
Hilbert Group AB (publ)

Interim Report Q3 2022



Interim Report Q3 2022 In Brief

FINANCIAL EVENTS

Third quarter

- Revenues amounted to kSEK 10,411.3 (832.9)
- Operating profit/loss (EBIT) totaled kSEK -7,686.7 (-3,655.6)
- Result for the period was kSEK -570.7 (-3,342.2)
- Cash flow from operating activities amounted to kSEK -10,332 (-1,793)
- Earnings per share before and after dilution amounted to SEK 0.01 (-0.16)

Year to date January – September

- Revenues amounted to kSEK 22,638.9 (3,492.2)
- Operating profit/loss (EBIT) totaled kSEK -32,090.9 (-1,649.2)
- Result for the period was kSEK -15,876.5 (-1,335.8)
- Cash flow from operating activities amounted to kSEK -26,858 (-2,218)
- Earnings per share before and after dilution amounted to SEK -0.29 (-0.14)

SIGNIFICANT EVENTS

During the third quarter

- Appointment of Richard Murray as CEO of asset management division

After the third quarter

- The new fund Hilbert V1 Fund was opened to external investors from 1 November 2022
- Hilbert Group's subsidiary Coin360.com launched an NFT-heatmap in partnership with leading NFT marketplace Rarible

Financial overview

kSEK	Q322	Q321	Nine months 2022	Nine months 2021	Full year 2021
Revenue	10,411.3	832.9	22,638.9	3,492.2	9,185.9
EBIT	-7,686.7	-3,655.6	-32,090.9	-1,649.2	-5,813.9
Profit/loss for the period	-570.7	-3,342.2	-15,876.5	-1,335.8	-4,047.0
Earnings per share	0.01	-0.16	-0.29	-0.14	-0.26
Equity	90,828.6	68,441.3	90,828.6	68,441.3	104,330.7
Total assets	104,009.0	83,621.5	104,009.0	83,621.5	116,725.3
Equity/assets ratio, %	0.87	0.82	0.87	0.82	0.89

The information in this report is presented as combined financial statements for the comparison periods. The legal formation of Hilbert Group occurred during the third quarter of 2021, when Hilbert Group AB (publ) acquired all outstanding shares in HC Holding Limited, incorporated in Malta. Financial information for the parent company and the operating entities have been combined for the year 2021, in order to provide meaningful and relevant information for all periods covered by the report. Refer to Basis of preparation on page 21 for further information about accounting principles applied.

CEO's address

Dear Shareholders,

First, a reflection on the markets in these tumultuous times. If anyone was convinced that the LUNA collapse in May represented a nadir in crypto markets, the recent collapse of FTX and closely associated Alameda Research, proved them wrong. FTX was widely regarded as one of the best and safest exchanges with great liquidity across many different assets. Many of the most well-known VC firms globally were invested in FTX, such as Sequoia and Softbank Capital. All 134 entities belonging to the FTX group have now been declared bankrupt. Many secondary defaults are to be expected in its wake and some of those have already happened, BlockFi for example, who was a large player in crypto trading and lending. Currently all eyes are on another big operator, Digital Currency Group (DCG), who owns crypto broker Genesis Trading and asset manager Grayscale, operator of the world's largest crypto "fund" – the Grayscale Bitcoin Trust (GBTC). We will see over the coming weeks how this plays out.

To be clear – the FTX collapse, and related secondary collapses, have nothing to do with digital assets and blockchain, and everything to do with fraudulent behaviour and/or lack of sound corporate governance. History is riddled with examples like this in traditional finance. Lessons to take away:

- Counterparty risk is to be taken very seriously. Proper due diligence is key.
- Regulatory reform for centralised exchanges is sorely needed – existing framework from traditional finance exchanges can be adopted, no need to create new laws.
- Decentralised finance is more robust than centralised finance.
- More grey hair is needed on the financial side of crypto. Large values are at stake and proper governance and prudence comes from experience. Too many kids around.

My personal conviction, not financial advice, is that the markets will likely bottom out once the DCG situation is defined – and can start to rebuild from there. Crypto is foremost a technological revolution in the making, a revolution that will provide the financial- and administrative infrastructure of the future.

ASSET MANAGEMENT

In spite of all the debacles of 2022, the institutional interest in crypto remains strong. Most traditional financial institutions realise crypto/blockchain is here to stay. Although market neutral funds are the flavour of choice, more and more institutions are now also looking to assume directional exposure at what they deem to be,

favourable price levels. As you will see below, Hilbert Group is now starting to reap the rewards of the strong sales organisation that Richard Murray, CEO of Hilbert Capital, has put together since joining in July.

