



NBX Annual Report 2022.pdf

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Kjos, Bjørn	BANKID	2023-04-27 18:16
Vahid Reza Toosi	BANKID	2023-04-27 17:40
Sundling, Nils	BANKID	2023-04-27 18:59
Kjos-mathisen, Anna Helene	BANKID_MOBILE	2023-04-27 19:41
Skulevold, Sturle Valheim	BANKID	2023-04-27 16:48



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Annual Report 2022

Norwegian Block Exchange



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Table of contents

This is NBX	1
Letter from CEO	2
The year in brief	4
2022 Highlights	5
Developments	6
Risk factors & uncertainties	11
Corporate governance	13
Financial review	15
Financial statements	26
Notes	22



This is NBX

NBX, headquartered in Oslo, Norway, is a financial services company that specializes in developing digital asset-based products. Our goal is to make the world of digital assets accessible to everyone. We are committed to expanding our reliable and innovative services enabled by crypto, including our latest compliance and custody services, staking, and credit card with bitcoin cashback.

Our unwavering belief in cryptocurrency as a fundamental component of the future financial infrastructure is what drives us forward. In 2022 NBX successfully obtained an E-money license, which is a major next step to providing banking services to our customers.

NBX is registered with the Norwegian Financial Supervisory Authority (Finanstilsynet), audited by Moore and is listed on Oslo Stock Exchange Euronext Growth.

This report covers both NBX and NBX Capital as a group of companies.

24 Employees

09 Nationalities

09 Countries



Letter from the CEO



Fellow shareholders,

NBX entered 2022 full steam ahead with high growth ambitions on an optimistic and rising market, but the market conditions quickly turned bad, and continued getting worse and worse throughout the year accumulating with the collapse of the crypto exchange FTX in November. During the year many crypto companies with risky business models were flushed out and regulators increased focus on the crypto industry. The change in the market conditions forced us to change strategy and focus on cost reduction and alternative revenue streams. None of the above are done at the stroke of a pen and the effects did not really materialize before Q4. Looking back we could have been even faster and harder on the cost reductions earlier on.

On the positive side 2022 was the company's most productive year when it comes to releasing new features, products and services. Such that the money spent is certainly not sunk cost, but money invested in building NBX as a platform and gateway to digital finance. The participation on Project Icebreaker for Norges Bank was a great success for NBX and we really placed NBX on the map as a serious actor for software development in digital finance.

While regulatory uncertainty paralyzes the American market at the moment, the progress and coming implementation across EU/EEA of EU's Crypto regulation MICA (Markets in Crypto Assets) levels the European playground for Crypto actors. We expect this to generate several new business opportunities, especially within asset tokenization. A field where NBX is definitely one of the stronger candidates in the Nordics.

As we are soon seeing May on the calendar in 2023 we are still having laser focus on cost, and while costs are half of what they were so far last year - we are just as productive as we were last year. Going forward we expect to release the NBX Visa Credit Card medio May first in Norway, then Sweden hopefully within a few months. Thereafter Finland and Denmark pending on how the product is performing in the released markets, current projections shows that around 6000 cards brings the card product in break-even and about 12000 cards put the whole company in the green.

We also expect more ad-hoc work on tokenization of assets and value objects, and building token economies around the tokenized assets.

Best regards
Stig
Daglig leder/CEO



Live your life,
save in bitcoin.



The year in brief



2022 was a year with many events in the crypto industry. But unlike 2021 the developments were to a large extent not advantageous for bringing the industry forward. Prices went overall down, several important players went bankrupt and industry integrity has been challenged. We do however believe that the crypto industry will come out stronger with more stability and trust as customers, investors and regulators increase their focus on more sustainable businesses.

NBX has continued to expand the customer base, developing new products and services and strengthened the position as the crypto exchange in the Nordics with the strongest regulatory foothold.

Q1

- All time high new verified customers
- Launch of multiple new trading pairs
- First Nordic crypto company entering agreement with Adyen

Q2

- Mobile app launch
- Launch Vipps and card payments
- E-money license granted from the FSA
- Social login launch

Q3

- NBX Crypto Compliance Center
- Signed with Nordiska on credit line for NBX Visa credit card
- Signed with Enfuce and ELS on card as a service and card issuance
- Started NBX Visa credit card project

Q4

- Launch of ADA staking
- CBDC with the Central Bank of Norway



2022 Highlights



Key figures

	2022	2021
Operating income	6 723	7 825
Operating expenses	52 367	49 640
Operating profit	-45 644	-41 815
Financial income	-329	10 812
Net profit	-35 860	-24 182
EBIT	-46 085	-31 100
EBITDA	-44 480	-29 325

Key investments in value creation for customers

In 2022 NBX continued the focus on delivering value to our customers. The company launched several new trading pairs, a new mobile app for both iOS and Android, and was the first company in Norway offering Vipps and card payments. NBX was also the first Scandinavian business that offered staking to their customers when Cardano staking was launched in Q3. The business development investments also paid dividends when agreements were made with Enfuze and Nordiska on delivering the NBX Visa Credit Card, the first credit card offering cashback in bitcoin.

Strengthening the position as the safest service provider in the Nordics

In Q2 NBX was granted the e-money license from the Norwegian FSA. NBX is the first crypto company, and the only when this is written, to receive this license. This ensures NBX can continue to hold fiat on behalf of customers, and enables the international operation with a passportable license. NBX chose to not activate the license in 2022.

Significant cost reduction throughout the year

As a consequence of the shift in market conditions, NBX initiated cost reduction measures across the organization in Q2. By the last quarter of 2022, operating expenses were down by 55 %.. In the highlights above the operating expenses includes depreciation and amortization expenses. It also includes impairment expenses that is 147% higher than in 2021 which is not directly connected to the operating expenses.

Central Bank Issued Digital Currency with the Central Bank of Norway

NBX was chosen as development partner by the Central Bank of Norway for project Icebreaker. The role of NBX was to develop the solution for cross border payments with all the countries participating in the project. The project was successfully completed and, we believe, opens the door for NBX using the unique set of skills in the organization towards new business segments.

