
Hilbert Group AB (publ)

Interim Report Q2 2022



Interim Report Q2 2022 In Brief

FINANCIAL EVENTS

Second quarter

- Revenues amounted to kSEK 8,461.7 (385.8)
- Operating profit/loss (EBIT) totaled kSEK -16,102.2 (204.0)
- Result for the period was kSEK -8,557.0 (204.0)
- Cash flow from operating activities amounted to kSEK -10,150 (962)
- Earnings per share before and after dilution amounted to SEK -0.17 (0.20)

Year to date January – June

- Revenues amounted to kSEK 12,227.6 (2,659.2)
- Operating profit/loss (EBIT) totaled kSEK -22,277.4 (2,006.4)
- Result for the period was kSEK -13,179.1 (2,006.4)
- Cash flow from operating activities amounted to kSEK -16,526 (-424)
- Earnings per share before and after dilution amounted to SEK -0.28 (2.01)

SIGNIFICANT EVENTS

During the second quarter

- Appointment of Mark Adams as Chief Legal officer

After the second quarter

- Appointment of Richard Murray as CEO of asset management division.

Financial overview

kSEK	Q222	Q221	Six months 2022	Six months 2021	Full year 2021
Revenue	8 461,7	385,8	12 227,6	2 659,2	9 185,9
EBIT	-16 102,2	204,0	-22 277,4	2 006,4	-4 227,3
Profit/loss for the period	-8 557,0	204,0	-13 179,1	2 006,4	-2 460,4
Earnings per share	-0,17	0,20	-0,28	2,01	-0,20
Equity	73 077,7	2 362,1	73 077,7	2 362,1	86 709,6
Total assets	79 055,7	4 986,1	79 055,7	4 986,1	97 295,4
Equity/assets ratio	92 %	47 %	92 %	47 %	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,

If Q1 was a challenging quarter for digital markets (and traditional markets), Q2 turned out to be even more so. One of the most extreme events since the inception of crypto markets was the collapse of the Terra ecosystem and its LUNA-UST sister-tokens on May 9th, which swiftly erased a combined pre-crash market cap of \$60 billion – roughly the same size of loss as in the Lehman stock collapse in 2008. The collapse created a chain-effect of margin calls and further losses with those operators that were over-exposed to the Terra tokens either directly or indirectly. The secondary defaults that followed included some of the biggest names in crypto such as Celsius (crypto bank), 3AC (Three Arrows Capital – crypto hedge fund) and Voyager (crypto broker), to mention a few. As a result, many depositors and investors lost most of their deposits/investments with these institutions; the legal aftermath is still to be played out. History always repeats itself and what happened here has happened repeatedly throughout history in traditional markets, namely operators running too much leverage or being too illiquid or having too concentrated counterparty risk, usually with greed as the underlying driving factor.

There are some positive notes in all this:

- Fewer competitors for Hilbert Group AB.
- The collapses above were caused by bad, centralised discretionary decisions by humans working for corporations. In contrast, the time-proven pure decentralised protocols (smart contracts) such as for example AAVE (lending), CURVE (market-making) and UNISWAP (exchange) etc. continued to work perfectly throughout the collapse, clearing \$billions in volume every day. There were no bailouts and these smart contracts are coded in such a way that they never can become insolvent (bar any bugs) – and with full transparency around every transaction made and the fees applied. These technologies are the future of the next generation of financial services infrastructure.

Some closing words regarding the crypto market: the rest of the year is also likely to be very challenging with continued weak equity markets, high inflation prints and higher rates, and an ongoing energy crisis as we are coming into the colder part of the year. A major downside move in equity markets from here would likely drag the crypto markets with it, at least initially. Crypto market cap was at a peak in late 2021 at \$3 trillion, currently it is at \$1 trillion. When I first started looking seriously at digital assets in early 2017, the total market cap was \$30 billion. Having a long-term perspective is key for successful crypto investing – remember, these difficult times too, shall pass.