Headline items:

- In September, Bruce Terry joined Hilbert Group's Advisory Board as Senior Advisor. Bruce was formerly CEO of Brevan Howard US (one of the largest macro hedge funds in the world) and Managing Director of Carlyle Group. Bruce and his team are based in New York and will advise and support the development of Hilbert's investor solutions and capital-raising. This is an important addition to Hilbert Capital's capabilities given the size and importance of the North America investor market for digital asset hedge funds. Bruce is working closely with Richard Murray.
- Hilbert Capital now has four former Brevan Howard senior executives working together again. The pace of business development is rapid. The team have initiated and developed conversations with ~100 institutional investors in the last months. Several institutions are now doing due diligence and/or have approved Hilbert funds for investment.
- The Hilbert V1 strategy was launched on real money on 1st of May and was established in fund format in August, seed funded with SEK 50 million of partners own money, and opened to external investors in October, after receiving regulatory approval from the Cayman Islands Monetary Authority (CIMA). The Hilbert V1 strategy provides a conservative, market-neutral-style profile: by that, we mean it generates consistent trading alpha and does not draw down with the crypto-currency market when it falls materially. Since strategy inception, it has achieved a drawdown of circa 10% of the broader crypto-currency market. The strategy is coherent, repeatable, and scalable and is therefore a good fit for institutional investors.
- We are pleased to welcome two institutional investors in Hilbert V1 Fund in December.
- The Hilbert V1 fund have a pipeline of capital commitments over the next months with further institutional capital coming in.

COIN360.COM

Several important milestones have been completed for Coin360 over the past couple of months. Last quarter we also streamlined the Coin360 organisation and the company is now well positioned to weather any long-lasting crypto winter. Coin360 is majority owned by Hilbert Group.

Headline items are:

- The NFT heatmap has been rolled out. The heatmap provides a unique overview and

an easy way to navigate the NFT universe, with specific price info etc. for the various collections. Coin360 is the only website currently offering this kind of breakdown.

- A content management system (CMS) is now fully in place – this enables engagement with Coin360 users via quality content on a daily basis in combination with effectively directing traffic from various channels outside Coin360 to that content.
- A SaaS service is currently being worked on, where there will be a charge for subscribing to premium content. This service will contain portfolio tools and metrics that will facilitate crypto investing and analysis.

VENTURE

Despite a very tough year for crypto markets, HAYVN crypto investment bank has continued to grow strongly throughout 2022. HAYVN's product offerings include OTC, custody, payments, and asset management. Hilbert Group AB holds a minority stake in HAYVN.

Headline items:

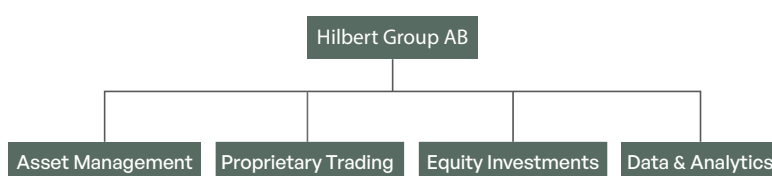
- 6x Revenue Growth year-on-year (October).
- \$100+ million in real estate volume via their crypto payment solution, year-to-date.
- 1,065 onboarded and KYC approved customers as of 1st of November.
- Staff has increased from 14 people in January to 43 currently.
- 5 regulators globally have granted approval (ADGM, FINMA, CIMA, AUSTRAC and FSC).
- Launched HVN20 index fund – a market cap weighted index that gives a broad-based exposure to the crypto market.

HAYVN is also currently considering a bid for the FTX payments business.

Niclas Sandström,
CEO Hilbert Group

Hilbert Group's Business Verticals

Hilbert Group has opted for a diversified yet focused business model with four verticals. The model is diversified because it sits across various aspects and asset classes within the digital assets/blockchain segment and focused because the Company only deals with the Company's core competency, which is investment activity and the underlying data and analysis driving that activity.



ASSET MANAGEMENT

The Asset Management vertical is operated as a traditional regulated fund business. Each fund employs a mix of systematic and discretionary trading. The funds involve active management and aim to outperform some of the applicable digital asset benchmarks over the longer term on an absolute return basis.

The typical clients are institutional investors (banks, fund of funds, investment companies), family offices and high net worth individuals – retail customers are not allowed to invest in any of Hilbert Group's funds. The revenue is generated by charging a fixed management fee as well as a performance-related fee relative to a high watermark on assets under management. With respect to the specific level of fees charged, Hilbert Group currently adheres to the standard hedge fund model which is 2 percent per annum in management fees and a 20 percent performance fee.

Hilbert Group currently offers two investible funds – Hilbert Digital Asset Fund and Hilbert V1 Fund. The third fund, Hilbert Sirius Bit+ Fund (HSBF), will be deprecated and the focus will be on the funds that are managed by the investment manager fully owned by Hilbert Group, i.e. Hilbert Capital Ltd.

■ **Hilbert Digital Asset Fund (HDAF).** HDAF is an actively managed Altcoin focused fund which is predominantly algorithmically traded. It has been in operation since January 2019. The fund generates excess return over and beyond the underlying portfolio by means of volatility harvesting/mean-reversion. The fund is long-biased and offers broad exposure to the Altcoin sector. So far, the fund has never utilised any leverage in its trading. The fund has two share classes which the investors can choose from, 2 percent/20 percent and 1 percent/30 percent, where the

first number indicates the management fee charged per annum and the second number indicates the performance fee. The fund is an absolute return fund which means it does not have a benchmark, and the performance fee is paid out vs a high watermark. Assets under management (AUM) for the HDAF as of 30 September 2022 was SEK 48 million.

■ **Hilbert V1 Fund (HV1).** HV1 is a quantitative investment strategy focussed on trading crypto-currencies.

The fund has market neutral characteristics. By that, we mean: generates consistent trading alpha and does not draw down when the crypto-market drops materially.