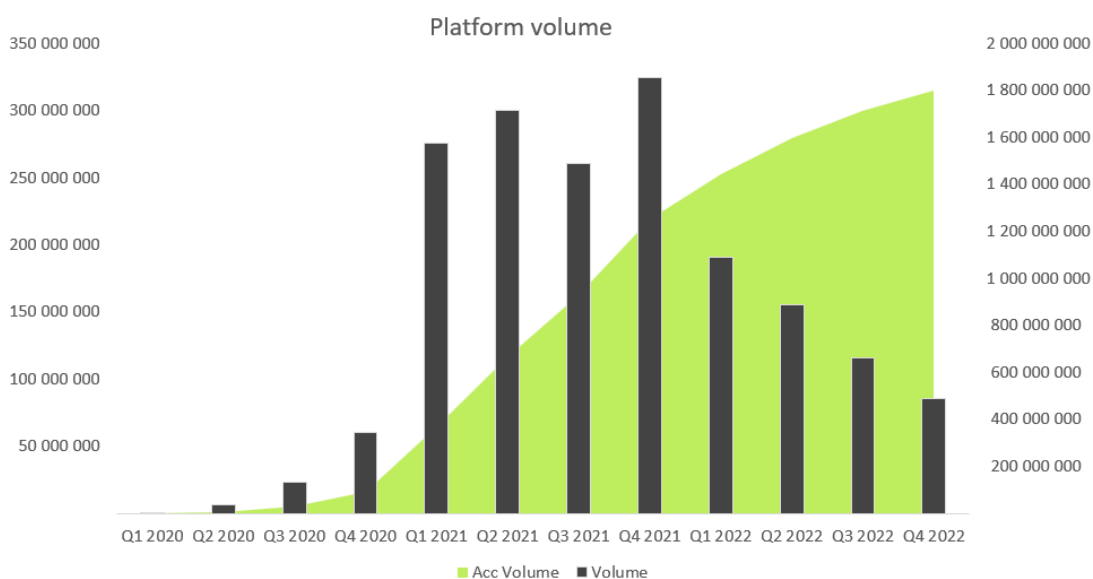


Developments



Platform growth

The total platform volume of the fourth quarter 2022 ended at MNOK 86, and the total accumulated volume for 2022 ended at MNOK 547. Platform volume is shown below, where the columns are quarterly numbers, represented on the left axis. The accumulated volume is represented by the volume chart on the right axis.



OTC trading, where customers want to do larger deals, or trade in tokens not registered at our exchange, continues to see steady volumes. OTC trading outside the platform accounted for MNOK 82 for 2022 in total. Like last year, most of the OTC volume in 2022 came from trading USDC, USDT and ETH, but we have also traded other tokens such as DAI and LINK.

Including both the platform and the OTC trading, total volume traded in 2022 was MNOK 629. Compared to last year (BNOK 1.36), the decline in total volume traded was 53%, which can be attributed to the prevailing market conditions in the crypto industry. We remain committed to providing the best possible trading experience for our customers, and are confident that our efforts will result in continued growth and success in the future.

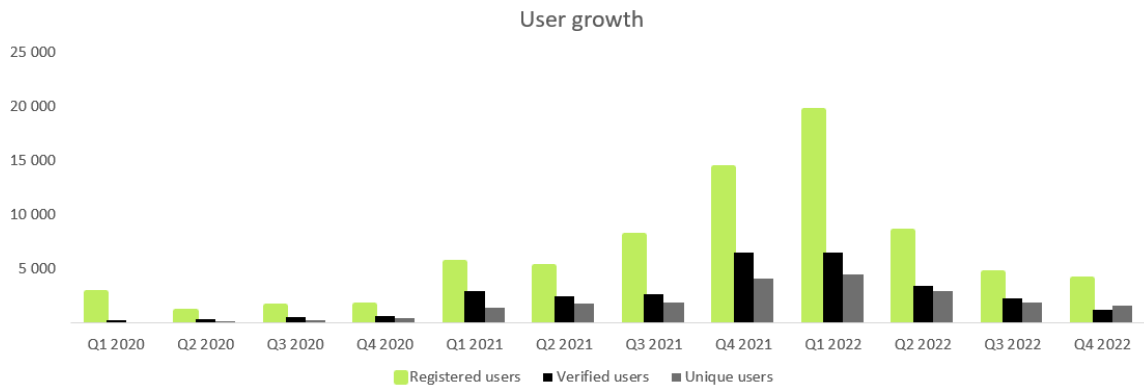


Customer growth

At NBX there are three different distinctions of users:

- Registered users: Customers registered on the platform with username and password
- Verified users: Customers who have gone through full KYC and are approved for trading on the platform
- Unique users: Users that have traded within the given period

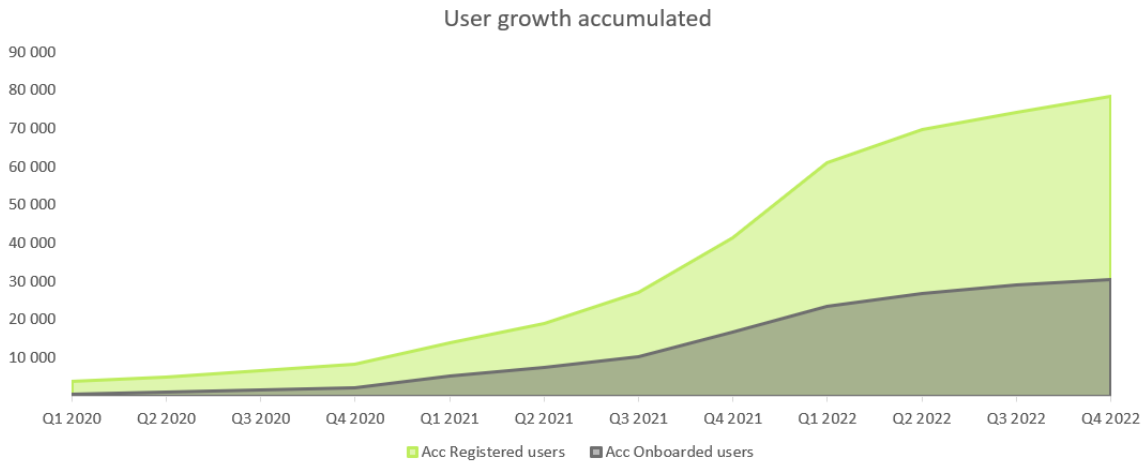
Throughout 2022, we observed growth across all user groups, with the peak growth occurring in Q1. However, growth slowed down afterwards, which can be attributed to the prevailing market conditions in the crypto industry, specifically the declining prices commonly referred to as the "crypto winter".