ASSET MANAGEMENT

Richard Murray, CEO of our asset management division came onboard in July. Prior to joining Hilbert Group, Richard was a senior executive at Cevian Capital and before that

with Brevan Howard (one of the largest hedge funds in the world). Richard has in short time assembled a team of experienced former Brevan-Howard sales specialists that cover US, Europe, Middle-East and Asia-Pacific in terms of distributing all our fund products. We now have a strong and professional global distribution “machine”.

In terms of new products, we have spent most of this year structuring what we call a market-neutral 2.0 strategy that will have broad appeal to institutions and family offices, emphasising capital preservation. Consequently, on the 12th of August 2022 we launched the Hilbert VI Fund with about SEK 50 million of partners/internal capital and we will soon open it up for external investors, as soon as we obtain the regulatory approval. Hilbert VI Fund targets an annualised volatility and drawdown of around 10% with a net annualised return of about 20% and only exhibit around 10% market directionality. The fund features a so-called onshore US-feeder which enables tax-advantageous investments also for US-domiciled entities and individuals – this is pivotal as we consider the US to be our most important market at the moment.

Over the past 6 months, we have talked to about a 100 institutions, including many of the largest ones such as Blackrock, Blackstone, Deutsche Bank, Morgan Stanley, UBS, Goldman and SEB etc., and maybe somewhat paradoxically given where the crypto markets are today, the institutional interest has never been higher in digital assets. They are all building their own digital asset teams and setting up the infrastructure needed to deal with the new asset class. By and large, the institutions are going for it in the digital asset space.

As a company, Hilbert Group is now at a point where we have both a strong distribution and a strong set of products with a good range of risk profiles and the plan now is to keep at it and raise assets under management as aggressively as we can.

We will attend the SALT conference in New York between the 12th and 14th of September as well as hosting an event there together with the market leading London-based crypto custodian, Copper.

Coin360.com

As mentioned in the previous quarterly report, we will start rolling out new features in Q3 and a subscription service in Q4. This work is on track and the first new features will be rolled out in a couple of weeks’ time. It was roughly a year ago we acquired the majority stake in Coin360 and during this time the company has been fully self-sufficient in terms of financing and the next step is making the company/platform substantially profitable by adding the Saas component and thereby adding another revenue stream on top of the advertisement one.

The theme of Coin360 is “Crypto Visualised” and over the near term we will be rolling out NFT heat maps, portfolio tools, different visualisation- and categorisation tools and other features that will help people trade and analyse these markets and provide a good grasp of the risk in their portfolios and so on. Our approach here will be experimental – we will roll out features and measure the corresponding traction with the users. With respect to the ad-revenue, it is fairly correlated with the crypto market and adding the Saas component will reduce the volatility in the income stream from month to month.

No one knows how long the “crypto-winter” will last and we are going to position

the company in a way where it continues to be self-financing, even with significantly reduced income – and at the same time sticking to our features roll-out plan. Hence, as we adapt to the prevailing market conditions, we will shortly be streamlining the organisation of Coin360.

Venture

HAYVN crypto investment bank continued to be cash-flow positive throughout the recent market dislocation and has onboarded roughly 1000 new clients so far this year. Their client base is a mix of institutions and private individuals with a global geographical spread. The revenue generating products are OTC trading and Custody – of digital assets. HAYVN is fully regulated both in Switzerland and Abu Dhabi.

Recently, HAYVN formed a partnership with two of the three largest property developers in United Arab Emirates – Nakheel and DAMAC. Several property deals have already been completed with crypto as payment and Nakheel's customers can now pay their rent in crypto – all this is enabled via HAYVN's platform. The fact that HAYVN is fully regulated has been a key factor in these institution's choice of HAYVN as an intermediary.

HAYVN launched their series-B round last spring but suspended it due to the difficult market conditions in May and June with plans to revisit it, once markets start to recover.

