6,301
Subscribed Capital (not paid in capital)	0	0
Total non-current assets	3,830,630	2,788,703
TOTAL ASSETS	11,906,069	8,367,563
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	198,032	336,098
Other current liabilities	194,284	845,177
Convertible Loan	0	3,681,461
Loan from Shareholders	1,822,592	1,841,504
Subscribed Capital (paid-in advance)	0	0
Accrued expenses and deferred income	199,910	621,635
Total current liabilities	2,414,819	7,325,874
Other non-current liabilities	32,055	0
Total non-current liabilities	32,055	0
Total liabilities	2,446,873	7,325,874
Share capital	147,702	121,170
Capital Reserves	13,951,304	2,976,080
Voluntary retained earnings		
Profit / Loss brought forward	-2,041,456	0
Profit / Loss for the period	-2,643,103	-1,330,068
Foreign currency translation adjustments brought forward	-4,473	-720,956
Foreign currency translation adjustments for the period	-3,043	-2,865
Unrealised FX of VALOR Token	0	-1,673
Capital offset difference	0	0
Intercompany Difference	52,264	0
Total shareholders' equity	9,459,195	1,041,688
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,906,069	8,367,563

The assets held at the end of Q3 2022 were KCHF 11,906 compared to KCHF 8,368 held at the end of 2021 year-end. The main driver for the asset increase of 42% over 2021 year-end is an increase of KCHF 2,951 in the company's cash positions driven by the capital raise that took place in Q1 2022. The company's inventory of crypto assets remained flat, increasing KCHF 57 over 2021 year-end. As the company lists more cryptocurrencies on its platform an initial liquidity in each new currency offered is necessary. The company holds KCHF 2,483 in VALOR tokens in its inventory of crypto assets on the balance sheet. These tokens were received for example by the company from platform users that have chosen to pay their trading fees in VALOR tokens. The remainder of SMART VALOR's inventory of VALOR tokens are valued at CHF 1 on its balance sheet. SMART VALOR continues to follow the imparity and prudence principles when valuing 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.

The current liabilities of SMART VALOR decreased significantly from KCHF 7,326 at the end of 2021 to KCHF 2,415 at the end of the third quarter of 2022. This is predominantly driven by the conversion of the KCHF 3,681 convertible loan from debt to equity. In addition, its combined accounts payable and other current liabilities positions decreased by KCHF 789 from KCHF 1,181 at the end of 2021 to KCHF 392 at the end of Q3 2022.

The capital increase for the company was completed on 2 May 2022 and as a result, the total equity of the company increased from KCHF 1,042 at the end of 2021 to KCHF 9,459 at the end of Q3 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 KCHF 9,216, valued as at 30 September 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.



Consolidated Cash Flow Statement

CHF	01/07/22	01/07/21	01/01/22	01/01/21
	30/09/22	30/09/21	30/09/22	30/09/21
Profit / loss of the period	-1,184,457	-678,658	-2,644,855	17,436
Depreciation, amortization, impairment and gains on non-current assets	283,520	180,708	762,990	503,269
Change in inventory	-456,380	-985,247	-496,490	-1,167,094
Change in other current assets	618,336	2,491,448	514,637	238,948
Change in prepaid expenses and accrued income	8,488	8,624	-2,761	14,430
Change in non-current assets	3,552	157,710	-34,339	-10,594
Change in trade accounts payable	-461,189	-1,660,658	-669,309	568,057
Change in other current liabilities	-12,883	393,010	-176,475	7,346
Change in accrued expenses and deferred income	-200,877	-64,499	1,283	-46,975
Change in non-current liabilities	0	0	32,055	0
Result from disposal of assets	0	0	0	0
Other non cash-related expenses / revenues	0	0	62,535	0
Change in capital offset difference	-218,522	-62,176	123,938	149,100
FX differences from transaction corrections	6,590	0	9,173	-3,506
Cash flow from operating activities	-1,613,823	-219,738	-2,517,617	270,417
Investments in intangible assets	-649,313	-469,054	-1,770,342	-980,416
Disposal of intangible assets	0	0	0	0
Purchase of investments	0	0	0	0
Disposal of investments	0	0	0	0
Cash flow from investing activities	-649,313	-469,054	-1,770,342	-980,416
Increase/decrease of other financial liabilities	0	1,241,081	100,000	1,241,081
Increase/decrease of loan from Shareholders	0	287,295	-18,912	593,625
Dividends	0	00	0	0
Change in not paid in capital	0	-50,0000	0	-500,000
Change in paid in capital	0	0	7,152,083	0
Capital increase / capital decrease	0	0	0	0
Purchase / sale of own shares	0	0	0	0
Cash flow from financing activities	0	1,478,376	7,234,171	1,784,706
Change in cash and cash equivalents	0	1,478,376	7,234,171	1,784,706
Beginning of the period	6,808,958	1,011,870	1,601,499	725,572
FX differences in cash and cash equivalents	-6,940	2,518	-5,052	1,342
End of the period	4,552,762	1,798,936	4,552,762	1,798,936
Change in cash and cash equivalents	-2,263,136	789,584	2,946,211	1,074,707