The first quarter of 2022 saw the highest number of unique users on the NBX platform for all time, but thereafter, user interest started to decline.

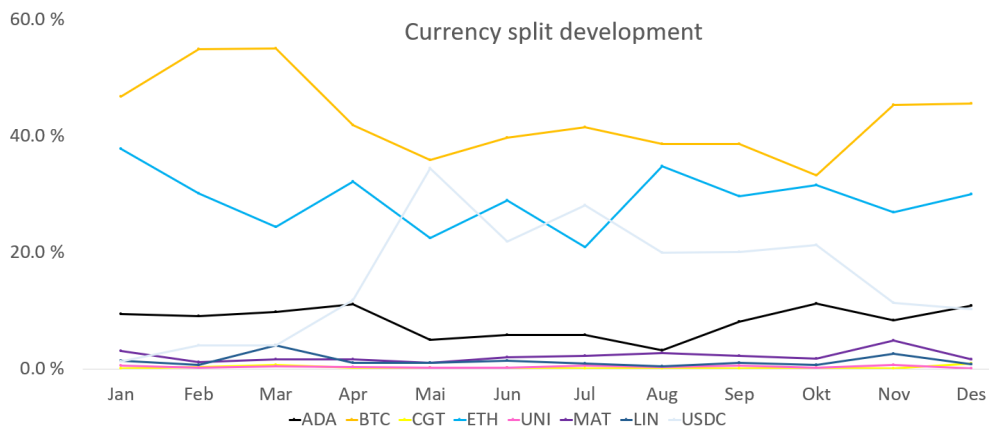
Registered and verified users are seeing steady growth, peaking in the first quarter of 2022. The annual increase in registered and verified users shows the steady interest of new users in the NBX platform. By the end of 2021, there were around 50,000 registered users and 18,000 verified users. However, by the end of 2022, the numbers had increased to approximately 80,000 registered users and 30,000 verified users, representing an annual growth of 60% and 67%, respectively.





Movements in currencies

BTC steadily remains the cryptocurrency with the most volume traded on the exchange, with ETH ending the year with a strong second place. USDC saw a spike in volume traded in the summer months, but has since eased off some. On ADA we launched staking in Q4, and we see that it is having a positive impact on the ADA volume right from the beginning of the staking launch.



Cost reduction throughout the year

In 2022 we successfully implemented several cost cutting measures to strengthen our financial position. Generally, the total operating expenses between Q4 2021 and Q4 2022 was down by **55%** (Recruitment expense down by **56%**, other staff expenses down by **42%**, marketing expense down by **58%**, internet expense down by **49%**, staff education & training down by **97%**, meeting & courses expense down by **63%**, Market making services down by **13%**, office supplies down by **99%**, buying services from outside down by **98%**, economics & legal aid down by **75%**, and



office services down by 7%) While some other payroll cost was down by 49% . By optimizing the resource allocation, NBX was able to cut costs without compromising the quality of its services. Overall, the cost cutting initiatives have positioned us for growth and success in the years to come.



Risk factors and uncertainties



Structural changes in international markets cause continuous changes in the competitive outlook. Failure to adapt to changes may have adverse consequences for the company's position or represent a loss of opportunity. There is a trend for the authorities to impose stricter requirements on businesses in the financial sector and this trend will likely apply to crypto as well, as the industry matures. This may affect the capital adequacy requirements that apply to the activities carried out by the company, and may also have an adverse effect in the future on the level of activity in the market in general. Future changes in EU regulation may affect the company's future revenues.

Market risk

The company's market risk is linked to developments in both national and international markets. The company's goal of becoming a global player in virtual currency and blockchain technology is affected by future regulations in various countries. The company is directly dependent on being able to adapt to the regulations that exist in countries where the company has a presence.

Operating income mainly comes from commission-based earnings from trading on the trading platform. 2022 was characterized by unrest and turbulence in the crypto industry and we foresee more of this, but this also represents the opportunity to rise for serious actors like NBX. The next year will most likely be a year of consolidation for the crypto industry after which the competition again will increase in the market, both from national and international players.

Currently, the market in the Nordic region is stable and apparently not very price sensitive. We have competitive pricing compared to other Nordic exchanges, but a price war or the entry of a major international player in the Nordic market could affect earnings. In accordance with the planned roadmap, we foresee several revenue streams from the imminent launch of the NBX Visa Credit Card with Bitcoin cashback, as well as from future e-commerce, bank and fixed income products to reduce the vulnerability associated with the revenue stream.

Credit risk

The company does not provide services on credit as settlement takes place immediately upon trading.

Liquidity risk

The company is still in a start-up phase, and one of the main activities is investment in development of new services and products where the return is expected in the future. At the same time, the company continuously launches revenue-generating services and products. The inherent skepticism to crypto from traditional finance and other industries is a hurdle for rapid



