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# Hilbert Group AB (publ)

Interim Report Q3 2023



# Interim Report Q3 2023 In Brief

## FINANCIAL EVENTS

### Third quarter

- Revenues amounted to kSEK 5,811.2 (kSEK 10,411.3)
- Operating loss (EBIT) totaled kSEK -6,772.9 (kSEK -7,647.4)
- Result for the period was kSEK -6,935.6 (kSEK -531.4)
- Net cash flow from operating activities amounted to kSEK -5,437.1 (kSEK -10,703.9)
- Earnings per share before and after dilution amounted to SEK -0.12 (SEK 0.01)

### Year to date January – September

- Revenues amounted to kSEK 16,477.5 (kSEK 22,638.9)
- Operating profit/loss (EBIT) totaled kSEK -27,732.4 (kSEK -31,967.1)
- Result for the period was kSEK -25,946.0 (kSEK -15,752.7)
- Net cash flow from operating activities amounted to kSEK -24,195.4 (kSEK -22,668.8)
- Earnings per share before and after dilution amounted to SEK -0.46 (SEK -0.29)

## SIGNIFICANT EVENTS

### During the third quarter and after the reporting period

- HAVYN selected Hilbert Capital as its first hedge fund solution for its 1500+ corporate and high net worth clients in the Middle East, Asia and Europe.
- Hilbert Group AB grants 2,160,750 stock options to its employees and consultants as part of its ESOP 2023 program. ESOP 2023 is a program under which the Participants are granted, free of charge, stock options to acquire B-shares in Hilbert Group AB, subject to a vesting over a three-year period in accordance with terms and conditions therein.
- Coinbase partners with Hilbert Capital; Coinbase has selected the asset management business of Hilbert Group AB as day-one partner for its newly launched asset management platform, Coinbase SMA. Coinbase SMA enables institutional investors such as pension funds and private wealth managers to access Hilbert's active investment solution in a secure, transparent and liquid format.
- Hilbert Group has resolved on a directed new issue of SEK17million before related transaction cost; the main part of the directed issue SEK15.5 million was resolved by the Board of Directors based on the authorization by the Annual General Meeting; the remaining part of SEK1.5million was subscribed by Niclas Sandstrom the CEO of Hilbert Group and is subject to approval by an extraordinary general meeting to take place on 1 December 2023. The proceeds from the directed issue will be used for M&A opportunities and other general corporate purposes.

■ Tim Grant, CEO of Deus X Capital and Former Galaxy Executive, joins the Board of Directors of Hilbert Group AB. An EGM is to be convened on 1st December which Tim Grant will be elected to the Board. Tim Grant has recently become the CEO of Deus X Capital, a newly launched \$1 billion investment and operating company focused on private equity, venture capital, venture buildings and fund allocation in the digital asset, blockchain, fintech and institutional capital markets. Prior to co-founding Deus X, Tim was Head of EMEA at Galaxy Digital, a leading operator in the digital asset ecosystem and has held various other high profile roles within the digital asset and financial services Industry.

## Financial overview

KSEK	Q323	Q322	Nine months 2023	Nine months 2022	Full year 2022
Revenue	5,811.2	10,411.3	16,477.5	22,638.9	26,949.7
EBIT	-6,772.9	-7,647.4	-27,732.4	-31,967.1	-50,181.1
Profit/loss for the period	-6,935.6	-531.4	-25,946.0	-15,752.7	-39,264.1
Earnings per share	-0.12	0.01	-0.46	-0.29	-0.70
Equity	48,800.9	91,044.5	48,800.9	91,044.5	69,279.5
Total assets	84,503.8	102,000.4	84,503.8	102,000.4	84,449.6
Equity/assets ratio, %	0.58	0.89	0.58	0.89	0.82

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# CEO's address

## Dear Shareholders,

2023 has been a transformational year for Hilbert. It's hard to contain the enthusiasm we have for the future. Years of work are now coming to fruition as we have onboarded globally recognised wealth managers in addition to being onboarded on the Coinbase SMA platform. This leaves us with a monumental opportunity in normal market conditions to capture significant capital inflows in our funds and leapfrog growth in 2024/2025. Our ambition is to be a global leader in systematic asset management of digital assets with a target of USD 1bn in assets under management (AUM) in 2025.

