



PRELIMINARY YEAR-END REPORT 2023



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LETTER FROM THE BOARD CHAIRMAN



Olga Feldmeier

Co-founder and Board Chairman Smart Valor AG

Dear stakeholders, customers, and supporters,

2023 posed ongoing challenges for the crypto industry. Despite the upward trajectory in cryptocurrency prices, the retail interest and trading volumes globally remained stagnant for most of the year.

In response to the industry's challenges, Smart Valor strategically shifted its focus towards technology over conventional marketing methodologies. The breakthrough of ChatGPT at the end of 2022 laid the foundation for this new direction. Acknowledging the increasing demand for efficient investment decision-making tools, Smart Valor embarked on the development of AI-based solutions.

This strategic move led to the inception of Elann.AI, an AI agent tailored specifically for the crypto investment use case. Leveraging leading Large Language Models (LLMs) such as Meta's Llama and OpenAI's ChatGPT, Smart Valor embarked on a journey to develop AI agents which could over time substitute human research analyst.

The key milestones included the rollout of Elann.AI app with AI-based news analysis features in October 2023, followed by the introduction of AI-generated research reports in December 2023. These advancements culminated in the establishment of a partnership with a leading Korean exchange.

On the end user side, March 2024 saw the launch of the Korean language-based Elann.AI app, catering to the specific needs of the local market. With multilingual Natural Language Processing (NLP) technology at its core, Elann.AI aims to provide real-time market insights to users in their native language, addressing a critical gap in information accessibility.

Looking ahead, Elann.AI roadmap for 2024 centers on enhancing functionality, expanding asset coverage, integrating additional data sources, and implementing conversational voice-based interaction design. Our ultimate goal is to develop AI agents capable of efficiently handling most research tasks related to crypto investing, supporting investors as specialized individual research analysts.

In the retail crypto exchange domain, we consciously opted not to pursue "growth at any cost" during the stagnant 2023, resulting in a subsequent 70% decrease in transaction volumes.

Despite the negative growth environment, there were several highlights we managed to achieve. One of them became our partnership with SweePay which enabled BTC purchases via Swiss national railway ticket machines and Valora Holdings AG's kiosks, providing over a million daily commuters on the SBB train network with access to Smart Valor's Bitcoin purchasing service around the clock.

This integration underscores our ability to deliver a secure crypto transaction platform operating reliably 24/7 during 365 days a year. It is also expected to pave the way for further collaborations with other merchants, FX exchange platforms, and payment providers.

On the regulatory front, our plans include transitioning to EU regulation under MICA which includes change of authorization title to include designation of trading platform. This will further facilitate access to EU-wide markets and supporting additional revenue streams.

On the financial side, last year we recorded a significant improvement in terms of reduction of annual loss from CHF 7.2m in 2022 to CHF 2.3 m in 2023. Operating loss before depreciation and amortization was reduced to CHF 1.2 m in 2023, compared to CHF 2.8 m in 2022. This demonstrated our flexibility and ability to significantly reduce costs in response to adverse circumstances such as the protracted crypto winter of 2023 in combination with limited financing options.

Currently, we are anticipating the onset of the next bull cycle in crypto markets, which we expect to extend through 2024-2025 and beyond. Should this market scenario materialize, we feel reasonably confident that we will be able to steer our company back to profitability.

On the governance side, Smart Valor aims to transition to private company status following our initiation of delisting from the Swedish Nasdaq First North in February 2024. The main reason for this decision is limited liquidity of Swedish Depository Receipts (SDRs) and step-back from the plans for expansion in US and Sweden.

Thank you very much for your unwavering support and for standing by us through thick and thin. We are profoundly grateful to all of you who acknowledge our dedication and commitment to the success of this company, despite the extremely challenging conditions of the past two years. It is our deepest conviction that we emerge from this challenging time well-equipped for the next chapter of our success story.

Here is to a future filled with innovation, growth, and shared success.