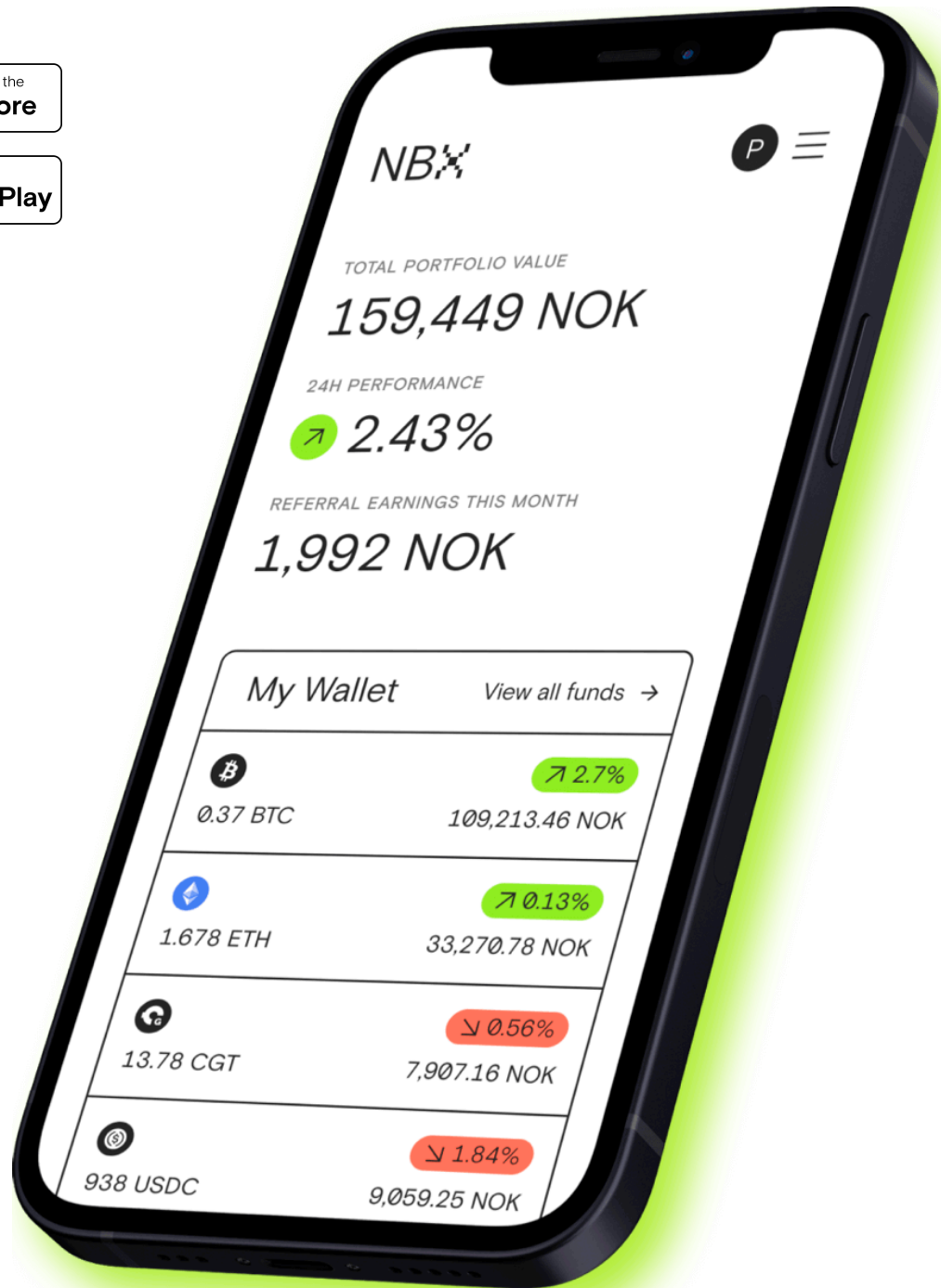
development and integration with partners and NBX have spent much time educating partners on blockchain technology and assurances on our own thorough AML regime. This continues to pose a risk that development will take longer than anticipated. Regulatory obstacles may also delay the launch of products and services. Ultimately, this may cause a need for increased liquidity in order to maintain desired progress.

Currency risk

The company has costs related to various currencies based on both employees and service providers. No hedging positions have been entered into for these. In the future, the company will have an income stream in several of these currencies. This will then be a natural hedge. The company also has working capital in virtual currencies, where Bitcoin makes up the majority. NBX hedges crypto exposure in tokens where NBX operates a market making function.



Saving made fun and simple.



Corporate governance



The company is not subject to the Norwegian Corporate Governance Code (the "Corporate Governance Code"), but the company will consider implementation of the recommendations of the Corporate Governance Code over time.

Annual General Meeting

The annual general meeting for 2022 took place on the 27th of May at Fornebu.

The Board of Directors

The Board of Directors is the company's highest decision-making body after the Annual General Meeting. The Board of Directors is responsible for the strategic lead and supervision of the company's overall activity, as well as for the risk management process, in order for these to be consistent with company strategy.

Norwegian Block Exchange

The Board of Directors is vested with all the powers for the ordinary and extraordinary management of the Company and has the authority to perform all acts that it deems necessary and appropriate for pursuing the corporate purpose. Independent auditing of NBX is performed pursuant to the law by the audit firm. Entering 2022 the Board of Directors consisted of four persons, three men and one woman: Bjørn Kjos (Chair), Kari Due-Andresen, Sturle Skulevold and Nils Sundling. In April, Sundling replaced Kjos as Chair of the board. At the extraordinary general meeting on November 8th a new board of directors was appointed. To comply with e-money license regulations, the new board of directors now consists of five persons:

- Nils Sundling (Chair)
- Bjørn Kjos,
- Anna Helene Kjos-Mathisen,
- Vahid Toosi,
- Sturle Skulevold

Auditor

Independent auditing of NBX is performed pursuant to the law by the audit firm (Moore).

Working environment, gender equality and discrimination

The board considers the working environment in the company to be good. No special measures have been implemented in this regard. Employees in the company have not been exposed



to accidents or injuries in connection with the performance of their work. Total sick leave last year has been a total of 42 days, which constitutes about 1% of total working hours in the financial year.

Norwegian Block Exchange AS aims to be a workplace where there is full equality between women and men, and has incorporated a personnel policy that is considered to be gender neutral in all areas. At the end of the year, the company had 13 employees in Norway and 4 in Latvia. The workforce is split between 4 women and 13 men. In addition, NBX had 7 employees on contract in different European locations.

The company's board consists of 5 people, of which 1 is a woman.



Financial review



In 2022, the company's main focus was development and launch of new products, utilizing the flexibility in previous platform investments. The total operating profit in 2022 amounted to MNOK -46 (MNOK -45.6 mother and MNOK 0.02 daughter), of which capitalized development costs amounted to MNOK 9.9 (75/25 split between development and operating costs). This is mainly salary for developers and costs in connection with computing power and cloud services related to development.