In terms of the environment, we are finally seeing the digital asset markets turning around and we are convinced that the next growth phase in crypto is here. This is not only visible in the recovery of the Bitcoin price from \$15,400 one year ago at the bottom to \$37,800 currently, but across the ecosystem in terms of significantly increased investor interest and new service providers launching. This spells the end of a severe 18-month bear market, during which many of our competitors have constantly been losing investors and been heavily decimated – many only have 10–20% of their capital left compared to pre bear market. In contrast, Hilbert has been countercyclical and launched two new hedge funds during the bear market and added 12 new institutions as investors. I think we are in excellent shape to strongly capitalise on the market recovery at hand.

I want to highlight some important recent developments for the firm:

- Hilbert was recently elected by Coinbase as one of 7 fund managers globally to feature day one on the asset allocation platform, Coinbase SMA ([you can read about it here](#)). This is a big deal. Coinbase is the world's largest regulated crypto exchange and Coinbase SMA is expected to become the world's largest platform for Separately Managed Accounts in digital assets. The platform means that institutions globally easily can allocate capital to Hilbert's strategies, and we can more easily deploy new ones with less operational overhead. The setup of Coinbase SMA mimics the hugely successful similar asset allocation platforms in traditional finance such as Lyxor, MAN, Lighthouse and others. That platforms like this start to appear is a sign that the segment is becoming more mature. What this means for Hilbert, is that we expect significant institutional flows of capital via Coinbase SMA to our strategies in 2024, hence accelerating our growth.
- Our platform approach is starting to bear fruit. Beyond Coinbase SMA, our partnership with HAYVN investment bank means that our fund products are available to their 1,500+ clients and this partnership is now beginning to generate interest with several family offices starting their due diligence for investments in our funds.

- During Q3 we saw continued inflows from existing investors and a host of new investors are currently conducting due diligence on our fund products.
- We are welcoming Tim Grant to the Hilbert Group board. Tim is the CEO of the \$1bn investing and operating company DeusX and the former head of Galaxy Europe, Middle-East and Africa. Tim has significant experience at a senior level on both the sell-side and buy-side, a track record of building and leading successful blockchain businesses, and is an industry thought-leader. Tim will be a strong addition to the board as we continue to capitalize on our sustained growth and further position Hilbert as a leading digital assets investment solutions provider for institutional investors.

As was mentioned in the past quarterly report, Hilbert is currently looking at a number of interesting business opportunities and the SEK 17 million equity raise we did over the weekend of the 10th of November was a M&A preparation capital raise. Numerous companies with strong teams and technology stacks are struggling in the aftermath of the bear market. Hilbert will only pursue opportunities which makes strategic and financial sense.

We have the ambition of becoming a global leader in systematic management of digital assets by 2025 – and every accretive opportunity that may help us get there, will be evaluated.

At Hilbert we want, and take pride in, having solid foundations for our trading and we have through the years published a number of academic articles laying out the research underlying our portfolio- and strategy construction. One such paper, “Kelly Trading and Market Equilibrium”, is the most downloaded paper by far in the past 3 years in the well-known International Journal of Theoretical and Applied Finance – that makes it number 1 out of a 100 papers published during that time. This is a testament to the robust research conducted by the firm - and for giggles – it is also fun that a hedge-fund takes the academics to school, so to speak.

On a closing note, our balance sheet investment, Abu-Dhabi based HAYVN crypto bank has been going from strength to strength during the bear market. They have been growing their headcount from 27 this time last year to 57 today, with a total YTD revenue of \$4.7 million. The main revenue drivers are client trading and payment solutions. HAYVN is aiming to complete a series B funding round in 2024.