HV1 operates within conservative investment guidelines:

- Very low crypto-currency directional exposure;
- Highly diversified, highly liquid and unlevered;
- No exposure to assets or instruments where our investment team cannot model or quantify the downside risk;

At the core, are Hilbert's quantitative trading strategies, such as volatility harvesting. This generates all of the core risk / return for the fund and is sized to maximum drawdown target of 10-12% per annum. Hilbert has researched, developed and implemented these quantitative strategies over the last 5 years based on fundamental mathematical theory and trading experience.

Outside of the core, is the fund's liquidity portfolio which is deployed into simple liquid Opportunities which in Hilbert's evaluation (a) do not add further drawdown risk (b) provide some incremental returns. The term 'Opportunities' is used deliberately as these trades often 'come and go' given high alpha decay and are therefore not 'core'. On average we think these opportunities will provide a 5-10% return boost per year but sometimes will not offer anything given our criteria.

The fund is designed to provide investors with an asymmetric return profile. During a bear / crash environment (like 2022), Hilbert V1 will aim to limit losses to approximately 1/10 of the market. During a benign / bull environment (like 2020 and 2021), HV1 will capture a meaningful proportion of the market return through trading alpha with limited directional exposure. HV1 was seed funded with SEK 50 million of Hilbert partner money in August 2022 and was opened to external investors in October 2022. Assets under management (AUM) for HV1 as of 30 September 2022 was SEK 49 million.

Proprietary Trading

Proprietary trading means trading part of Hilbert Group's own capital. The objectives are: To capture a large part of the projected growth in the digital asset sector over the next decade. To opportunistically position the underlying portfolio to take advantage

of certain market environments. To offer holders of Hilbert Group equity a vertical with “pure” exposure to the asset class. The proprietary trading strategy is a mix of algorithmic/technical- and discretionary/fundamental trading, focusing on the digital assets with the largest market capitalization and/or the highest liquidity. Importantly, the strategy will never utilise any leverage. The revenue will be generated solely through capital appreciation in the underlying portfolio.

Having proprietary trading and asset management under the same roof implies challenges from a conflict of interest point of view. Hilbert Group will adhere to best practice in this respect and also fully disclose this fact. This vertical made its first investment during the fourth quarter 2021. The market value of the investments as of 30 September 2022 was approximately SEK 11 million.

Equity Investments

This vertical focuses on taking majority and minority stakes in blockchain-related companies, using Hilbert Group’s own capital. The objective is to generate strong capital appreciation and to provide asset class diversification. The investment process relies mostly on fundamental analysis of the underlying projects, technologies and a thorough assessment of the quality of management of those projects.

Hilbert Group has made three equity investments:

- 60 per cent majority stake in Coin360 Global Limited (formerly Pioneer Creator Ltd) in this report Coin360, a company that owns and operates COIN360.com and associated domains (see further below).
- 2.7 percent stake in HAYVN, a global investment bank based in Abu Dhabi specializing in digital assets. HAYVN is providing a regulated institutional grade digital currency platform that offers OTC trading and custody of digital assets. Hilbert Group and HAYVN will be strategic partners in terms of product development and distribution of fund products.
- 5.7 per cent stake in Capchap AB. Capchap offers equity management on the blockchain. Capchap’s solution enables users to manage their share ledger, issuance of new shares, buying and selling of shares in private companies and other corporate actions on the blockchain. This means that the costly corporate secretary services currently provided by legal advisers are to a large degree eliminated.

Data & Analytics

This business vertical was launched in July 2021 through the acquisition of 60 per cent of Coin360 which owns and operates Coin360.com and associated domains. COIN360.com is a live aggregator website for cryptocurrency exchange data such as prices, returns and trading volumes. COIN360.com also offers users many types of lists and diagrams to track different metrics for currencies and exchanges. COIN360.com ranks globally among the largest websites for this type of crypto data and has more than three million unique visits per month.

The business model for COIN360.com is partly SaaS (software as a service) and partly advertising/ affiliates based. A tiered subscription service is offered, which covers the range from retail to institutional customers. Revenue is generated by the sales of advertising space on the website and by entering into affiliate agreements with suitable partners.

COIN360.com operates independently from Hilbert Group under the company name COIN360 Global Limited that owns all the IP of the website and associated domains and which was specifically set up for the purpose of the acquisition.

Financial overview

JULY – SEPTEMBER 2022

Revenue and results

Revenue increased to kSEK 10,411.4 (832.9), of which 9,127.3 (–) from Proprietary trading in cryptocurrencies, 189.5 (506.9) from Fund management and 1,094.5 (326.0) from Coin360, mainly related to Advertising income. The proprietary trading vertical made its first investment during the fourth quarter 2021 and high-volume trading started in April 2022. Refer to Business Verticals section for further information about the vertical. The high volatility in earnings from fund management is a result of funds managed being long-biased. This means that significant performance fees are only generated when digital asset markets go up enough to recoup the losses from a recent drawdown.

Operating result amounted to kSEK –7,677.3 (–3,655.6), including purchases and fair value adjustments of cryptocurrencies reported as inventory by kSEK –6,976.1 (–) and amortisation of Technology related to Coin360 by approximately SEK 1.1 million (0.9), refer to next section for further information. Operating expenses for the period continue to reflect the investments being made in brand awareness and in forming the right team of skilled personnel. A fund management team satisfying the operational requirements of leading investment firms, banks and pension funds is created, while the organisation of Coin360 is being streamlined to adapt to the prevailing market conditions.