In 2022, salary expenses accumulated to MNOK 21. This is salaries for management and personnel not directly involved with the development activities. Of other operating costs, MNOK 6.0 has been expensed in depreciation of fixed assets and intangible assets, and MNOK 25.2 in other operating costs. Of these, the main items are:

- MNOK 4.3 Marketing
- MNOK 1.3 Audit and legal assistance
- MNOK 6.8 Purchase of cloud services, computing power and software licenses MNOK 0.4 Other offices or travel expenses
- MNOK 0.4 Other offices or travel expenses
- MNOK 0.4 Employment work

The company had long-term debt MNOK 1.0 at the end of 2022. Furthermore, MNOK 1.8 is public taxes and MNOK 1.2 is accounts payable.

The annual result was a loss of MNOK 36. Equity at the end of 2021 was MNOK 80.6, and equity at the end of 2022 was MNOK 62.


Continued operations

In accordance with section 3-3a of the Accounting Act, it is confirmed that the assumption of continued operation is present and that this assumption has been used as a basis for the preparation of the accounts.

Statement of the annual accounts

The board is not aware of any matters of importance for assessing the company's position and results that are not stated in the accounts and the balance sheet with notes. Nor have circumstances occurred after the end of the financial year that, in the Board's view, are important in assessing the accounts.





Financial Statements 2022



Parent				Group	Group
2022	2021	Revenue statement	Notes	2022	2021
Operating income					
1 221 132	83 751	Revenue		1 221 132	83 751
5 501 903	7 741 927	Other income		5 501 903	7 741 927
6 723 035	7 825 678	Total income		6 723 035	7 825 678
Operating expenses					
20 714 026	16 133 749	Employee benefits expense	3	20 714 026	16 133 749
1 605 241	1 751 060	Depreciation and amortisation expenses	4,5	1 605 241	1 751 060
4 449 177	29 990	Impairment loss	4,5	4 449 177	29 990
25 584 712	32 151 623	Other expenses	3	25 598 769	31 725 528
52 353 156	50 066 422	Total expenses		52 367 213	49 640 327
-45 630 121	-42 240 743	Operating profit		-45 644 178	-41 814 648
Financial income and expenses					
0	417 939	Income from subsidiaries		0	0
0	3 503	Other interest income		0	3 503
1 850 780	15 679 960	Other financial income		1 851 226	15 687 924
-111 850	-107 742	Other Interest expenses		-112 558	-107 742
-2 067 463	-4 755 193	Other financial expenses		-2 067 463	-4 771 313
-328 532	11 238 467	Net financial items		-328 794	10 812 372
-45 958 653	-31 002 276	Net profit before tax		-45 972 973	-31 002 276
-10 110 725	-6 820 501	Income tax expense		-10 113 875	-6 820 501
-35 847 928	-24 181 775	Net profit after tax		-35 859 098	-24 181 775
-35 847 928	-24 181 775	Net profit or loss		-35 859 098	-24 181 775
Attributable to					
35 847 928	24 181 775	Loss brought forward			
-35 847 928	-24 181 775	Total			



Parent				Group		Group	
2022	2021	Balance pr 31.12	Notes	2022	2021		
Assets							
Non-current							
Intangible fixed assets							
49 921 966	44 545 195	Research and development	4	49 921 966	44 545 195		
1 637 045	1 662 045	Concessions, patents, licences, trademarks, etc.	4	1 637 045	1 662 045		
27 998 314	17 887 589	Deferred tax asset	6	28 001 464	17 887 589		
79 557 325	64 094 829	Total intangible assets		79 560 475	64 094 829		
Property, plant and equipment							
995 200	2 322 769	Lease right of use	5	995 200	2 322 769		
371 115	536 858	Equipment and other movables	5	371 115	536 858		
1 366 314	2 859 627	Total property, plant and equipment		1 366 314	2 859 627		
Non-current financial assets							
30 000	30 000	Investments in subsidiaries		0	0		
30 000	30 000	Total financial fixed assets		0	0		
80 953 640	66 984 456	Total non-current assets		80 926 790	66 954 456		
Current assets							
Debtors							
742 462	14 804	Accounts receivables		742 462	14 804		
102 500	417 939	Receivables from group companies		0	0		
802 888	1 021 691	Other receivables		802 888	1 021 691		
26 000	0	Payments to be received from owners		26 000	0		
1 673 851	1 454 435	Total debtors		1 571 351	1 036 496		
Investments							
12 085 704	21 702 328	Other financial instruments	8	12 085 704	21 702 328		
12 085 704	21 702 328	Total investments		12 085 704	21 702 328		
Cash and deposits							
3 704 951	3 375 246	Cash and own deposits	9	3 890 757	3 724 185		
17 074 218	50 092 847	Customers deposits	10	17 074 218	50 092 847		
20 779 169	53 468 093	Total cash and deposits		20 964 975	53 817 032		
34 538 724	76 624 856	Total current assets		34 622 030	76 555 856		
115 492 363	143 609 312	Total assets		115 548 820	143 510 312		



Parent				Group	Group
2022	2021	Balance pr 31.12	Notes	2022	2021
Equity and liabilities					
Equity					
54 596 389	51 917 349	Share capital	7, 11, 12	54 596 389	51 917 349
106 562 718	92 115 948	Share premium reserve	7	106 562 718	92 115 948
-2 705 570	-2 705 570	Paid-in capital	7	-2 705 570	-2 705 570
158 453 536	141 327 726	Total paid-up equity		158 453 536	141 327 726
Retained earnings					
-96 579 912	-60 731 984	Uncovered loss	7, 13	-96 591 082	-60 731 984
-96 579 912	-60 731 984	Total retained earnings		-96 591 082	-60 731 984
61 873 624	80 595 742	Total equity		61 862 454	80 595 742
Liabilities					
Other long-term liabilities					
1 096 846	2 468 299	Leasing obligations	5	1 096 846	2 468 299
1 096 846	2 468 299	Total non-current liabilities		1 096 846	2 468 299
1 096 846	2 468 299	Total long-term liabilities		1 096 846	2 468 299
Current liabilities					
17 550 000	0	Convertible debt	14	17 550 000	0
74 358	88 504	Liabilities to financial institutions		74 358	88 504
1 280 767	3 878 243	Trade payables		1 290 870	3 713 243
1 691 246	2 730 718	Public duties payable		1 748 769	2 796 718
14 911 305	3 754 959	Other current liabilities	8	14 911 305	3 754 959
17 014 218	50 092 847	Customers funds	10	17 014 218	50 092 847
52 521 893	60 545 271	Total current liabilities		52 589 520	60 446 271
53 618 739	63 013 570	Total liabilities		53 686 365	62 914 570
115 492 363	143 609 312	Total equity and liabilities		115 548 820	143 510 312