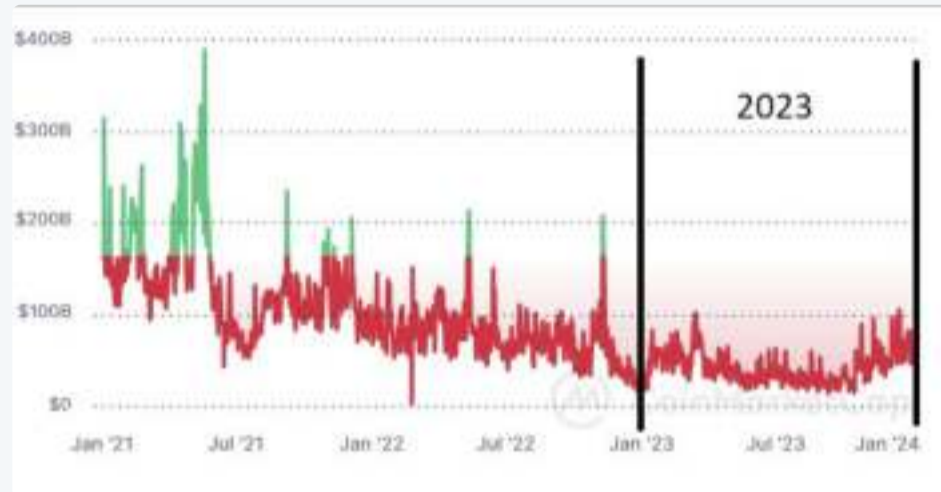
Warm regards -

Olga Feldmeier
Board Chairman, Smart Valor

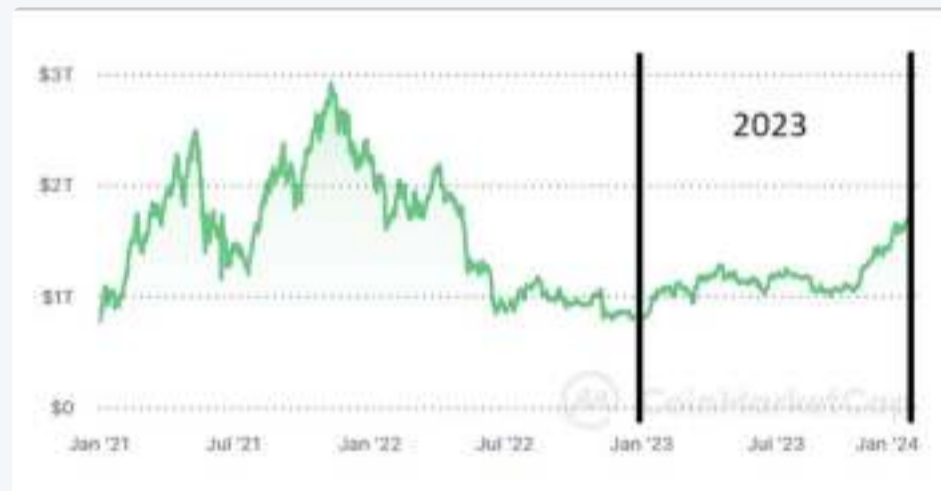
COMPANY DEVELOPMENT

AI Technology

The year 2023 presented continued challenges for the crypto industry, despite the upward trend in cryptocurrency prices. Retail interest and trading volumes remained stagnant throughout 2023, contributing to high customer acquisition costs for retail exchange businesses.



Crypto Market Capitalization 2021-2023



Crypto Market Capitalization 2021-2023

Source: [CoinMarketCap](#)

In this environment, investing limited financial resources in marketing would prove inefficient. Instead, we decided to focus on technology. This decision was facilitated by the arrival of completely new technology with the breakthrough of ChatGPT at the end of 2022.

As exchange technology and service offerings become more standardized, we understood that obtaining a competitive edge could be achieved through addressing one of the biggest problems for investors: lack of time and knowledge to make optimal investment decisions. To address this problem, we had previously begun working on robo-advisory solutions such as basket investments and investment profiles. With the arrival of ChatGPT, it became clear that the concept of robo-advisory will soon be completely reimaged in a new form: as a set of collaborating AI agents.

Therefore, after careful consideration of viable solutions within the realm of AI agents, we concluded that AI agents representing a substitution for the job of research analysts would be the most useful and straightforward. It will also be the most reliable, as the pure collection of information and analysis of it will give more safe results than the agent which would go one step further and suggest investment decisions.

It's fair to say that there is currently a consensus in the AI industry that narrowly focused AI agents are on track to outperform humans soon. This is because they can process vast volumes of financial data and real-time news.

They excel at identifying complex patterns and trends in market data, which human analysts might overlook. Moreover, they can operate 24/7, concentrating solely on aspects relevant to the specific investment strategy of individual investor.

Therefore, at Smart Valor, we set out to create an affordable and potentially superior alternative to traditional bank research analysts, specialized in the crypto investments. We named this AI agent Elann and launched it under the new brand Elann.AI. The rationale for this decision is that such an agent can be successfully deployed not only on the Smart Valor platform but also offered as a B2B product to other exchanges and DeFi applications such as wallets and DEXs.



[ELANN.AI](#)

Our journey with Elann.AI began in the summer when we hired a group of ML engineers and started to develop our unique algorithms built on the back of leading Large Language Models (LLMs), such as Meta's Llama and OpenAI's ChatGPT. From there, we managed to launch a new product under the brand Elann.AI, moving fast towards achieving key milestones:

Key milestones achieved

- **September 2023**
Launch of the Elann.AI project
- **October 2023**
App launched with the first set of features around AI-based news analysis
- **December 2023**
Launch of the second function set: AI-generated research reports
- **January 2024**
First B2B product partnership with the second-largest Korean exchange
- **March 2024**
First localized app release: Launch of the app for the Korean market

Elann.AI app with the first set of features around AI-based news analysis

In October 2023, the app was launched with the first set of features around AI-based news analysis. The algorithm we developed searches all relevant market news. First, it scans hundreds of global news outlets from Coindesk to Decrypt. It rates each article based on 4,000 quality and relevance criteria to decide what to include and what is irrelevant. From the relevant news it collects, it writes executive summaries so that the user doesn't need to read all of it, instead focusing only on the key takeaways. The app garnered tremendous success, amassing 20,000 users within weeks of its launch.



Launch of the second function set: AI-generated research reports

In December 2023, we launched the second function set: AI-generated research reports. To create customized research reports for a specific asset (cryptocurrency or token) or sub-segment (bitcoin, alts), we start with collecting comprehensive data, including historical and real-time price data and price analysis from over 100 trusted sources. In addition, our algorithms process news articles related to a specific asset, providing concise summaries and categorizing them by relevance and sentiment. This way, our finely tuned LLMs transform raw data into actionable insights, empowering the user with real-time market analysis.