**Niclas Sandström**  
**CEO Hilbert Group**



# Chief Executive Team



## **Dr. Niclas Sandström**

Chief Executive Officer & Co-Founder, Hilbert Group

Niclas has 19 years of experience in hedge funds and investment banks. Before co-founding Hilbert, he held senior roles in risk management and quantitative analysis. Niclas has been trading in crypto-currency markets for more than six years. Previous employers include Finisterre Capital, Barclays Capital, and Credit Suisse First Boston. Niclas holds a Ph.D. in theoretical physics from Chalmers University of Technology.



## **Dr. Magnus Holm**

Chief Investment Officer & Co-Founder, Hilbert Group

Magnus has over 20 years of experience developing trading strategies and statistical- and risk models for betting systems. Magnus has been trading cryptocurrencies for the past seven years and leads the algorithmic trading program in Hilbert. He has co-authored several research papers with Dr. Hans-Peter Bermin, outlining the fundamental mechanisms behind the trading strategies that the firm deploys. Magnus holds a Ph.D. in theoretical physics from Chalmers University of Technology.



## **Richard Murray**

Chief Executive Officer, Hilbert Capital (Asset Management)

Richard has 20 years of experience developing business and investment solutions at some of the world's leading hedge funds, including Cevian Capital and Brevan Howard. Richard previously worked closely with Hilbert co-founder Dr. Sandström at Finisterre Capital, where he was Head of Business Development. Richard holds a Bachelor's in English Literature and Language from Oxford University.



## **Sylvana Sciberras**

Chief Financial Officer, Hilbert Group

Sylvana has 20 years of experience in hedge funds and financial services. She previously held roles as Head of Finance, General Manager, and Compliance Officer for the Finisterre Group. Sylvana is an accredited Auditor and has spent over a decade with Deloitte in senior roles; whereby she was also entrusted with the operations of the Audit Department. Sylvana holds a Bachelor of Accountancy (Hons) and a Bachelor of Commerce from the University of Malta.



## **Dr. Hans-Peter Bermin**

Chief Risk Officer, Hilbert Group

Hans-Peter brings 20 years of experience from investment banks and hedge funds. Before Hilbert, he held senior roles at JPMorgan, Morgan Stanley, and Capula, leading risk management and product development teams within the fixed-income and equity space. Hans-Peter has been in the cryptocurrency markets for the last four years. Hans-Peter holds a Ph.D. in financial mathematics from Lund University and has recently co-authored several research papers with Dr. Magnus Holm.



## **Mark Adams**

Chief Legal and Compliance Officer, Hilbert Group

Mark has over 15 years of legal experience and has been a lawyer, director, legal representative and company secretary at various market leading firms. Previous roles include: Head of Legal for William Hill International for over 3 years and General Counsel and Head of Compliance for The Multi Group Ltd where he was responsible for all legal, regulatory, data protection and corporate matters for the group's B2B and B2C businesses. Mark has a Masters in law, CIPP/E as well as numerous compliance qualifications.



## **Gijs Burgers**

Chief Operating Officer, Hilbert Group

Gijs Burgers has over ten years of boardroom consulting experience in the financial sector. He has been involved with cryptocurrencies since early 2013 and has worked non-stop for over ten years with blockchain technology. Before joining Hilbert, Gijs was a senior consultant and manager at strategy consulting company Innopay, a corporate strategist at APG, and he co-founded several companies in the fintech space, of which EQT-backed "Onramper" is the most prominent. Gijs holds two Master's degrees from Erasmus University Rotterdam and Tilburg University.

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# Executive, Non-Executive and Senior hires

**Hilbert continues to invest in its team of investment professionals. The firm has attracted highly experienced investment and operational talent from globally-leading financial institutions.**



**Tim Grant, CEO of Deus X Capital and Former Head of Galaxy Europe, Middle-East and Africa, Joins Hilbert Group Board**

Tim Grant recently became CEO of Deus X Capital, a newly launched \$1 billion investment and operating company focused on private equity, venture capital, venture building and fund allocation in the digital asset, blockchain, fintech and institutional capital markets sectors. Deus X Capital is a shareholder in Hilbert Group and Deus X CIO, Stuart Connolly, is already a member of the Board of Directors in Hilbert Group AB. Tim and Stuart are also Chairman and CEO, respectively, of Alpha Lab 40, an institutional-grade digital asset market maker and liquidity provider.