Parent		Group			
2022	2021	Statement of cash flows (NRS – Indirect model)	Notes	2022	2021
Cash flows from operating activities					
-45 958 653	-31 002 276	Profit/loss before tax		-45 972 973	-31 002 276
0	1 986	Loss/gain on the sale of fixed assets		0	1 986
1 605 241	1 751 060	Ordinary depreciation		1 605 241	1 751 060
4 449 177	29 990	Impairment of fixed assets		4 449 177	29 990
-727 658	-14 804	Change in accounts receivable		-727 658	-14 804
-2 597 477	2 820 386	Change in accounts payable		-2 422 374	2 655 386
9 616 624	-21 493 147	Items classified as investment or financing activities		9 616 624	-21 493 147
-22 453 513	45 976 474	Change in other accrual items		-22 777 429	46 460 413
-56 066 258	-1 930 330	Net cash flows from operating activities		-56 229 391	-1 611 391
Cash flows from investment activities					
0	6 500	Proceeds from the sale of fixed assets		0	6 500
9 912 877	11 678 486	Payments for the purchase of fixed assets		9 912 877	11 678 486
0	30 000	Payments for the purchase of shares and participations in other companies		0	0
-9 912 877	-11 701 986	Net cash flows from investment activities		-9 912 877	-11 671 986
Cash flows from financing activities					
17 550 000	0	Proceeds from the issuance of new current liabilities		17 550 000	0
1 371 453	789 307	Payments from the repayment of long-term liabilities		1 371 453	789 307
-14 146	88 504	Net change in bank overdraft		-14 146	88 504
17 125 810	1 772 975	Proceeds from equity		17 125 810	1 772 975
33 290 211	1 072 171	Net cash flows from financing activities		33 290 211	1 072 171
-32 688 924	-12 560 145	Net change in cash and cash equivalents		-32 852 057	-12 211 206
53 468 093	66 028 238	Cash and cash equivalents at the end of the period		53 817 032	66 028 238
20 779 169	53 468 093	Cash and cash equivalents at the end of the period		20 964 975	53 817 032
-704 500	-643 513	Restricted bank deposits		-704 500	-643 513
20 074 668	52 824 580	Net liquidity at 31.12		20 260 475	53 173 519



Statement of changes in equity capital

Group

	Share capital	Share premium reserve	Other paid-in capital	Uncovered loss	Total equity capital
Equity at 01.01	51 917 349	92 115 948	-2 705 570	-60 731 984	80 595 742
Capital increase	2 679 040	14 446 770	0	0	17 125 810
Result of the year	0	0	0	-35 859 098	-35 859 098
Equity at 31.12	54 596 389	106 562 718	-2 705 570	-96 591 082	61 862 454

Parent company

Equity at 01.01	51 917 349	92 115 948	-2 705 570	-60 731 984	80 595 742
Capital increase	2 679 040	14 446 770	0	0	17 125 810
Result of the year	0	0	0	-35 847 928	-35 847 928
Equity at 31.12	54 596 389	106 562 718	-2 705 570	-96 579 912	61 873 624



Note 1 - Accounting principles

The annual accounts have been prepared in conformity with the provisions of the International Financial Reporting Standard (IFRS).

Consolidation

The group accounts include Norwegian Block Exchange AS and companies where Norwegian Block Exchange AS has a controlling influence. Controlling influence is normally achieved when the group owns more than 50% of the shares in the company and the group is in a position to exercise actual control over the company. Minority interests are included in the group's equity. Transactions and receivables between companies in the group have been eliminated. The group accounts have been prepared applying uniform principles, in that the subsidiary follows the same accounting principles as the parent company.

The purchase method is used when accounting for business mergers. Companies that are bought or sold during the year are included in the group accounts from the time control is obtained until control ceases.

Associated companies are entities over which the group has significant but not controlling influence over financial and operational management (normally with ownership between 20 and 50 %). The group accounts include the group's share of the result from associated companies posted using the equity method from the time that significant influence is obtained until such influence ceases.

When the group's share of a loss exceeds the investment in an associated company, the group's capitalised value is reduced to 0 and further losses are not posted to the profit and loss account unless the group has an obligation to cover this loss.

Use of estimates

In the preparation of the annual accounts estimates and assumptions have been made that have affected the profit and loss account and the valuation of assets and liabilities, and uncertain assets and liabilities on the balance sheet date in accordance with generally accepted accounting practice. Areas which to a large extent contain such subjective evaluations, a high degree of complexity, or areas where the assumptions and estimates are material for the annual accounts, are described in the notes.

Foreign currency

Foreign currency transactions are translated at the exchange rate on the date of the transaction. Monetary foreign currency items are translated to NOK at the exchange rate on the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated to NOK using the exchange rate on the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated to NOK using the exchange rate on the measurement date. Exchange rate fluctuations are posted to the profit and loss account as they arise under other financial items.

Revenues

Income from the sale of goods is recognised on the date of delivery. Services are posted as income as they are delivered. Income from the sale of services and long-term manufacturing projects (construction contracts) are posted to the profit and loss account in line with the project's degree of completion, when the outcome of the transaction can be estimated in a reliable manner. When the transaction's outcome cannot be estimated reliably, only income corresponding to a projects' incurred costs can be posted as revenue. At the time when it is identified that the project will give a negative result, the estimated loss on the contract is posted in full to the profit and loss account.



Tax

The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22 % on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net. The net deferred tax receivable is entered on the balance sheet to the extent that it is likely that it can be utilised

Classification and valuation of fixed assets

Fixed assets consist of assets intended for long-term ownership and use. Fixed assets are valued at acquisition cost less depreciation and write-downs. Long-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Plant and equipment is capitalised and appreciated over the economic lifetime of the asset. Significant items of plant and equipment that consist of several material components with different lifetimes are broken down in order to establish different depreciation periods for the different components. Direct maintenance of plant and equipment is expensed on an ongoing basis under operating costs, while additions or improvements are added to the asset's cost price and depreciated in line with the asset. Plant and equipment is written down to the recoverable amount in the event of a fall in value that is not expected to be temporary. The recoverable amount is the higher of the net sales value and the value in use. Value in use is the present value of future cash flows related to the asset. The write-down is reversed when the basis for the write-down is no longer present.