First B2B product partnership with the second-largest Korean exchange

With the goal in mind to onboard the first million users, partnering with other exchanges and wallets is paramount. Thus, we designed ELANN.AI as an API for enterprises and DeFi applications. It can be succinctly summarized as "AI market intelligence API for crypto." This B2B growth strategy has proven successful in traditional markets. A simple comparison is an example of Nasdaq, which for example does not develop its own version of BloombergGPT. The rationale behind it: it would be too expensive for each wallet and exchange to develop its own AI market intelligence solution and AI agents. This holds true in traditional finance same as in crypto.

Considering where to start the geographic footprint expansion, we decided to first go for Asia, with a special focus on the South Korean market. The reason for this decision is that Korea today represents the largest crypto market in Asia, often accounting for up to 30% of global trading volume.

Consequently, in January 2024, we announced our first partnership with an exchange and wallet provider. Bithumb is Korea's second largest crypto exchange with 7 million registered users and a leading non-custodial wallet provider. Their wallet, offered under the brand Burrito, will seamlessly integrate Elann.AI's features into its interface, granting Korean investors immediate access to top-tier market news analysis and research reports generated by AI in their native language. Currently, the teams of Burrito and Smart Valor are working on technical integration.



[스마트밸러, 빗썸 부리또 월렛과 파트너십 < KR취재 < 업무협약 < 비즈니스 < 기사본문 - 코인데스크코리아 \(coindesk.com\)](https://www.coindesk.com/kr/news/smart-valor-bitcoin-burrito-wallet-partnership)

First localized app release: launch of the app for the Korean market

Leveraging multilingual Natural Language Processing (NLP) technology, we have started to deliver crypto market intelligence solution tailored to local markets in local languages. Multilingual NLP represents a fascinating branch of AI, enabling the analysis of data from diverse language sources and unlocking previously untapped global insights.

Thus, in March 2024, ELANN.AI we shipped the very first Korean language-based crypto market intelligence app focusing first on two functions: AI-based global market news analysis and research reports. For the local Korean market, this is a significant breakthrough because most of the crypto research and news available today is in English. However, the majority of Korean crypto investors and traders cannot read news or listen to podcasts in English. Hence, they suffer from a time gap in the news, negatively impacting their investment decisions. With Korean version of Elann.AI app, they can consume global market news in real-time, in a filtered and concise way. Within the first weeks of the launch, we have received overwhelmingly positive feedback from the Korean community initially involved in testing the product.



Product Roadmap 2024

Going forward, we aim for an AI Agent with which the user can have a goal-oriented conversation supporting him in taking the investment decisions. The road there leads through the following key milestones:

- Expanding token coverage within the reports functionality;
- Delving deeper into data, aiming to extract more valuable insights from sources like crypto X/Twitter, YouTube, and podcasts;
- Crafting customized reports based on user preferences and portfolio settings;
- Integrating Natural Language Processing (NLP) and interaction via voice.

In the summary, our roadmap for 2024 aims to expand the functionality from AI-based news and market analysis to individual reports, while broadening token coverage, integrating additional data sources, and implementing more languages. The ultimate objective is to create AI agents capable of handling a sizeable portion of research tasks related to crypto investing, effectively acting as a highly specialized individual research analyst.

A deep-dive into the fascinating process behind the creation of our AI-based research reports

• Step 1: Data Gathering and LLM Input

The journey begins with data, the cornerstone of the product. We initiate the process by gathering both historical and real-time price data for specific tokens from reputable platforms and APIs, ensuring accuracy and reliability. Additionally, pre-made price charts are collected to provide visual representations of the tokens' historical performance. This data, along with the price charts, is then fed into the LLM, where the AI commences processing and analyzing the data to extract valuable insights.

• Step 2: LLM Analyzing Market Data

The LLM's role transcends mere data processing. It proceeds to conduct technical analysis on the token charts, identifying patterns, trends, and potential support and resistance levels to aid in understanding the token's behavior. Moreover, it delves into the intricacies of the token's price movements, scrutinizing historical trends, recent fluctuations, and indicators of market sentiment. Through statistical analysis, it evaluates factors such as volatility, moving averages, and trading volume, providing users with a comprehensive view of market dynamics.

• Step 3: News Analysis

In the ever-evolving landscape of finance, news is paramount. Our system scours news articles related to specific tokens and the overall market from over one hundred reputable sources. These articles undergo thorough analysis by the LLM, which categorizes them based on quality, relevance, and sentiment. Additionally, AI-based experts in various fields are employed to score each article against 4,000 criteria. The highest-scoring articles are then ranked, ensuring users receive only the most valuable information.

• Step 4: Crafting the Report

With data and analyses in hand, it's time to compile a structured investment research report. The selected news articles, combined with the LLM's market analyses, are seamlessly integrated to provide users with comprehensive insights.

Recognizing that investors have diverse needs, our reports will be customizable beyond the current beta version. Users can select assets or sectors relevant to them and choose the presentation style of their AI research analyst, ranging from in-depth technical analysis to user-friendly narratives and simplified explanations.

Blockchain Technology And Exchange

On the exchange and blockchain technology side, the key achievements of 2023 were following:

- Launch of new B2B service "Exchange as API"
- Launch of mobile app for exchange with fiat onramp
- Upgrade of custody service with MPC wallets

Launch of new B2B service "Exchange as API"

In Q1 2023, we forged a partnership with Swiss company Sweepay, resulting in our collaboration to facilitate Bitcoin purchase transactions on 1,500 Swiss national railway (SBB) ticket machines and Valora Holdings AG's kiosks in Switzerland. Since April 4th, 2023, commuters using the SBB train network, totaling over a million individuals daily, have the opportunity to buy Bitcoin via Smart Valor at any time, 24/7.