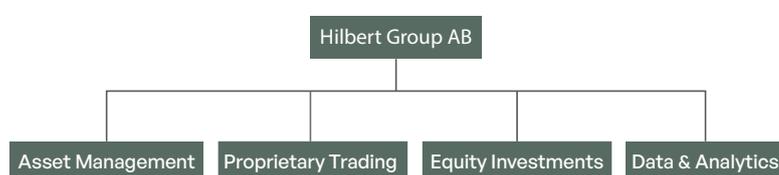
Earlier this year, Hilbert acquired a minority stake in Capchap AB, which offers equity management on the blockchain. Capchap's product development has gone well, and the first version of their product is now ready for beta-testing and it will be rolled out to a hundred or so corporate customers this week. The solution is built on Chromaway's non-proprietary platform and will run on a private blockchain (i.e., users need permission to be on it).

Anyone that has dealt with corporate actions the traditional way, via law firms, will realise the huge potential in Capchap's product. People often talk about crypto and blockchain in terms of financial applications, but the administrative potential applications are arguably even bigger. Blockchain and smart contracts enable efficient bureaucracy and administration.

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 funds- Hilbert Digital Asset Fund and Hilbert Syrius Bit+ Fund. Hilbert Group has resolved to cancel the launch of Hilbert Crypto Opportunities Fund. Instead, Hilbert Group will launch a new algo-traded fund called Hilbert V1 during the third quarter.

■ **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 June 2022 was SEK 40 million.

■ **Hilbert-Syrius Bit+ Fund (HSBF).** HSBF is powered by AI-based algorithms that systematically trades the most liquid and deepest cryptocurrency markets; predominantly Bitcoin and Ethereum. HSBF is an institutional grade fund with the objective of outperforming Bitcoin on a long term risk-adjusted basis. The primary strategy is long-only, adjusting the risk-exposure according to inherent cycles within cryptocurrencies. Risk-off is achieved by rotating part or all of the exposure into stable-coins. The fund is conservative and trades primarily in spot markets and from time to time will take small positions in futures to achieve a maximum leverage ratio of only 1.2. Part of the fund's purpose is to offer investors a more defensive product with substantial upside potential across the business cycle. The fund has one share class, 2 percent/20 percent and is an absolute return fund. The target return is around 30 percent per annum. HSBF was launched at the end of December in 2021. Assets under management (AUM) for the HSBF as of 30 June 2022 was SEK 18 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 June 2022 was approximately SEK 7.5 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

APRIL – JUNE 2022

Revenue and results

Revenue increased to kSEK 8,461.7 (385.8), of which 7,105.8 (-) from Proprietary trading in cryptocurrencies, 210.9 (385.8) from Fund management and 1,145.0 (–) from Coin360. The proprietary trading vertical made its first investment during the fourth quarter 2021 and high-volume trading has 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 –16,102.2 (204.0), including purchases and fair value adjustments of cryptocurrencies reported as inventory by kSEK –14,893.8 (–). A portfolio of cryptocurrencies, reported as non-current intangible assets in previous periods, has been transferred to a proprietary trading portfolio held by the closed ended fund Hilbert PP (an exempted company incorporated in the Cayman Islands with limited liability) in April 2022. The portfolio is reported as inventory from this report. Operating expenses for the period continue to reflect the investments being made in brand awareness and in forming the right team of skilled personnel. The sequential increase in expenses since Q421 include creating a fund management team satisfying the operational requirements of leading investment firms, banks and pension funds.

Financial net was kSEK 7,737.9 (–), pertaining to currency translation effects on receivables denominated in USD.

Result for the period was kSEK –8,557.0 (204.0).

Cash flow and financial position

Cash flow from operating activities was kSEK –10,150 (962). Investments amounted to kSEK –1,868 (–61), mainly related capitalized expenses for development of intangible assets.