During Q3 2022, the analysis of the acquisition of 60 percent of the outstanding share capital COIN360 Global Limited (formerly Pioneer Creator Ltd), has been finalised. Total consideration was USD 3.2 million and COIN360 has been consolidated by Hilbert Group from the date of acquisition. The acquisition has been assessed to comprise a group of assets but not a business. At the time of the acquisition, fair value of the intangible assets amounted to USD 5.3 million/SEK 45.8 million in total, of which SEK 19.0 million for Technology and SEK 26.7 million for the Brand. Following the finalisation of the analysis of assets purchased, comparison periods in this report have been adjusted to reflect the intangible assets acquired and the related amortisation of Technology over a useful life of 5 years, as well as the related non-controlling interest portion of 40% of the assets. In financial reports presented before Q322, the consideration paid, net of cash acquired, was presented as goodwill, amounting to SEK 30.7 million as of 30 June 2022.

Comparison periods in this report have been updated to reflect amortisation of Technology over a useful life of 5 years.

Financial net was kSEK 7,122.8 (313.4), pertaining to currency translation effects on receivables denominated in USD.

Result for the period was kSEK -570.7 (-3,342.2).

Cash flow and financial position

Cash flow from operating activities was kSEK -10,332 (-1,793). Net investments amounted to kSEK 2,764 (-25,192), for the current period mainly reflecting the net of purchases and proceeds from sales of cryptocurrency held as non-current assets. The Investments activities for the comparison period comprised the acquisition of Coin360.

Financing activities was kSEK -102 (58,491), with proceeds from pre-IPO Issue of share capital affecting the comparison period. At the end of the period Hilbert Group held kSEK 4,558 (34,176) in cash and cash equivalents.

SIGNIFICANT EVENTS DURING THE THIRD QUARTER

Appointment of Richard Murray as CEO of asset management division

Hilbert Group has appointed Richard Murray as CEO of Hilbert Capital, the asset management division of Hilbert Group.

Richard brings nearly two decades of international alternative investment experience to Hilbert. He is joining the firm from Cevian Capital, Europe's preeminent activist fund manager with \$15bn of assets under management. Prior to Cevian, he spent over a decade developing business and investor solutions at Finisterre Capital and Brevan Howard Asset Management, one of the world's leading macro hedge funds.

In joining Hilbert, Richard also brings with him a team of senior business developers who all worked together at Brevan Howard. This team is contracted to work with Richard to distribute Hilbert Group's fund solutions in the key institutional markets for us in North America, Europe, Asia and the Middle East.

Richard Murray's appointment took effect on 5 July 2022.

JANUARY–SEPTEMBER 2022

Revenue and results

Revenue increased to kSEK 22,638.9 (3,492.2), of which 16,233.1 (—) Proprietary trading in cryptocurrencies, 746.5 (3,166.1) from Fund management and 5,659.3 (326.0) from Coin360. The proprietary trading vertical made its first investment during the fourth quarter 2021 and high-volume trading started in April 2022. Refer to Business Verticals section for further information about the vertical. The high volatility in earnings from fund management is a result of fund managed being long-biased. This means that significant performance fees are only generated when digital asset markets go up enough to recoup the losses from a recent drawdown.

Operating result amounted to kSEK -32,090.9 (-1,649.2), including purchases and fair value adjustments of cryptocurrencies reported as inventory by kSEK -21,870.0 (—). A portfolio of cryptocurrencies reported as non-current intangible assets until 31 March 2022 was transferred to a proprietary trading portfolio held by the closed-ended fund Hilbert PP in April 2022. The portfolio is reported as inventory from Q2 22 report. Amortisation of Technology related to Coin360 amounts to SEK 3.3 million (1.6). Refer to July-September section above for further Information about the amortisation. Operating expenses for the period continue to reflect the investments being made in brand awareness and in forming the right team of skilled personnel, but also streamlining the Coin360 organisation.

Financial net was kSEK 16,503.0 (313.4), pertaining to currency translation effects on receivables denominated in USD.

Result for the period was kSEK -15,876.5 (-1,335.8).

Cash flow and financial position

Cash flow from operating activities was kSEK -26,858 (-2,218). Investments amounted to kSEK -5,006 (-25,255), mainly related to the equity investments HAYVN closed in Q4 2021 and CapChap closed during Q1 2022. For the comparison period, the acquisition of Coin360 was the main item.

Financing activities was kSEK -102 (60,173) with proceeds from pre-IPO Issue of share capital affecting the comparison period. At the end of the period Hilbert Group held kSEK 4,558 (34,176) in cash and cash equivalents.

SIGNIFICANT EVENTS AFTER THE THIRD QUARTER

Hilbert Group has opened investment fund Hilbert V1 Fund to institutional investors following regulatory approval

After having received Cayman Islands Monetary Authority (CIMA) approval for the investment manager Hilbert Capital Ltd, Hilbert Group opened the Hilbert V1 Fund to external investors starting 1 November 2022. The partners of Hilbert Group have together committed SEK 50 million as seed funding for the strategy, which has been running on proprietary capital since 1 May 2022 (see further press release 5 October 2022).