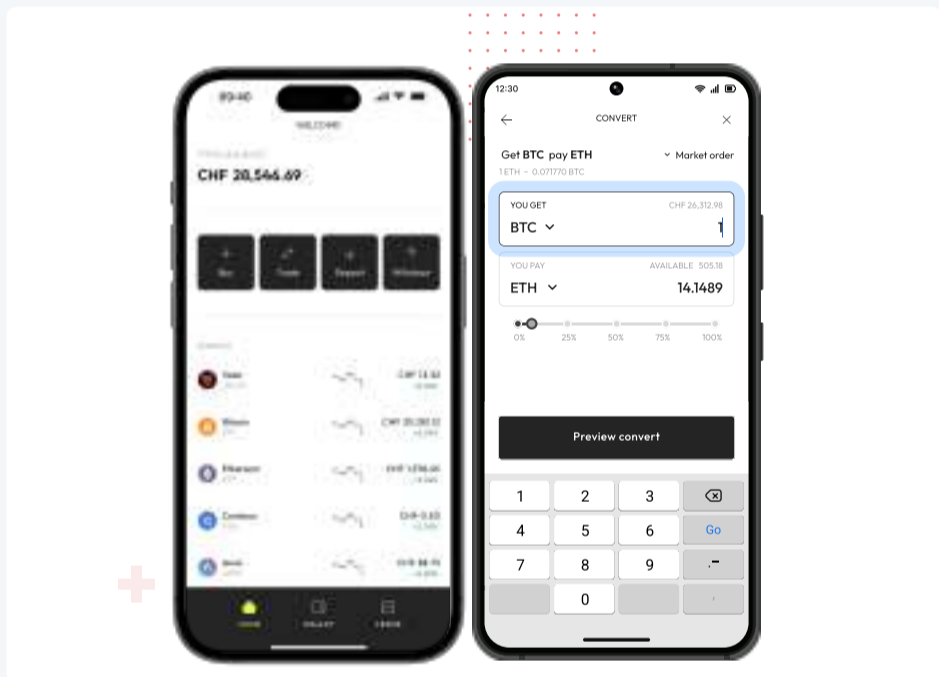
The revenues generated by SMART VALOR from these transactions stem from the margins on the purchase and sale of Bitcoin. Beginning in Q2 2023, these revenues have contributed to our treasury and market-making activities. This partnership aligns seamlessly with our B2B strategy, leveraging the vast potential of our exchange technology.

This integration underscores our capability to deliver a dependable crypto transaction platform operating 24/7, 365 days a year. It paves the way for potential collaborations with other merchants, FX exchange platforms, and payment providers.



Oliver Feldmeier, Rodolphe Textier (SweePay CEO), Olga Feldmeier, Gabriele Lafranchi (SweePay)

In Q1 the tech team successfully launching the brand-new SMART VALOR app, initially incorporating such functions as Buy/Sell, Trade, Deposit and Withdraw. The alpha release of the Android version of the app went live in February. Later we additionally enabled fiat onramp and payment with credit cards.



Upgrade of custody service with MPC wallets

We enhanced our custody service in 2022 by integrating MPC wallets into the Smart Valor platform, in collaboration with Fireblocks, a leading provider of custody solutions.

MPC wallets, short for multi-party computation wallets, revolutionize security for digital assets. Unlike traditional wallets, MPC wallets enable multiple parties to retain their private data without disclosing any information when initiating transactions. The private key used for transactions is distributed across several secure devices, significantly reducing the risk of compromising the entire key. This decentralized approach eliminates a single point of failure, enhancing the security of transactions.

In addition to bolstering privacy, MPC wallets also enhance accuracy. Even if one or more parties choose to share their information, others are not compelled to do so. A strict protocol governs the sharing of information, ensuring that transactions cannot force the disclosure of secret data.

We rigorously tested the MPC wallet infrastructure over the past 12 months and underwent regulatory approval from the Financial Market Authority (FMA) in Liechtenstein before transitioning customer funds

to the new custody stack in July of the previous year. This meticulous process underscores our commitment to providing a secure and reliable custody solution for digital assets.

Exchange Development

On the retail exchange side transaction volume on the SMART VALOR investment platform in 2023 stood at CHF 37 million, which is 70% down from the previous year. The reason for such a decline is twofold. On one side, most of 2023 global trading volumes were in decline. On the other hand, we made a decision not to invest in marketing due to high customer acquisition cost in the declining market environment. As the markets are brightening up we are looking into resuming marketing efforts to stimulate the growth on the retail side. Quintessentially, on the strategic side we are looking for B2B partners with established distribution channels who do not have crypto infrastructure capabilities. With approval of Bitcoin ETFs in US, we foresee a broader adoption among retail investors around the world and move of more financial institutions toward adopting crypto offering for their customers.

Branding and Marketing

In 2023, we proudly hosted the 6th anniversary edition of CryptoSummit.ch. The conference spanned two engaging days in Zurich and Davos, drawing over 100 outstanding speakers from across the globe.