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 Q3 2022 the company's cash outflows from operating activities were KCHF 1,613, compared to cash outflows of KCHF 220 in 2021-Q3 and cash outflows of KCHF 2,518 over the first 9 months of 2022. The key driver was an increase in purchases of crypto assets during Q3 2022, to meet liquidity requirements for the listing of new cryptocurrencies on the platform.

The company's cash outflows from investing activities were KCHF 649 in Q3 2022, compared to KCHF 469 in Q3 2021. Significant investments continue to be made into the SMART VALOR platform asset, as new cryptocurrencies are listed for trading and additional features are developed. There were no cash in- or outflows from financing activities during Q3 2022. In Q3 2021 cash inflows from financing activities were KCHF 1,478.

In Q3 2022, the overall position in cash and cash equivalents for the company increased by KCHF 2,754 from KCHF 1,799 at the end of Q3 2021 to KCHF 4,553 at the end of Q3 2022.

Changes in Consolidated Equity

CHF, for the period:	01/01/22 - 30/09/22	01/01/21 - 30/09/21
Balance as of 01.01.2022	1,041,688	1,765,213
Net Gain SV AG CH as at 30.09.2022	-2,335,840	630,815
Net Gain SVS GmbH as at 30.09.2022	20,146	153,575
Net Gain SV AG FL as at 30.09.2022	-327,409	52,344
Capital increase	11,001,755	0
Other equity including intercompany difference	52,264	-222,569
Foreign currency adjustment for the year	6,591	5,681
Equity as of 30.09.2022	9,459,195	2,385,059

The equity of the company increased by KCHF 7,074 from KCHF 2,385 at the end of the third quarter of 2021 to KCHF 9,459 at the end of the third 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 30 September 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 was 12,117,028. The net earnings per share pre and post dilution are presented in the following table as one and the same.

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 in the fourth quarter of 2022.

Net earnings per share and average number of shares outstanding

Net earnings per share	01/07/22 30/09/22	01/07/21 30/09/21	01/01/22 30/09/22	01/01/21 30/09/21
Net income	-1,184,457	-678,658	-2,644,854	17,436
# 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	-0.10	-0.06	-0.22	0.00
Net earnings / share post-dilution	-0.08	-0.06	-0.18	0.00
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, 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

Event	Date
Preliminary Year-End Report 2022	30/03/2023
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	20/03/2024

Auditor Review

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

SMART VALOR IN THE MEDIA IN Q3

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.



SRF – BILANZ Standpunkte

SRF – Bilanz, TV production: Business Talk about economic situation and outlook (Main Swiss television channel)

[BILANZ Standpunkte - Krieg, Inflation, Deglobalisierung: Wohin steuert die Wirtschaft? - Play SRF](#)



Neue Zürcher Zeitung

NZZ – leading Swiss Magazine, large interview about crypto industry with Olga Feldmeier, co-founder and board chair SMART VALOR

[Schweizer Krypto Queen redet Branchenprobleme klein \(nzz.ch\)](#)



Blick

Blick, one of the most popular mainstream daily newspapers in Switzerland published an interview with Olga Feldmeier on what the FTX meltdown means for the industry, citing zero exposure of SMART VALOR and positive share price development.

[Auswirkungen der FTX-Pleite auf das Schweizer Krypto-Valley - Blick](#)



SRF – Club Spezial

SRF “Club Spezial”: Turning point in Ukraine war? (Main Swiss television channel)

[Club - Wende im Ukraine-Krieg? - Play SRF](#)

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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