Hilbert Group's subsidiary Coin360.com has launched NFT-heatmap in partnership with leading marketplace Rarible

Crypto analyst site Coin360.com is the first to launch a heatmap that provides insights into the NFT space. Coin360.com has worked together with leading NFT marketplace Rarible to implement the new feature. Apart from providing an intuitive and visual representation of the NFT space, Coin360.com's heatmap also offers various filters and datapoints to provide the insights the user wants. The NFT heatmap is currently available in Beta phase and will continue to grow in functionality and coverage (see further press release 25 November 2022).

OTHER INFORMATION

Risks and uncertainties

Hilbert Group faces a number of risks and uncertainties that may directly or indirectly impact operations. These uncertainties include risk factors particularly related to trading of digital assets as well as regulatory and legal risks, as the digital assets industry is largely unregulated or lightly regulated in most countries. For a more detailed description of risks and uncertainties, refer to the Hilbert Group Company Description dated 21 October 2021, available on www.hilbert.group.

Share Capital and Formation of Hilbert Group

Hilbert Group was formed in 2021 when the current parent company, Hilbert Group AB, acquired HC Holding Limited (incorporated in Malta) including its wholly owned subsidiaries and carried out a private placement of shares and warrants whereby Hilbert Group raised kSEK 88,000. Hilbert Group AB was a dormant company which had not conducted any business from its formation to its acquisition of HC Holding Limited.

Prior to the acquisition of HC Holding Limited, Hilbert Group carried out a private placement of kSEK 88,000. The private placement was made in the form of 8,800,000 units. The issue price for one unit was SEK 10. One unit included one B-share and one warrant of series 2021/24, "TO 1B". Each warrant entitles the holder to subscribe for one new B-share in the Company. The exercise price is SEK 15 during the period 1 October 2021 – 31 October 2022. The exercise price is SEK 20 during the period 1 November 2022 – 31 October 2024. A total of 10,700,000 warrants are outstanding.

Hilbert Group's share capital at the end of the period and as of the day of this report is kSEK 2,440 divided into 48,800,000 shares: 8,500,000 A-shares and 40,300,000 B-shares. Assuming full exercise of the warrants, the dilution effect of the TO1B warrants corresponds to approximately 18.0 % in relation to the number of outstanding shares.

EARNINGS PER SHARE

	Q322	Q321	Nine months 2022	Nine months 2021	Full year 2021
<i>Before dilution</i>					
Number or shares at period-end	48,800,000	45,000,000	48,800,000	45,000,000	48,800,000
Weighted average number of shares	48,800,000	18,913,043	48,800,000	7,036,630	17,400,000
Profit/loss for the period attributable to parent company shareholders	620.7	-2,981.5	-14,331.4	-975.1	-4,486.1
Earnings per share	0.01	-0.16	-0.29	-0.14	-0.26
<i>After dilution</i>					
Number or shares at period-end	48,800,000	45,000,000	48,800,000	45,000,000	48,800,000
Weighted average number of shares	48,800,000	18,913,043	48,800,000	7,036,630	17,400,000
Profit/loss for the period	620.7	-2,981.5	-14,331.4	-975.1	-4,486.1
Earnings per share	0.01	-0.16	-0.29	-0.14	-0.26

On 30 September 2022, a total of 10,700,000 warrants of series 2021/24 "TO 1B" were outstanding. The warrants entitle to subscription of new shares of series B in Hilbert Group AB (publ) during the period 1 October, 2021 – 31 October, 2024. The exercise price is SEK 15.00 during 1 October, 2021 – 31 October, 2022, and SEK 20.00 during 1 November 2022 - 31 October, 2024. Assuming full subscription, the dilution effect of the TO 1B warrants corresponds to approximately 18.2% in relation to the number of outstanding shares on 30 September 2022.

MAJOR SHAREHOLDERS AS OF 28 SEPTEMBER 2022

Owner	Nmbr of shares HILB A	Nmbr of shares HILB B	Capital	Votes
Magnus Holm & companies	1,684,300	8,125,220	20.10%	19.93%
Niclas Sandström & companies	1,180,250	6,787,284	16.33%	14.84%
Frode Foss Skiftesvik & companies	3,264,800	1,757,299	10.29%	27.46%
Björn Isberg	850,000	2,256,259	6.37%	8.58%
Derivat Invest AS	850,000	2,256,259	6.37%	8.58%
Red Acre Holdings Ltd.		2,022,000	4.14%	1.61%
Erik Nerpin		1,700,000	3.48%	1.36%
Hans-Peter Bermin	419,050	1,112,335	3.14%	4.23%
Thierry Pudet	207,400	550,522	1.55%	2.09%
Chiuso Invest Aktiebolag		700,000	1.43%	0.56%

Warrants to employees – Incentive scheme

Prior to the listing on Nasdaq First North Growth Market Hilbert Group issued 1,000,000 warrants to a subsidiary for transfer to Hilbert Group's employees as a part of an incentive scheme. Each warrant entitles the holder to subscribe for one new B-share in the parent company Hilbert Group AB (publ) at an exercise price of SEK 15.

The warrants can be exercised during the period 1 October 2024 – 1 October 2025.

No warrants have yet been granted, neither at period-end 31 December 2021, nor after the end of the reporting period.