Tim has a distinguished background and brings deep experience in both traditional finance and the blockchain/crypto industry. Prior to co-founding Deus X, he was Head of EMEA at Galaxy Digital, a leading investor and operator in the digital asset ecosystem with assets under management of more than \$2.3 billion. Other roles Tim has held include CEO of SIX Digital Exchange, Founder and CEO of DrumG Technologies and Managing Director at both UBS Investment Bank and UBS O'Connor, the multi-strategy hedge fund.

“Since 2017, Hilbert’s focus has been to attract the industry’s best talent; as such, we are incredibly excited for Tim to join our board,” said Dr. Niclas Sandström, Hilbert Group’s CEO. “Tim has significant experience at a senior level on both the sell-side and buy-side, a track record of building and leading successful blockchain businesses, and is an industry thought-leader. We look forward to working with Tim as we continue to capitalize on our sustained growth and further position Hilbert as a leading digital assets investment solutions provider for institutional investors.”

Speaking on his appointment, Tim said: “Institutionalization of the digital asset space is gaining momentum and I strongly believe that Hilbert Group is on its way to becoming a leading international investment and trading firm servicing institutional investors. Hilbert stands out as one of the very best firms in terms of investment process, operational excellence and corporate governance and I very much look forward to working with the Board of Directors and the management team to realise the significant potential.”

Hilbert Group’s intention is to convene an EGM on 1st December at which Tim Grant will be elected to the Board of Directors.

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# Hilbert Group Investment Activities

**Hilbert Group is a quantitative investment firm connecting institutions with the digital asset markets. Hilbert's primary focus is asset management. The firm manages a range of quantitative investment solutions on behalf of institutional investors. Hilbert investment team consists of experienced professionals with significant algo-trading-investment and risk management experience across digital and advanced markets.**

Hilbert Group's main activity, asset management, is supplemented by proprietary trading and strategic balance sheet investments in block-chain related equity. These supplemental activities have been chosen because they all deal with the Company's core competencies, which are investment activity and the underlying data processing and analysis driving that activity. They also have strong synergies with asset management.

## **ASSET MANAGEMENT**

Hilbert Capital is the firm's asset management business. It is operated as a traditional regulated fund business. More specifically, Hilbert Capital specializes in the investment management and risk management of quantitative investment solutions which generate attractive returns by taking advantage of both alpha and beta trading opportunities in digital asset markets. Investors in Hilbert Capital's investment solutions are predominantly institutions.

Hilbert Capital's 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 "hedge fund model" which is typically 2 percent per annum in management fees and a 20 percent performance fee. For each Hilbert fund there are several investable share classes whose fee structures vary around the standard model, depending on the circumstances under which an investor enters.

Hilbert Group currently offers three investible funds:

### **Hilbert Digital Asset Fund / Hilbert V100 Fund**

- Inception: the strategy has been running with capital since April 2017. In January 2019, the fund employing this strategy was established and opened to external investors.
- Description: Hilbert V100 is a fully risk-on, long-only strategy. Its objective is to maximize returns with a drawdown tolerance in line with the broad crypto-currency market. Hilbert V100 employs a combination of quantitative trading techniques, such as volatility trading, long-short trading and market-making.
- For internal fund naming consistency, Hilbert Digital Asset Fund changed its name to Hilbert V100.



### **Hilbert V1 Fund**

- Inception: the strategy has been running with capital since May 2022. In August 2022, the fund employing this strategy was established and opened to external investors in October 2022.
- Description: Hilbert V1 is a high alpha, low beta strategy. Its objective is to maximize returns within a drawdown tolerance of 10-12%. Hilbert V1 employs quantitative trading techniques, such as volatility trading, long-short trading, and market-making.