The first day of the summit unfolded at the Hyatt Grand Circle Conference Centre at Zurich Airport, featuring a diverse lineup of speakers. Notable figures included Charles Hoskinson, co-founder of Ethereum and founder of Cardano, as well as bestselling crypto author Don Tapscott. Representatives from esteemed brands such as Coinbase, Mastercard, Binance, EY, and IBM also graced the stage. Highlights of the day included insights from Yoni Assia, CEO of eToro, who shared predictions on the industry's transition from centralized finance (CeFi) to decentralized finance (DeFi).

The second day of the conference took place in Davos during the World Economic Forum (WEF) week, at the Hotel Europa.

Since its inception in 2017, CryptoSummit.ch is the longest standing crypto conference in Switzerland and the largest crypto conference ever hosted in Zurich. Organizing this event over the years has been instrumental in bolstering Smart Valor brand and expanding our business network.



SMART VALOR OUTLOOK FOR 2024

Our outlook for the remainder of 2024 is generally positive. As initiated in 2023, we will continue to develop technology at the intersection of AI and blockchain technology. With crypto markets returning to a growth trajectory and the Bitcoin halving approaching in April 2024, we anticipate positive transaction volume development on both the retail exchange side and the B2B side.

For the newly launched ELANN.AI, we see significant potential to expand the product into a fully-fledged AI agent serving as a research analyst not only for investment managers but also for retail crypto investors.

On the regulatory front, we will transition to EU regulation under MiCAR and obtain additional designation as a trading platform (Handelsplattformbetreiber). This will grant us access to EU-wide markets and support additional revenue streams.

Currently, we are anticipating the onset of the next bull cycle in crypto markets, which we expect to extend through 2024-2025. Should this market scenario materialize, we feel reasonably confident that we will be able to steer our company back to profitability.

On the governance side, Smart Valor aims to transition to private company status following our initiation of delisting from the Swedish Nasdaq First North in February 2024. The main reason for this decision is limited liquidity of Swedish Depository Receipts (SDRs) and step-back from the plans for expansion in US and Sweden.

Significant events after the end of the year 2023

In February 2024 we initiated the delisting from Swedish Nasdaq First North due to limited liquidity and our change in the plans to aim for access to US liquidity and Sweden.



FINANCIAL PERFORMANCE

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.

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

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

The consolidated financial statements for SMART VALOR have been

prepared using the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligation), Articles 963 and 964.

The yearly reporting period for Smart Valor AG is 1 January to 31 December.

Key definitions

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

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

GROUP KEY FIGURES

Key figures in millions (m) for the year 2023 and 2022

- Revenues were CHF 1.4m in 2023, compared to CHF 4.5m in 2022.
- Operating expenses were reduced by 42% from CHF 1.9 m in 2022, down to CHF 1.1 m in 2023.
- Operating profit before depreciation and amortisation (EBITDA) was CHF -1.2m in 2023, compared with CHF -2.8m in 2022.
- Loss reduction of over 300% during 2023: the net loss was CHF -2.3 m in 2023, compared to CHF -7.2 m in 2022.
- Company's assets were CHF 6.9 m at the end of 2023, in comparison to CHF 8.6m in 2022.
- Total liabilities for 2023 amounted to CHF 2.3 m, compared to year end of 2022 when they were CHF 3.7 m.
- The company held balances of the users in the amount of CHF 12.4 m at the end of 2023.

Consolidated Income Statement

CHF	Notes	2023.07.01 2023.12.31	2022.07.01 2022.12.31	2023.01.01 2023.12.31	2022.01.01 2022.12.31
Revenue from sale of goods to Swiss residents		8,701	-156,108	25,210	177,369
Revenue from sale of goods to non-Swiss residents		7,686	396,552	43,293	564,075
Revenues from foreign exchange on VALOR Token		34,906	90,708	113,682	324,920
Revenues from market making and treasury management		572,496	716,784	955,412	3,067,410
Revenues from services		313	10,143	134,447	49,891
Other Revenue	4a. 4b.	40,248	118,777	153,399	294,966
Total income		664,350	1,176,856	1,425,443	4,478,631
Service and development	4a.	-176,369	-1,223,541	-323,477	-3,759,521
Sales commission fees		-46,008	-6,217	-73,649	-27,366
Gross result I		441,973	-52,902	1,028,317	691,744
Personnel costs incl. social securities		-441,139	-585,813	-952,112	-1,174,675
VALOR Token Incentives		-34,906	-90,708	-113,682	-324,920
Gross result II		-34,072	-729,423	-37,477	-807,851
Rental expense		-15,105	-32,169	-51,455	-57,355
Insurance premiums		-	-17,094	-36,153	-34,611
Consulting and accounting expenses	4a.	-83,833	-135,262	-160,191	-214,302
Legal advice expenses	4a.	-61,033	-197,463	-162,930	-437,424
Administrative, other consulting and IT expenses		-30,722	-169,729	-119,237	-188,415
Promotion, marketing and advertising expenses	4a.	-156,874	-324,779	-461,237	-917,157
Travel and customer care expenses		-56,229	-42,757	-110,010	-92,393
Other costs		-19,076	83,396	-45,909	-7,011
Total operating expenses		-422,872	-835,857	-1,147,122	-1,948,668
Operating result		-456,944	-1,565,280	-1,184,599	-2,756,519
Depreciation and valuation adjustments on intangible assets	4b.	-215,285	-1,110,527	-789,766	-1,589,997
Financial income		-	33,126	65,969	33,230
Financial expenses	4a. 4b. 6.	-219,282	-2,705,685	-335,560	-3,090,582
Extraordinary changes	8	-	368,704	-	368,704
Profit / Loss for the period before taxes		-891,511	-4,979,662	-2,243,956	-7,035,164
Taxes		-11,344	-119,548	-34,081	-122,911
Profit / Loss for the period		-902,855	-5,099,210	-2,278,037	-7,158,075