If all the warrants were granted and exercised, the share capital increases by SEK 50,000 through the issuance of 1,000,000 new B-shares. Given the current number of issued and outstanding shares (48,800,000), that would mean a dilution of 2.0 percent.

Condensed consolidated statement of comprehensive income

kSEK	Q322	Q321	Nine months 2022	Nine months 2021	Full year 2021
Revenue	10,411.3	832.9	22,638.9	3,492.2	9,185.9
Purchase of cryptocurrencies	-6,976.1	—	-21,870.0	—	—
Other external expenses	-4,002.7	-3,266.5	-13,166.4	-3,893.4	-11,591.8
Personnel expenses	-5,302.9	-596.6	-14,085.6	-596.6	-1,371.5
Depreciation, amortization and write-downs	-1,748.7	-642.4	-5,407.4	-651.3	-1,966.7
Other operating expenses	-67.6	16.9	-200.4	—	-69.8
Operating profit/loss	-7,686.7	-3,655.6	-32,090.9	-1,649.2	-5,813.9
Financial items, net	7,122.8	313.4	16,503.0	313.4	1,801.8
Profit before income tax	-563.9	-3,342.2	-15,587.8	-1,335.8	-4,012.1
Income tax expense	-6.8	—	-288.7	—	-34.9
Profit/loss for the period	-570.7	-3,342.2	-15,876.5	-1,335.8	-4,047.0
Profit/loss is attributable to:					
Parent company shareholders	620.7	-2,981.5	-14,331.4	-975.1	-4,486.1
Non-controlling interests	-1,191.4	-360.7	-1,545.1	-360.7	439.1
	-570.7	-3,342.2	-15,876.5	-1,335.8	-4,047.0
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Exchange differences	677.0	190.9	2 374.3	227.8	831.0
Other comprehensive income, net of tax	677.0	190.9	2 374.3	227.8	831.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	106.3	-3,151.4	-13,502.1	-1,108.1	-3,216.0
Total comprehensive income is attributable to:					
Parent company shareholders	-529.9	-2,977.5	-16,353.2	-934.2	-4,423.0
Non-controlling interests	636.2	-173.8	2,851.0	-173.8	1,206.7
	106.3	-3,151.4	-13,502.1	-1,108.1	-3,216.0

Condensed consolidated balance sheet

kSEK	30 September 2022	30 September 2021	31 December 2021
ASSETS			
Non-current assets			
Equipment	880.6	118.6	163.9
Intangible assets	68,673.3	46,525.9	68,047.0
Other non-current assets	14,016.6	—	9,043.7
Total non-current assets	83,570.4	46,644.4	77,254.6
Current assets			
Inventory of cryptocurrencies	10,917.3	—	—
Other receivables	2,740.1	1,477.8	2,915.6
Receivables from related parties	2,221.8	458.7	842.7
Receivables from shareholders	1.1	864.8	11.5
Cash and cash equivalents	4,558.4	34,175.7	35,700.8
Total current assets	20,438.6	36,977.0	39,470.7
TOTAL ASSETS	104,009.0	83,621.5	116,725.2
Equity and liabilities			
Equity			
Equity, parent company shareholders	68,040.7	49,885.0	84,393.9
Non-controlling interests	22,787.9	18,556.3	19,936.8
Total equity	90,828.6	68,441.3	104,330.7
Non-current liabilities			
Lease Liability	6,098.5	—	—
Total non-current liability	6,098.5	—	—
Current liabilities			
Advance for new share issue	—	9,670.2	—
Lease Liability	590.4	—	—
Other payables	2,618.9	4,052.6	9,147.7
Payables to shareholders	29.3	—	11.4
Current tax liabilities	124.1	41.5	34.9
Accrued expenses and deferred revenue	3,719.3	1,415.8	3,200.4
Total liabilities	13,180.4	15,180.2	12,394.4
TOTAL EQUITY AND LIABILITIES	104,009.0	83,621.5	116,725.2

Condensed consolidated statement of changes in equity

kSEK	Attributable to parent company shareholders				Total	Non-controlling interest	Total equity
	Share capital	Other paid-in capital	Other reserves	Retained earnings			
Balance at 31 December 2020	50	—	-46	312	317	—	317
Shareholder transactions	2,200	48,300	—	2	50,502	—	50,502
Non-controlling interest on subsidiary acquisition	—	—	—	—	—	18,730	18,730
Comprehensive income	—	—	41	-975	-934	-174	-1,108
Balance at 30 September 2021	2,250	48,300	-5	-660	49,885	18,556	68,441
Balance at 31 December 2021	2,440	86,110	18	-4,174	84,394	19,937	104,331
Comprehensive income	—	—	-2,022	-14,331	-16,353	2,851	-13,502
Balance at 30 September 2022	2,440	86,110	-2,004	-18,505	68,041	22,788	90,829