Financing activities was kSEK – (1,682) and at the end of the period Hilbert Group held kSEK 12,224 (3,621) in cash and cash equivalents.

SIGNIFICANT EVENTS DURING THE SECOND QUARTER

Appointment of Mark Adams as Chief Legal Officer

On 10 May 2022 Hilbert Group announced the appointment of Mark Adams as Chief Legal Officer. Mark has over a decade of legal experience and has been a lawyer, director, legal representative and company secretary at various market leading firms. He also has a genuine passion in relation to crypto and blockchain technology and has been active in the industry on a personal level for a number of years. Mark has extensive legal experience in the digital arena in regulated and unregulated markets across multiple jurisdictions. Most recently, Mark served as the Head of Legal for William Hill International for over 3 years. William Hill Limited is a global online gambling company based in London, England. It was previously listed on the London Stock Exchange until it was acquired by Caesars Entertainment in April 2021. Mark Adam's appointment took effect on 8 July 2022.

Annual General Meeting

The AGM of Hilbert Group AB (publ) was held on Friday, 27 May, 2022.

The AGM resolved to adopt the income statement and the balance sheet as well as the consolidated income statement and the consolidated balance sheet for the financial year 2021. The AGM resolved that available profits should be balanced in a new account. Consequently, no profit dividend will be paid.

The AGM decided to grant all board members and the CEO discharge from liability for the management of the company's affairs during the financial year 2021.

The AGM resolved to re-elect Erik Nerpin, Frode Foss-Skiftesvik and David Butler as Board members and to re-elect Erik Nerpin as Chairman of the Board. The yearly remuneration of the Board members was decided to be SEK 150,000 to the Chairman and SEK 110,000 to each of the other board members.

PricewaterhouseCoopers AB was re-elected as the company's auditor. The authorized public accountant Johan Engstam will continue to be the principal auditor. Fees to the auditor shall be paid in accordance with approved invoices.

The AGM resolved to authorize the Board of Directors to, on one or more occasions, during the period up to the next AGM, decide on the issue of shares and/or warrants with or without preferential rights for shareholders. The Board of Directors may decide that such issues be made with a provision on non-cash, set-off or cash payment. If a resolution based on the authorization includes a deviation from the shareholders' preferential right and with payment in cash or by set off, the number of shares and/or warrants issued may not exceed 20 per cent of the number of issued and outstanding shares in the company at the time of the AGM.

JANUARY–JUNE 2022

Revenue and results

Revenue increased to kSEK 12,227.6 (2,659.2), of which 7,105.8 (–) Proprietary trading in

cryptocurrencies, 557.0 (2,659.2) from Fund management and 4,564.8 (—) from Coin360. The proprietary trading vertical made its first investment during the fourth quarter 2021 and high-volume trading has 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 -22,277.4 (2,006.4), including purchases and fair value adjustments of cryptocurrencies reported as inventory by kSEK -14,893.8 (—). A portfolio of cryptocurrencies, reported as non-current intangible assets in previous periods, has been transferred to a proprietary trading portfolio held by the closed-ended fund Hilbert PP in April 2022. The portfolio is reported as inventory from this report. Operating expenses for the period continue to reflect the investments being made in brand awareness and in forming the right team of skilled personnel. The sequential increase in expenses since Q421 include creating a fund management team satisfying the operational requirements of leading investment firms, banks and pension funds.

Financial net was kSEK 9,380.3 (—), pertaining to currency translation effects on receivables denominated in USD.

Result for the period was kSEK -13,179.1 (2,006.4).

Cash flow and financial position

Cash flow from operating activities was kSEK -16,526 (-424). Investments amounted to kSEK -7,707 (-63), mainly related to purchases of intangible assets and the equity investments HAYVN closed in Q4 2021 and CapChap closed during Q1 2022.

Financing activities was kSEK — (1,682) and at the end of the period Hilbert Group held kSEK 12,224 (3,621) in cash and cash equivalents.