Revenues were CHF 0.7m in H2 2023, compared to CHF 1.1m in H2 2022. For 2023, revenues were CHF 1.4m compared to CHF 4.5m for 2022. One of the bigger drivers for this decrease were revenue from sale of goods to non-Swiss residents, which dropped 92% from CHF 0.6 m in 2022 to CHF 0.04 m in 2023. Revenues from market making activities and treasury management did not record much change between 2023 and 2022, standing at CHF 0.6m for H2 2023 down from CHF 0.7m in H2 2022. It is important to note, that on an annual basis revenue from market making and treasury management declined significantly, dropping from CHF 3.1m in 2022 to CHF 1.0m in 2023. Revenues from services (such as staking) increased on an annual basis in 2023 to CHF 0.1m, compared to CHF 0.05m in 2022.

The operating results (EBIDA) in H2 2023 was CHF -0.5m compared to CHF -1.6m in H2 2022, and CHF -1.2m for all of 2023 compared to CHF -2.8m CHF in 2022. Considerable cost cutting measures decreased operating expenses to CHF -0.4m in H2 2023, compared to CHF -0.8m in H2 2022, and to CHF -1.1m for the full year 2023 compared to CHF -1.9m in 2022. Cost-reducing measures and reductions in losses from market making and treasury management have significantly reduced net loss for the year, which in 2023 was CHF -2.3m compared to CHF -7.2m in 2022.

Consolidated Balance Sheet

CHF	Notes	2023.12.31	2022.12.31
ASSETS			
Cash and cash equivalents		1,156,513	3,219,565
Inventory		1,039,094	1,222,270
Trade accounts receivable	1	51,050	23,147
Other Current Assets		62,133	91,830
Prepaid expenses and accrued income	2. 3.	107,487	80,412
Total current assets		2,416,277	4,637,225
Intangible Assets		4,403,280	3,893,744
Investments		25,254	25,254
Investments in Subsidiaries		-	-
Other non-current assets	5a. 5b.	24,467	30,231
Total non-current assets		4,453,001	3,949,229
TOTAL ASSETS		6,869,279	8,586,454
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade accounts payable		346,022	969,233
Other current liabilities	2. 3.	442,648	585,096
Convertible Loan		-	-
Loan from Shareholders		1,433,714	1,433,714
Accrued expenses and deferred income	7	66,180	219,254
Total current liabilities		2,288,564	3,207,296
Subordinated debt		-	450,000
Total non-current liabilities		-	450,000
Total liabilities		2,288,564	3,657,296
Share capital		151,888	147,702
Capital Reserves	5a.	15,883,383	13,951,304
Voluntary retained earnings			
Profit reserves		50,000	50,000
Loss brought forward	5b.	-9,209,098	-2,051,024
Loss for the period		-2,275,933	-7,158,074
Foreign currency translation adjustments brought forward		-10,749	-3,464
Foreign currency translation adjustments for the period		-8,777	-7,285
Total SHAREHOLDERS' EQUITY	3.	4,580,715	4,929,158
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,869,279	8,586,454

The total assets held at the end of 2023 were CHF 6.9m and decreased from the CHF 8.6m held at 2022 year-end. The main drivers for the asset balance decrease were a decrease in its cash position from CHF 3.2m in 2022 to CHF 1.2m in 2023. The company's inventory of crypto assets decreased from CHF 1.2m at the end of 2022 to CHF 1.0 m at the end of 2023.

The company's native token VALOR continues to be held on the balance sheet at a symbolic value of CHF 1.

This symbolic amount includes the full inventory of 20.108.653 VALOR tokens. SMART VALOR takes a very conservative approach when valuing its VALOR holdings at a total of CHF 1 on its balance sheet as a write-down on VALOR tokens purchased back from users of the platform is not required as per Swiss accounting regulations. It would have been enough to simply book unrealized losses on these assets, as it does with its other holdings.

For its other digital assets, SMART VALOR books unrealized losses when the market value of its digital asset holdings decreases below their accounting values. However, when market values rise above accounting values, an unrealised gain is not booked, thereby adhering to the imparity principle.

The current liabilities of SMART VALOR decreased significantly from CHF 3.2m at the end of 2022 to CHF 2.3m at the end of 2023. This was predominantly driven by an account payable for investment banking fees, and a current liability, that were both settled in Q1 2023 against the capital raise that was closed in 2022.

The capital raise of 2022 was concluded on 2 March 2023. As a result, the total share capital and capital reserves of the company increased from CHF 14.1m to CHF 16.0m.

The company holds total cryptocurrency balances for its users in the amount of CHF 12.4m, valued as of 31 December 2023 using the market rates. These user balances are kept segregated from company assets and therefore not included in the balance sheet of the company.