Condensed consolidated statement of cash flows

kSEK	Q322	Q321	Nine months 2022	Nine months 2021	Full year 2021
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/loss before tax	-564	-3,342	-15,588	-1,336	-4,012
Adjustments for items not affecting cash:					
Taxes	-7,667	454	-5,601	465	90
	-7	—	-199	—	—
Cash flow from operating activities before changes in working capital	-8,238	-2,888	-21,388	-871	-3,922
Changes in working capital					
Receivables	-767	-1,517	-360	-2,359	-3,134
Payables	-1,327	2,612	-5,110	1,013	3,326
Cash flow from changes in working capital	-2,094	1,095	-5,470	-1,346	192
Net cash flow from operating activities	-10,332	-1,793	-26,858	-2,218	-3,730
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of equipment	-33	-1	-600	-60	-129
Purchase and proceeds from sale of intangible assets	2,821	-279	-1,325	-282	-20,717
Purchase of financial instruments	-24	—	-3,081	—	-4,291
Acquisitions, net of cash acquired	—	-24,913	—	-24,913	-26,095
Net cash used in investing activities	2,764	-25,192	-5,006	-25,255	-51,232
CASH FLOW FROM FINANCING ACTIVITIES					
Principal elements of lease payments	-102	—	-102	—	—
Proceeds from issue of share capital	—	50,501	—	50,503	79,040
Proceeds from borrowings	—	7,990	—	9,670	9,460
Net cash generated from financing activities	-102	58,491	-102	60,173	88,500
CASH FLOW FOR THE PERIOD	-7,671	31,505	-31,967	32,700	33,538
Foreign currency translation, cash and cash equivalents	5	-950	824	-845	-158
Cash and cash equivalents at beginning of the period	12,224	3,621	35,701	2,321	2,321
Cash and cash equivalents at end of the period	4,558	34,176	4,558	34,176	35,701

Condensed Parent company income statement

kSEK	Q322	Q321	Nine months 2022	Nine months 2021	Full year 2021
Revenue	—	—	—	—	—
Other external expenses	-1,858.0	-1,958.0	-7,170.0	-1,958.0	-6,947.8
Personnel expenses	-1,268.1	—	-5,030.8	—	—
Depreciation and amortization	-1.4	—	-1.4	—	—
Other operating expenses	-67.6	—	-200.6	—	-69.8
Operating profit/loss	-3,195.1	-1,958.0	-12,402.8	-1,958.0	-7,017.6
Financial items, net	7,272.6	399.6	16,652.9	399.6	1,950.0
Profit before income tax	4,077.5	-1,558.4	4,250.1	-1,558.4	-5,067.6
Income tax expense	—	—	-89.2	—	-34.9
Profit/loss after tax	4,077.5	-1,558.4	4,160.9	-1,558.4	-5,102.5

Starting the first quarter 2022 and going forward Hilbert Group AB's activities focused on group management services, group accounting and investor relation activities. At period-end 30 September 2022 the company employed four people. Personnel costs incurred in the first quarter included non-recurring items for formation of the team. Financial net is pertaining to currency translation effects on receivables denominated in USD both for the third quarter and for the nine month period of 2022. Cash and cash equivalents at the end of the period amounted to kSEK 456.7. During 2021 the activities of the parent company Hilbert Group AB mainly included the legal formation of Hilbert Group through the acquisition of HC Capital Limited, fund raising of in total kSEK 91,400 and preparations for the listing of the company's B-shares and warrants on Nasdaq First North Growth Market which took place on 27 October 2021.

Condensed Parent company balance sheet

kSEK	30 September 2022	30 September 2021	31 December 2021
ASSETS			
Non-current assets			
Equipment	15.8	—	—
Shares in subsidiaries	2,900.0	2,900.0	2,900.0
Total non-current assets	2,915.8	2,900.0	2,900.0
Current assets			
Receivables from group companies	90,092.9	28,131.5	55,167.0
Cash and cash equivalents	456.7	24,513.5	31,838.2
Total current assets	90,549.6	52,645.0	87,004.7
TOTAL ASSETS	93,465.3	55,545.0	89,904.7
Equity and liabilities			
Shareholders' equity	90,508.4	51,892.0	86,347.4
Current liabilities			
Other payables	414.6	728.8	1,686.9
Advance for new share issue	—	1,758.2	—
Payables to group companies	1,256.2	—	1,010.5
Current taxes	124.1	—	34.9
Accrued expenses	1,162.1	1,166.0	825.1
Total liabilities	2,956.9	3,653.0	3,557.3
TOTAL EQUITY AND LIABILITIES	93,465.3	55,545.0	89,904.7

Notes

NOTE 1

Accounting principles

This Interim Report complies with the provisions of IAS 34, and the report for the Parent Company has been prepared pursuant to the provisions of the Swedish Annual Accounts Act and RFR 2. In addition to the financial statements, disclosures under IAS 34.16A also appear in other parts of the interim report. The application of the accounting policies is consistent with their application in the Annual report for the financial year 2021, unless otherwise stated below.

As described in the 2021 Annual report, Hilbert Group's information for year 2021 is presented as combined financial statements. The legal formation of Hilbert Group during the third quarter of 2021 comprised transactions between entities that were under common control via ultimate owners of HC Holding Limited, (registration No.C89451), incorporated in Malta. As these transactions are not covered by any IFRS standard, a suitable accounting principle for the historical information was applied in accordance with IAS 8.

Leases

During the third quarter 2022 Hilbert Group has entered into a contract for leased office premises. For leases, Hilbert Group applies the following accounting principles:

Hilbert Group as a lessee

Hilbert Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Hilbert Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

Hilbert Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The Group does not have any low value assets or short-term leases. Right-of-use, initial direct costs incurred, and lease payments made at or before the commencement date less assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office - 7 years

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, Hilbert Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The incremental borrowing rate applied to measure lease liability is 3.67% for the offices premises for which the commencement date has occurred during the third quarter 2022.