SIGNIFICANT EVENTS AFTER THE SECOND 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.

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.

COIN360

On 20 July 2021, Hilbert Group acquired 60 percent of the outstanding share capital of COIN360 Global Limited (formerly Pioneer Creator Ltd), an entity incorporated in the British Virgin Islands, for a total consideration of USD 3.0 million. COIN360 is consolidated by Hilbert Group from the date of acquisition. The consideration paid, net of cash acquired, is presented as goodwill, amounting to SEK 30.7 million as of 30 June 2022. Analyses are ongoing to establish the identifiable assets, such as domain name, source code, trademark or other intellectual property rights, that have been acquired, and to assess fair value of each separate asset. No significant assets, other than intangible assets, nor any significant liabilities were included in the acquisition.

Transactions with related parties

On 1 January 2019, Hilbert Capital Ltd and the Hilbert Digital Asset Fund entered into a management agreement. Either party may terminate the agreement at any time by giving 60 days written notice. Hilbert Capital Ltd receives payment for its services rendered under the management agreement. The Company's CEO and shareholder Niclas Sandström is currently Board member of Hilbert Digital Asset Fund and also of Hilbert Sirius Asset Management Ltd, latter being the Manager for the Fund Hilbert Sirius Bit+ Fund.

Except as described above, there are no transactions between the Hilbert Group and any related parties. All transactions with related parties have been carried out at arm's length.

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

	Q222	Q221	Six months 2022	Six months 2021	Full year 2021
<i>Before dilution</i>					
Number or shares at period-end	48,800,000	1,000,000	48,800,000	1,000,000	48,800,000
Weighted average number of shares	48,800,000	1,000,000	48,800,000	1,000,000	17,400,000
Profit/loss for the period attributable to parent company shareholders	-8,261.1	204.0	-13,676.1	2,006.4	-3,534.1
Earnings per share	-0.17	0.20	-0.28	2.01	-0.20
<i>After dilution</i>					
Number or shares at period-end	48,800,000	1,000,000	48,800,000	1,000,000	48,800,000
Weighted average number of shares	48,800,000	1,000,000	48,800,000	1,000,000	17,400,000
Profit/loss for the period attributable to parent company shareholders	-8,261.1	204.0	-13,676.1	2,006.4	-3,534.1
Earnings per share	-0.17	0.20	-0.28	2.01	-0.20

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	Q222	Q221	Six months 2022	Six months 2021	Full year 2021
Revenue	8,461.7	385.8	12,227.6	2,659.2	9,185.9
Purchase of cryptocurrencies	-14,893.8	—	-14,893.8	—	—
Other external expenses	-5,526.9	-166.3	-9,163.7	-627.0	-11,591.8
Personnel expenses	-4,524.8	—	-8,782.7	—	-1,371.5
Depreciation, amortisation and fair value adjustments/write-downs*	514.5	-3.7	-1,532.0	-8.9	-380.1
Other operating expenses	-132.8	-11.9	-132.8	-16.9	-69.8
Operating profit/loss	-16,102.2	204.0	-22,277.4	2,006.4	-4,227.3
Financial items, net	7,737.9	—	9,380.3	—	1,801.8
Profit before income tax	-8,364.2	204.0	-12,897.2	2,006.4	-2,425.5
Income tax expense	-192.7	—	-281.9	—	-34.9
Profit/loss for the period	-8,557.0	204.0	-13,179.1	2,006.4	-2,460.4
Profit/loss is attributable to:					
Parent company shareholders	-8,261.1	204.0	-13,676.1	2,006.4	-3,534.1
Non-controlling interests	-295.9	—	497.1	—	1,073.8
	-8,557.0	204.0	-13,179.1	2,006.4	-2,460.4
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Exchange differences	-551.8	-50.5	-452.8	36.9	179.4
Other comprehensive income, net of tax	-551.8	-50.5	-452.8	36.9	179.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-9,108.8	153.5	-13,631.9	2,043.3	-2,281.0
Total comprehensive income is attributable to:					
Parent company shareholders	-8,991.2	153.5	-14,332.4	2,043.3	-3,419.5
Non-controlling interests	-117.5	—	700.5	—	1,138.5
	-9,108.8	153.5	-13,631.9	2,043.3	-2,281.0

* Refer to Note 3 for further information.