### **Hilbert V30 Fund**

- Inception: the strategy has been running capital since May 2022. In May 2023, the fund employing this strategy was established and opened to external investors.
- Description: Hilbert V30 is a convex upside strategy. Its objective is to maximize returns within a drawdown tolerance of 10–20%. Hilbert V30 employs quantitative trading techniques, such as volatility trading, long-short trading and market-making.

## **PROPRIETARY TRADING**

Proprietary trading means trading part of Hilbert Group's own capital. Thus, this vertical is responsible for a portion of Hilbert Group's revenues not directly related client work. The objective of conducting proprietary trading is two-fold:

- To opportunistically deploy some of Hilbert's treasury to take advantage of favorable market environments. This type of deployment will only be done in highly liquid positions and will never utilize any net leverage.
- To test-drive the various strategies under development on real money before they get deployed into any of the investment funds.

The proprietary trading strategy is a mix of algorithmic/technical and discretionary/fundamental trading. The revenue will be generated solely through capital appreciation in the underlying portfolio.

Having proprietary trading and asset management under the same roof might imply potential challenges from a conflict-of-interest point of view. Hilbert Group assess this risk on a regular basis and will continue to adhere to best practices in this respect, with full disclosure to investors if it is deemed that this risk is materially present. The Group has made its first proprietary trade during the fourth quarter of 2021, with high-frequency trading following in the 2nd quarter 2022 and continuing thereafter. Refer to accounting principles Note 1, XVI. Cryptocurrencies

## **EQUITY INVESTMENTS**

Since inception, Hilbert Group has invested in three private companies within the blockchain ecosystem which the Group evaluates to offer attractive long-term growth potential and strategic synergies with the asset management activities. These investments are long-term, passive investments on Hilbert Group's balance sheet and are not relat-

ed to the core asset management business. The investment process relies mostly on fundamental analysis of the underlying projects, technologies, and a thorough assessment of the quality and economic outlook of those projects.

As of 30 September 2023, Hilbert Group has the following investments on its balance sheet:

- (I) 60% majority stake in COIN360 Global Ltd. COIN360 Global Ltd, was acquired in July 2021. COIN360 Global Ltd, 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. It 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. The business model for COIN360.com is currently advertising/affiliates based but will soon be extended by a SaaS/subscription revenue stream. COIN360.com operates independently from Hilbert Group.
- (II) 2.7% stake in HAYVN, a global investment bank based in Abu Dhabi specializing in digital assets. HAYVN provides a regulated institutional grade digital currency platform that offers OTC trading, a digital asset payment solution and custody of digital assets. Hilbert Group and HAYVN will be strategic partners in terms of product development and distribution of fund products. In January 2023, HAYVN also launched its HAYVN 20 Digital Asset Index Fund and is further expanding its offering to Asset Management clients. In May 2023, HAYVN also obtained Virtual Asset Service Provider (VASP) license from the Lithuanian Financial Crime Investigation Service (FNIT), further strengthening global regulatory footprint.
- (III) 5.7% stake in Capchap AB acquired in February 2022; current shareholding stands at 5.27% following a new share issue on 28th June 2023 and a share split 100-for 1 on the same date. Capchap AB changed its name to Kvanta AB on the same date during its AGM. Kvanta AB offers equity management and corporate secretarial services on the blockchain. Kvanta's AB 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 services currently provided by legal advisers can to a large degree be eliminated.

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# Financial overview

## JUNE – SEPTEMBER 2023

### Revenue and results

Revenue amounted to KSEK 5,811.2 (KSEK 10,411.3), of which KSEK 4,491.1 (KSEK 9,127.3) from Proprietary trading in cryptocurrencies, KSEK 281.2 (KSEK 189.5) from Fund management as a result of increase in Assets under Management (AUM) and the launch of Hilbert V1 and Hilbert V30, and KSEK 1,038.9 (KSEK 1,094.5) from Coin360, mainly related to Advertising income.