Notes to the Consolidation Q2 2023

Principles

General aspects

The consolidation of the Smart Valor entities was prepared by Smart Valor AG in Zug, Schweiz, on the basis of the received financial statements from Smart Valor AG in Zug, Schweiz [SV-CH], Smart Valor AG in Vaduz, Liechtenstein (SV-FL) and Smart Valor Services GmbH in München, Deutschland [SV-DE]. The consolidation will serve as a basis for the requested needs of the board. The accounting for SV-CH was performed in conjunction with Cleverkin s.r.o. The SV-FL accounting was performed by Mutara Treuhand AG. The accounting for SV-DE was performed by VBC - Die Gewinnwerkstatt e.K., working in close collaboration with Koray Cetinkaya, Steuerberater, which has been awarded with an excellent tax accountant designation in Germany.

These consolidated financial statements are based on (i) submitted, unaudited financial statements, (ii) records of the company and (iii) from information and explanations supplied from the involved persons.

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

	CHF/EUR
Closing rate as at 31.12.2023 (according to the published foreign exchange rates from the ESTV)	0.9297
Average yearly rate	0.9857
Historical rate (used for share capital)	1.1679

Disclosure on balance sheet and income statement items

1. Inventory

	2023	2022
	in CHF	in CHF
Inventory	1,039,094	1,222,270

The digital asset inventory of SMART VALOR are maximally valued at the lower of their purchase or market price, following the Imparity Principle. As implemented in 2022, all of the VALOR held by SMART VALOR is valued at a total of CHF 1. SMART VALOR has taken the most conservative approach with respect to the valuation of its VALOR inventory.

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

	2023
	in CHF
SV-CH Intercompany receivable from SV-FL	450,446
SV-FL Intercompany payable to SV-CH	-450,446
Total	0

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

	30.06.2023	
	in EUR	in CHF
Other current assets between SV-CH and SV-FL	1,054	980
Trade accounts payable between SV-FL and SV-CH	-66,491	-61,817
Other current liabilities between SV-CH and SV-FL		68,321
Total		7,484

The difference is based on different exchange rates in the entities.

4a. Profit/Loss – elimination of intercompany balances

	SV-DE	SV-CH	2023 in CHF
Elimination intercompany revenue	-1,110,140		
Elimination Service and development (platform development related parties)		809,702	
Elimination Advertising & Marketing		112,967	
Elimination Accounting, Audit, Tax, Payroll Services		50,203	
Elimination Legal Advice Expenses (Compliance)		130,970	
FX Difference between intercompany expenses/activated asset	1,110,140	1,103,842	6,298

Smart Valor Services GmbH (SV-DE) revenues are originally expensed in Smart Valor Switzerland. Of these expenses, CHF 809'702 are development costs of the Smart Valor Platform, and were activated as assets.

4b. Profit/Loss – elimination of intercompany balances

	SV-FL	SV-CH	2023 in CHF
Elimination intercompany revenue	-600,000		-600,000
Elimination Depreciation		600,000	600,000
Total			0

Smart Valor Switzerland wrote-off CHF 600'000 in receivables owing from Smart Valor Liechtenstein.

5a. Investments Consolidation (Share Capital)

			2023 in CHF
Smart Valor FL, Vaduz	1 in CHF	50,000	50,000
Smart Valor Services DE, München	1 in EUR	25,000	29,198
Total			79,198

The fx rate as per the date of transaction was 1.1679136.

5b. Write-off of SV-CH Investment in SV-FL

	2023 in CHF
Investments in Subsidiaries	50,000
Profit reserves (under Voluntary retained earnings)	50,000
Total	0

Due to the current indebtedness of the Smart Valor FL entity, Smart Valor Switzerland's investment in its subsidiary was written-off and is considered a profit reserve under voluntary retained earnings.

6. Financial expenses

	2023 in CHF	2022 in CHF
Financial expenses	-335,560	-2,239,611

7. Loan from Shareholders

	2023 in CHF	2022 in CHF
Loan from Shareholders	1,433,714	1,433,714
Total	1,433,714	1,433,714

The line of credit that was booked in 2021 against Loan from Shareholders was removed from the Loan account and reclassified to an Other Current Liabilities account.

8. Extraordinary changes

	2023 in CHF	2022 in CHF
Extraordinary changes	0	368,704

Consolidated Cash Flow statement

CHF	Notes	2023.07.01 2023.12.31	2022.07.01 2022.12.31	2023.01.01 2023.12.31	2022.01.01 2022.12.31
Profit / loss of the period		-836,887	-5,697,677	-2,278,036	-7,158,074
Depreciation, amortization, impairment and gains on non-current assets		215,285	1,110,527	789,766	1,589,997
Change in inventory		207,619	2,173,951	183,176	2,133,841
Change in trade accounts receivable		-49,043	-23,147	-27,903	-23,147
Change in other current assets		42,481	626,881	29,698	523,183
Change in prepaid expenses and accrued income		-104,495	-62,927	-27,075	-74,176
Change in non-current assets		3,842	37,891	-	-
Change in trade accounts payable		151,363	841,254	-623,211	633,135
Change in other current liabilities		18,295	-96,490	-142,448	-260,081