Condensed consolidated balance sheet

kSEK	30 June 2022	30 June 2021	31 December 2021
ASSETS			
Non-current assets			
Equipment	743.9	123.9	163.9
Intangible assets	41,933.0	6.9	48,617.1
Other non-current assets	12,878.2	—	9,043.7
Total non-current assets	55,555.2	130.8	57,824.7
Current assets			
Inventory of cryptocurrencies	7,534.0	—	—
Other receivables	1,719.4	549.2	2,915.6
Receivables from related parties	2,021.7	683.9	842.7
Receivables from shareholders	1.0	0.9	11.5
Cash and cash equivalents	12,224.4	3,621.4	35,700.8
Total current assets	23,500.6	4,855.3	39,470.7
TOTAL ASSETS	79,055.7	4,986.1	97,295.4
Equity and liabilities			
Equity			
Equity, parent company shareholders	71,064.7	2,362.1	85,397.2
Non-controlling interests	2,013.0	—	1,312.5
Total equity	73,077.7	2,362.1	86,709.6
Current liabilities			
Other payables	1,104.8	2,192.8	7,338.9
Payables to shareholders	1,383.7	7.3	11.5
Current tax liabilities	124.1	40.2	34.9
Accrued expenses and deferred revenue	3,365.4	383.7	3,200.4
Total liabilities	5,978.0	2,623.9	10,585.7
TOTAL EQUITY AND LIABILITIES	79,055.7	4,986.1	97,295.4

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	Reserves	Retained earnings			
Balance at 31 December 2020	50	—	-46	312	317	—	317
Shareholder transactions	—	—	—	2	2	—	2
Comprehensive income	—	—	37	2,006	2,043	—	2,043
Balance at 30 June 2021	50	—	-9	2,321	2,362	—	2,362
Balance at 31 December 2021	2,440	86,110	69	-3,222	85,397	1,312	86,710
Comprehensive income	—	—	-656	-13,676	-14,332	701	-13,632
Balance at 30 June 2022	2,440	86,110	-587	-16,898	71,065	2,013	73,078

Condensed consolidated statement of cash flows

kSEK	Q222	Q221	Six months 2022	Six months 2021	Full year 2021
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/loss before tax	-8,364	204	-12,897	2,006	-2,426
Adjustments for items not affecting cash:					
Taxes	-464	-39	-60	10	-1,496
	-193	—	-193	—	—
Cash flow from operating activities before changes in working capital	-9,021	165	-13,150	2,017	-3,922
Changes in working capital					
Receivables	-1,063	1 527	407	-842	-3,134
Payables	-66	-730	-3,783	-1,599	3,326
Cash flow from changes in working capital	-1,128	797	-3,376	-2,441	192
Net cash flow from operating activities	-10,150	962	-16,526	-424	-3,730
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of equipment	-401	-59	-567	-59	-129
Purchase of intangible assets	-1,467	-2	-4,146	-3	-20,717
Purchase of financial instruments	—	-	-2,994	—	-4,291
Net cash used in investing activities	-1,868	-61	-7,707	-63	-51,232
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issue of share capital	—	2	—	2	79,040
Proceeds from borrowings	—	1,680	—	1,680	9,460
Net cash generated from financing activities	—	1,682	—	1,682	88,500
CASH FLOW FOR THE PERIOD	-12,017	2,583	-24,233	1,196	33,538
Foreign currency translation, cash and cash equivalents	680	10	757	105	-158
Cash and cash equivalents at beginning of the period	23,562	1,028	35,701	2,321	2,321
Cash and cash equivalents at end of the period	12,224	3,621	12,224	3,621	35,701