Cryptocurrencies

In April 2022, thus during the second quarter 2022, one cryptocurrency portfolio previously reported as intangible assets has been reclassified as inventory in conjunction with the start-up of Hilbert Group's proprietary trading in cryptocurrency.

Intangible assets – change of principles applied for Cryptocurrencies

Cryptocurrencies not included in Hilbert Group's proprietary trading portfolio are reported as intangible assets with indefinite useful life and are thus not amortised. Starting the financial year 2022, such cryptocurrencies are initially measured at cost and subsequently at fair value based on quoted market prices. A net increase in fair value over the initial cost of is recorded in the revaluation reserve via other comprehensive income. A net decrease below cost is recorded in profit or loss.

For the financial year 2021 cryptocurrencies held were reported as intangible assets applying a cost model and tested for impairment regularly.

The change of accounting policy has no effect on opening equity, as the carrying amount reported on 31 December 2021 according to the cost model equals the value when applying the fair value model. There has been no increase in fair value over the initial cost, thus a decrease has been recorded in profit or loss both for the period ended 30 June 2022 and the period ended 31 December 2021.

Inventory of Cryptocurrencies

Starting April 2022, Hilbert Group is trading cryptocurrencies in its own account applying a mix of algorithmic/technical- and discretionary/fundamental trading. Inventory of cryptocurrency is recognised at fair value. Changes in fair value are recognised as purchases of cryptocurrency in the statement of comprehensive income.

Cryptocurrency previously reported as intangible assets have been transferred to a trading portfolio. Hilbert Group's assessment is that the establishment of an accounting policy for inventory of cryptocurrencies is not a change in accounting policies but the application of a new accounting policy for transactions that did not occur prior to April 2022 or were immaterial before that point in time.

Reserves in equity

Reserves comprise translation reserves that include all exchange rate differences that arise on translation to Swedish kronor (SEK) of foreign operations' financial statements prepared in the currency used in the economic environment where the respective company operates (functional currency). The parent company and the Group prepare financial statements in SEK.

There has been no net increase in fair value over the initial cost for cryptocurrencies measured at fair value, thus no amounts have been recorded in the revaluation reserve as of 30 June 2022.

NOTE 2

Revenue from contracts with customers

Revenue by major revenue stream kSEK	Q322	Q321	Nine months 2022	Nine months 2021	Full Year 2021
Fund management fees	189.5	506.9	746.5	3,166.1	4,758.8
Advertising income	1,094.5	326.0	5,659.3	326.0	4,170.6
Sales of cryptocurrency	9,127.3	—	16,233.1	—	256.5
Total	10,411.4	832.9	22,638.9	3,492.2	9,185.9

Timing of revenue recognition kSEK	Q322	Q321	Nine months 2022	Nine months 2021	Full Year 2021
At a point in time	9,443.1	832.9	17,217.3	3,492.2	5,015.3
Over time	968.3	—	5,421.6	—	4,170.6
Total	10,411.4	832.9	22,638.9	3,492.2	9,185.9

Revenue by country of group company incorporation kSEK	Q322	Q321	Nine months 2022	Nine months 2021	Full Year 2021
Cayman Islands	9,316.8	506.9	16,979.6	3,166.1	4,247.1
British Virgin Islands	1,094.5	326.0	5,659.3	326.0	4,938.8
Total	10,411.4	832.9	22,638.9	3,492.2	9,185.9

NOTE 3

Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

30 September 2022		Level 1	Level 2	Level 3	Total
Investments	Equity securities	—	—	14,016.6	14,016.6
Intangible assets	Cryptocurrencies	4,479.4	—	—	4,479.4
Inventory	Cryptocurrencies	10,917.3	—	—	10,917.3
30 September 2021		Level 1	Level 2	Level 3	Total
Investments	Equity securities	—	—	—	—
Intangible assets	Cryptocurrencies	—	—	—	—
Inventory	Cryptocurrencies	—	—	—	—
31 December 2021		Level 1	Level 2	Level 3	Total
Investments	Equity securities	—	—	9,043.7	9,043.7
Intangible assets	Cryptocurrencies	20,363.4	—	—	20,363.4
Inventory	Cryptocurrencies	—	—	—	—

For Equity investments fair value remains unchanged since prior quarter and year-end 2021.

For cryptocurrencies presented as non-current intangible assets, fair value for the comparison periods is disclosed for information purpose. A cost model has been applied for periods prior to financial year 2022. The carrying amount has equalled quoted prices, thus equalling fair value.

For information about the fair value hierarchy levels and inputs used, refer to the 2021 Annual report.

Declaration by the Board of Directors and the CEO

The Board of Directors and CEO confirm that this Interim Report provides a true and fair view of the parent company and the Group's operations, financial position and results for the period concerned.

Stockholm, 30 November 2022

Board of Directors

Erik Nerpin
Chairman

Frode Foss-Skiftesvik
Board member

David Butler
Board member

Niclas Sandström
CEO

The report has not been reviewed by the Company's auditors.

Other information

FINANCIAL CALENDAR

Year End Report Q4	28 February, 2023
Interim Report Q1	31 March, 2023
Annual Report 2022	5 May, 2023

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