Change in accrued expenses and deferred income	-131,513	-604,541	-153,074	-402,381
Change in non-current liabilities	-	417,945	-	450,000
Other non cash-related expenses / revenues	1. -3,935	-65,820	-3,935	-3,285
FX differences from transaction corrections	3,942	-8,794	-8,777	-6,211
Change in capital offset difference	-	-342,459	-	-
Cash flow from operating activities	-483,046	-1,693,406	-2,261,819	-2,597,199
Investments in intangible assets	-712,385	-1,094,949	-1,710,610	-2,215,978
Disposal of intangible assets	-	-	-	-
Investments in non-current assets	-32,013	-33,158	-32,013	-33,158
Disposal of non-current assets	869	900	869	900
Purchase of investments	-	-	-	-
Disposal of investments	-	-50,000	-	-50,000
Cash flow from investing activities	-743,529	-1,177,207	-1,741,754	-2,298,236
Increase/decrease of other financial liabilities	-	-4,231,461	-	-4,131,461
Increase/decrease of loan from Shareholders	-	-388,878	-	-407,790
Dividends	-	-	-	-
Change in not paid in capital	-	-	-	-
Change in paid in capital	-	-7,126,552	4,187	26,531
Capital increase / capital decrease	-	10,975,224	1,932,080	10,975,224
Change in profit reserves	-	50,000	-	50,000
Purchase / sale of own shares	-	-	-	-
Cash flow from financing activities	-	-721,667	1,936,267	6,512,504
CHANGE IN CASH AND CASH EQUIVALENTS	-1,226,575	-3,592,280	-2,067,306	1,617,069
Change in cash and cash equivalents	840,731	-5,209,349		
Beginning of the period	-	-	3,219,565	1,601,499
FX differences in cash and cash equivalents	-4,253	-2,886	-4,254	-998
END OF THE PERIOD	-1,222,320	-3,589,393	1,156,513	3,219,565
CHANGE IN CASH AND CASH EQUIVALENTS	-1,226,573	-3,592,279	-2,067,306	1,617,068

Comments Cash Flow Statement

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 H2 2023 the company's cash outflows from operating activities were CHF -0.5m, compared to cash outflows of CHF -1.7m in H2 2022. On an annual basis cash outflows from operating activities increased and amounted to CHF -2.3 m. for 2023, while as of the end of 2022 cash outflows from operating activities have been in amount of CHF -2.6 m. A key driver for this change was reduced cash outflow for Inventory in 2023 compared to 2022.

The company's cash outflows from investing activities were CHF -0.8 m in H2 2023, compared to CHF -1.2m in H2 2022. Significant investments continue to be made into the SMART VALOR platform asset, as new features continue to be developed and new digital assets are listed for trading on the platform. One such new feature relates to the Sweepay integration for SBB vending machines, that went live at the beginning of Q2 2023. The organization's cash outflows from investing activities on annual basis for 2023 have been in amount of CHF -1.8 m, compared to CHF -2.3 m for 2022. There was a significant change in the cash inflow from financing activities during 2023 in amount of CHF 1.9 m., compared to CHF 6.5 m. for 2022.

Notes to the consolidated statement of cash flows

1. Exchange differences in cash and cash equivalents

The balance held on the bank account of the German entity (SV-DE) is denominated in EUR and the valuation of this balance changes as exchange rates fluctuate. During the periods compared, these fluctuations were very minor and as such the calculation is not included in this note. The amount is included in the reconciliation for the starting and ending cash flow balances under the line item: "FX differences in cash and cash equivalents."

Changes in Consolidated Equity

CHF, for the period:	2023.01.01 2023.12.31	2022.01.01 2022.12.31
Balance at the beginning of the period	4,929,158	1,041,688
Net Gain/Loss at SV-CH for the period	-2,712,858	-7,125,432
Net Gain/Loss at SV-DE for the period	9,003	44,490
Net Gain/Loss at SV-FL for the period	425,819	-77,132
Capital increase	1,886,266	11,001,755
Other equity	50,000	51,673
Foreign currency adjustment for the year	-6,674	-7,884
Equity at the end of the period	4,580,714	4,929,158

Comments Changes in consolidated equity

The equity of the company amounted to CHF 4.6m as of the end of 2023, compared to the end of 2022 when it was CHF 4.9 m.

The capital raise completed on 2 March 2023, increased the equity of the company, which was then offset by the net losses incurred during 2023.



FINANCIAL PERFORMANCE – OTHER KEY FINANCIALS

As of 31 December 2023, the total outstanding shares of SMART VALOR are 14,770,173. The net earnings per share pre and post dilution are presented in the following table.

Net earnings per share and average number of shares outstanding

Net earnings per share	2023.07.01 2023.12.31	2022.07.01 2022.12.31	2023.01.01 2023.12.31	2022.01.01 2022.12.31
Net income	-902,855	-5,099,210	-2,278,037	-7,158,075
# of shares outstanding pre-dilution	14770173	14770173	14770173	12117028
# of shares outstanding post-dilution	14770173	14770173	14770173	14770173
Net earnings / share pre-dilution	-0.06	-0.35	-0.15	-0.59
Net earnings / share post-dilution	-0.06	-0.35	-0.15	-0.48
Average number of shares outstanding				
pre-dilution	14770173	12117028	14770173	12117028
post-dilution	14770173	14770173	14770173	13443600.5



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, which also applies to such blockchain platforms as the Company's platform relies on and interacts with. 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. Please refer to the Company's Company Description published on 20 January, 2022 to obtain further details about the Company and associated Risk Factors. The Company Description can be found on the Company's website under "Investor Relations".

Calendar

Date	Event
07 Jun 2024	Annual Report 2023
28 Jun 2024	Annual General Meeting
30 Aug 2024	Interim Report for the First Half-Year 2024
28 Mar 2025	Interim Report for the Second Half-Year and Preliminary Year-End Report 2024

Auditor Review

This report has not been subject to review 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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