Classification and valuation of current assets

Current assets and short-term liabilities consist normally of items that fall due for payment within one year of the balance sheet date, as well as items related to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value. Short-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Research and development

Expenses on research and development are capitalised to the extent one cannot identify a future economic benefit related to the development of an identifiable intangible asset and where the acquisition cost can be measured reliably. In the opposite case such costs are expensed as incurred. Capitalised research and development is depreciated on a straight line basis over its economic lifetime.

Receivables

Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables. In addition an unspecified provision is made to cover expected losses on claims in respect of customer receivables.

Short-term investments

Short-term investments (shares and interests valued as current assets) are valued at the lower of acquisition cost and fair value on the balance sheet date. Dividends and other distributions received from the companies are posted to income under other financial income.

Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents consist of cash, bank deposits and other short-term, liquid investments.



Note 2 – Share option program

The company has a share option program covering certain employees. As at December 31st 2022, 22 employees were included in the option program.

The options granted has a 3 (three) year vesting period after the date of the grant, and a following 4-year exercise period. After the exercise period is closed, the options are void. The options are dependent on employment, and are only exercisable as long as a person is still employed.

	2022	2021
Outstanding options 01.01	1 392 463	923 235
Options granted	683 272	678 001
Options forfeited	-537 314	-208 773
Options exercised	0	0
Options expired	0	0
Outstanding options 31.12	1 538 421	1 392 463

Note 3 – Payroll costs, number of employees and benefits

Payroll costs	2022	2021
Wages and salaries	18 098 943	15 700 358
Social security tax	2 379 138	2 001 212
Pension costs	1 044 707	861 758
Other benefits	722 584	346 809
Capitalized payroll cost	-1 531 347	-2 776 389
Total	20 714 026	16 133 749

Average number of employees during the year	24	22
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Remunerations	2022
Managing director - salary and other benefits	945 707
Board of Directors	300 000
Auditor - statutory audit fee (VAT not included)	229 500
Auditor - statements and certifications	7 000
Auditor - tax advisory	6 000
Auditor - other advisory	0

Pension

The company is obligated to follow the law on mandatory occupational pension schemes. The company's pension plan is a subsidy scheme, and satisfies the requirements of this law.



Note 4 – Intangible assets

	IPR	Development	Domains	Total
Balance at January 1st 2022	100 000	44 545 195	1 562 045	46 207 240
Additions	0	9 903 906	0	9 903 906
Balance at December 31st 2022	100 000	54 449 101	1 562 045	56 111 146
Acc. depr. at January 1st 2022	0	0	0	0
Depreciation	25 000	0	0	25 000
Impairment	0	4 527 135	0	4 527 135
Acc. depr. at December 31st 2022	25 000	4 527 135	0	4 552 135
Balance at December 31st 2022	75 000	49 921 966	1 562 045	51 559 011
Economic life	4 years	Under development	Unlimited	
Depreciation method	Linear	None	None	
Changes	Yes	No	No	

Development

Costs associated with development projects are recognized in the balance sheet and relate to several projects. The projects are still under development as of December 31st 2022 and have been used by the company. Write-downs have been made according to the best estimate of future value.

Domains

The domains were acquired in 2018 through external resellers and are assessed on December 31st 2022 at market value. The domains were acquired in regards with the development project, and as of December 31st 2022 are in use for the business. There are also no indications of impairment.



Note 5 – Property, plant and equipment

	Art	Lease right of use	Equipment	Office equipment	Total
Balance at January 1st 2022	0	5 489 674	163 709	939 646	6 593 030
Additions	45 000	0	77 313	0	122 313
Disposals	0	0	0	-19 636	-19 636
Balance at December 31st 2022	45 000	5 489 674	241 022	920 010	6 695 706
Acc. depreciation at January 1st 2022	0	3 166 905	62 500	503 998	3 733 403
Adjustment	0	93 705	0	0	93 705
Disposal acc. depreciation	0	0	0	0	0
Depreciation	0	1 311 822	45 846	222 574	1 580 242
Impairment	0	-77 958	0	0	-77 958
Acc. depr. at December 31st 2022	0	4 494 474	108 346	726 572	5 329 391
Balance at December 31st 2022	45 000	995 200	132 676	193 439	1 366 315
Economic life	Indefinite	3-5 years	5 years	3 years	
Depreciation method	None	Linear	Linear	Linear	
Changes	No	No	No	No	

The liability related to the lease is booked at NOK 1 096 846



Note 6 – Tax
Group

This year's tax expense	2022	2021
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax advantage	-10 113 875	-6 820 501
Tax expense on ordinary profit/loss	-10 113 875	-6 820 501
Taxable income:		
Ordinary result before tax	-45 972 973	-31 002 276
Permanent differences	811	0
Changes in temporary differences	5 057 478	194 354
Taxable income	-40 914 684	-30 807 922
Payable tax in the balance:		
Payable tax on this year's result	0	0
Total payable tax in the balance	0	0

The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences

	2022	2021	Difference
Tangible assets	-4 625 110	1 962	4 627 072
Accounts receivable	-128 333	0	128 333
Lease agreements brought to the balance	-101 646	-145 530	-43 884
Allocations and more	-345 957	0	345 957
Total	-5 201 046	-143 568	5 057 478
Accumulated loss to be brought forward	-122 078 337	-81 163 653	40 914 684
Basis for deferred tax assets	-127 279 383	-81 307 221	45 972 162
Deferred tax assets (22 %)	-28 001 464	-17 887 589	10 113 876



Parent company

This year's tax expense	2022	2021
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax advantage	-10 110 725	-6 820 501
Tax expense on ordinary profit/loss	-10 110 725	-6 820 501
Taxable income:		
Ordinary result before tax	-45 958 653	-31 002 276
Permanent differences	811	0
Changes in temporary differences	5 057 478	194 354
Taxable income	-40 900 364	-30 807 922
Payable tax in the balance:		
Payable tax on this year's result	0	-91 947
Payable tax on received Group contribution	0	91 947
Total payable tax in the balance	0	0