Condensed Parent company income statement

kSEK	Q222	Q221	Six months 2022	Six months 2021	Full year 2021
Revenue	—	—	—	—	—
Other external expenses	-3,486.7	—	-5,312.0	—	-6,947.8
Personnel expenses	-1,660.8	—	-3,762.7	—	—
Other operating expenses	-133.0	—	-133.0	—	-69.8
Operating profit/loss	-5,280.5	—	-9,207.7	—	-7,017.6
Financial items, net	7,737.9	—	9,380.3	—	1,950.0
Profit before income tax	2,457.5	—	172.6	—	-5,067.6
Income tax expense	—	—	-89.2	—	-34.9
Profit/loss after tax	2,457.5	—	83.4	—	-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 June 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 second quarter and for the six month period of 2022.

Cash and cash equivalents at the end of the period amounted to kSEK 3,970.9.

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 June 2022	30 June 2021	31 December 2021
ASSETS			
Non-current assets			
Shares in subsidiaries	2,900.0	—	2,900.0
Total non-current assets	2,900.0	—	2,900.0
Current assets			
Receivables from group companies	82,777.1	—	55,166.6
Cash and cash equivalents	3,970.9	50.0	31,838.2
Total current assets	86,748.0	50.0	87,004.7
TOTAL ASSETS	89,648.0	50.0	89,904.7
Equity and liabilities			
Shareholders' equity			
	86,430.8	50.0	86,347.4
Current liabilities			
Other payables	1,054.5	—	1,686.9
Payables to group companies	1,154.2	—	1,010.5
Current taxes	124.1	—	34.9
Accrued expenses	884.5	—	825.1
Total liabilities	3,217.2	—	3,557.3
TOTAL EQUITY AND LIABILITIES	89,648.0	50.0	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.

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	Q222	Q221	Six months 2022	Six months 2021	Full Year 2021
Fund management fees	210.9	385.8	557.0	2,659.2	4,758.8
Advertising income	1,145.0	—	4,564.8	—	4,170.6
Sales of cryptocurrency	7,105.8	—	7,105.8	—	256.5
Total	8,461.7	385.8	12,227.6	2,659.2	9,185.9
Revenue by major revenue stream	Q222	Q221	Six months 2022	Six months 2021	Full Year 2021
At a point in time	7,385.0	385.8	7,774.3	2,659.2	5,015.3
Over time	1,076.7	—	4,453.3	—	4,170.6
Total	8,461.7	385.8	12,227.6	2,659.2	9,185.9
Revenue by country of group company incorporation	Q222	Q221	Six months 2022	Six months 2021	Full Year 2021
Cayman Islands	7,316.7	385.8	7,662.8	2,659.2	4,247.1
British Virgin Islands	1,145.0	—	4,564.8	—	4,938.8
Total	8,461.7	385.8	12,227.6	2,659.2	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 June 2022		Level 1	Level 2	Level 3	Total
Investments	Equity securities	—	—	12,878.2	12,878.2
Intangible assets	Cryptocurrencies	8,453.8	—	—	8,453.8
Inventory	Cryptocurrencies	7,534.0	—	—	7,534.0
30 June 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 reported 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 cryptocurrencies presented as inventory fair value equals quoted prices.

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

NOTE 4

Pledged assets and contingent liabilities

The parent company Hilbert Group AB (publ) has pledged kSEK 50.0 of its cash and cash equivalents as collateral for external obligations.

Neither the parent company nor any other Hilbert Group company has pledged any other assets and there are no contingent liabilities.

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, 31 August 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

Interim Report Q3	30 November, 2022
Year End Report Q4	28 February, 2023
Annual Report 2022	5 May, 2023

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This information is information that Hilbert Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 12:10 CET on 31 August, 2022.