The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences

	2022	2021	Difference
Tangible assets	-4 625 110	1 962	4 627 072
Accounts receivable	-128 333	0	128 333
Lease agreements brought to the balance	-101 646	-145 530	-43 884
Allocations and more	-345 957	0	345 957
Total	-5 201 046	-143 568	5 057 478
Accumulated loss to be brought forward	-122 064 017	-81 163 653	40 900 364
Basis for deferred tax assets	-127 265 063	-81 307 221	45 957 842
Deferred tax assets (22 %)	-27 998 314	-17 887 589	10 110 725



Note 7 – Equity

Group

	Share capital	Share premium reserve	Additional paid-in capita	Uncovered loss	Total equity
Equity at 01.01	51 917 349	92 115 948	-2 705 570	-60 731 984	80 595 742
Capital increase	2 679 040	14 446 770	0	0	17 125 810
Result of the year	0	0	0	-35 859 098	-35 859 098
Equity at 31.12	54 596 389	106 562 718	-2 705 570	-96 591 082	61 862 454

Parent company

	Share capital	Share premium reserve	Additional paid-in capita	Uncovered loss	Total equity
Equity at 01.01	51 917 349	92 115 948	-2 705 570	-60 731 984	80 595 742
Capital increase	2 679 040	14 446 770	0	0	17 125 810
Result of the year	0	0	0	-35 847 928	-35 847 928
Equity at 31.12	54 596 389	106 562 718	-2 705 570	-96 579 912	61 873 624



Note 8 – Crypto currencies and other financial instruments

	2022	2021
FIAT currency (NOK, SEK, DKK, EUR, USD)	11 345 983	16 455 674
Crypto currency (BTH, ETH, ADA, LINK, MATIC, UNI, CGT, USDC)	739 721	5 246 654
Total	12 085 704	21 702 328

Norwegian Block Exchange AS is holding cryptocurrency as working capital, and to ensure liquidity and a healthy market environment on the exchange. NBX Capital AS is sourced with the task of managing the funds directed towards market making on the platform.

From 2022 Norwegian Block Exchange AS uses futures/platform precredit to hedge against currency exposure. The platform credit at December 31st 2022 is NOK 12 265 159.

Note 9 – Bank deposits

	2022	2021
Funds standing on the tax deduction account	704 500	643 513

Note 10 – Customer deposits and funds

Customer deposits in banks consist of deposits on the NBX exchange. Customers use the deposits to trade crypto currencies on the crypto exchange. Customers' funds are booked under current liabilities.

		2022	2021
Bank - customers deposits	NOK	17 074 218	50 092 847
Booked customers funds	NOK	17 014 218	50 092 847

Note 11 – Put option agreement

Norwegian Block Exchange AS has entered into a Put Option Agreement with LDA Capital Ltd. The agreement gives the opportunity to raise MNOK 100 through draw downs over a three year period. LDA Capital borrows shares from some of the company's existing shareholders. These shares can be sold through a 30-day pricing period and the realised values are then used for subscription of new shares. The individual strike price of each put option is determined by the volume weighted average price (VWAP) of NBX's shares during a 30 day pricing period. The company has the discretion to set a minimum price for each of the capital calls.



Note 12 – Shareholders

The share capital in Norwegian Block Exchange AS as of 31.12 consists of:

	Total	Face value	Entered
Ordinary shares	68 245 486	0,8	54 596 389
Sum	68 245 486	0,8	54 596 389

Ownership structure

The largest shareholders in % at year end:

	Ordinary	Ownership interest
Observatoriet Invest AS	10 889 329	15,96
Nye KM Aviatrix Invest AS	9 527 138	13,96
Sparebanken Øst	6 437 768	9,43
Kistefos Investment AS	5 443 816	7,98
Nye GKB Invest AS	4 744 835	6,95
Green 91 AS	3 725 134	5,46
Dasha Invest AS	3 402 731	4,99
MP Pensjon PK	3 015 303	4,42
Norwegian Air Shuttle ASA	2 446 400	3,58
Samuelson Invest AS	1 610 822	2,36
Total >2% ownership share	51 243 276	75,09
Total other	17 002 210	24,91
Total number of shares	68 245 486	100

Shares and options owned by the Directors of the Board and the General Manager:

Direct ownership	Company	Position	Ordinary
Stig Aleksander Kjos-Mathisen		General Manager	105 450
Anna Helene Kjos-Mathisen		Board member	26 799
Sturle Valheim Skulevold		Board member	111 151
Total number of shares			243 400

Indirect ownership			
Stig Aleksander Kjos-Mathisen	Sam Eiendomspartner AS	General Manager	750 000
Bjørn Kjos	Observatoriet Invest AS	Board member	3 539 032
Anna Helene Kjos-Mathisen	Nye KM Aviatrix Invest AS	Board member	9 527 138
Anna Helene Kjos-Mathisen	Observatoriet Invest AS	Board member	2 450 099
Nils Kristian Sundling	Dasha Invest AS	Chairman of the Board	170 130
Total number of shares			16 436 399



Note 13 – Going concern

In accordance with section 3-3a of the Accounting Act, it is confirmed that the assumption of going concern is present and that this assumption has been used as a basis for the preparation of the accounts.

Note 14 – Convertible debt

The debt of NOK 17 550 000 can be converted up until November 10th 2023.



Norwegian Block Exchange
Snarøyveien 36,
1364 Fornebu,
Norway



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Name
Kjos, Bjørn

Date
2023-04-27

Identification

 **Kjos, Bjørn**

Name
Vahid Reza Toosi

Date
2023-04-27

Identification

 **Vahid Reza Toosi**

Name
Sundling, Nils

Date
2023-04-27


Identification

 **Sundling, Nils**

Name
Kjos-mathisen, Anna Helene

Date
2023-04-27

Identification

 **Kjos-mathisen, Anna Helene**

Name
Skulevold, Sturle Valheim

Date
2023-04-27

Identification

 **Skulevold, Sturle Valheim**



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