Operating results amounted to KSEK -6,722.9 (KSEK -7,647.4), this following the deduction of total operating expenses and income of KSEK -12,584.1 (KSEK -18,058.7); mainly relating to cost of cryptocurrencies sold KSEK -4,491.1 (KSEK -9,127.2) and KSEK -2,929.7 (KSEK -5,302.9) relating to personnel expenses, and other income and expenses including support services and depreciation and amortisation of KSEK -5,163.2 (KSEK -3,628.5).

The reduction in personnel expenses is a result of the streamlining completed by Hilbert Group during the long lasting crypto 2022 winter. The increase in depreciation, amortization and write-downs KSEK -2,027.2 (KSEK -1,709.3) reflect the capital investments by the Hilbert Group attributable to the lease entered into in July 2022 by one of its subsidiaries, including leasehold improvements and the depreciation of the right-of-use of assets. The change in other operating income and expenses KSEK 3,586.8 (KSEK 2,083.5) mainly reflects fair value adjustments of the crypto trading portfolio. Financial net of KSEK -162.7 (KSEK 7,122.8) is mainly related to foreign exchange on Euro denominated bonds, euro bond interest, other interest charges, gain or loss on group companies foreign exchange translations and foreign exchange on other account balances.

Result for the period amounted to KSEK -6,935.6 (KSEK -531.4) of which KSEK -6,211.5 (KSEK 644.3) is attributable to parent company shareholders and KSEK -724.2 (KSEK -1,175.7) to non-controlling interest.

### Balance sheet and cashflow

Total assets of the Group amount to KSEK 84,503.8 (KSEK 102,000.4) of which KSEK 52,630.9 (KSEK 66,664.6) relate to intangible assets and the right of use of assets; latter relating to a leased office premises which Hilbert entered into for a 7-year period in the amount of KSEK 6,417.0 (KSEK 6,570.6).

Total equity amount to KSEK 48,800.9 (KSEK 91,044.5) of which KSEK 32,854.2 (KSEK 68,170.3) are attributable to parent company shareholders and KSEK 15,946.7 (KSEK 22,874.2) are attributable to non-controlling interest.

Net cash flow from operating activities amounted to KSEK -5,437.1 (KSEK -10,703.9), net cash used in investing activities amounted to KSEK -984.5 (KSEK -2,787.8). Financing activities amounted to KSEK -154.6 (KSEK -102.0), related to lease payments.

At the end of the period Hilbert Group held KSEK 796.5 (KSEK 4,558.4) in cash and cash equivalents.

## **SIGNIFICANT EVENTS DURING THE THIRD QUARTER**

### **Hilbert Capital selected as first hedge fund solution for HAVVN**

Hilbert Capital has been selected by HAVVN, the digital assets financial Institution as its first hedge fund solution for its 1500+ corporate and high net worth clients in the Middle East, Asia and Europe.

### **Employee Stock Option Plan (“ESOP 2023”)**

On 15 June 2023, during the AGM, Hilbert Group AB resolved to implement an Employee Stock Option Plan (“ESOP 2023”) for the employees and consultants in Hilbert Group AB (including its subsidiaries). The participants were to be granted, free of charge, stock options to acquire B-shares in Hilbert Group AB subject to vesting over a three-year period. A maximum of 2,500,000 options were to be allocated to the participants. Each option would entitle the holder to acquire one B-share in Hilbert Group AB at a price of 150 percent of the volume weighted average price of the Hilbert Group B-shares on Nasdaq First North during the ten trading days preceding the grant date. In order to ensure the proper delivery of shares under ESOP 2023 as well as for hedging of potential social security costs, it was further resolved to issue not more than 3,000,000 warrants (which included 500,000 warrants to potentially hedge social security costs) to a wholly owned subsidiary of Hilbert Group AB.

Following this resolution, Hilbert Group AB granted 2,160,750 options on 1 July 2023, at a grant price of 1.6SEK, and an exercise price of 6.4SEK per B share. The options vest over a period of three years ending 30 June 2026 and thereafter be exercisable, provided that the Participant still is employed by Hilbert Group (or, in the case of consultants, still provides services to Hilbert Group). The Options are exercisable during the period 1 July 2026 - 30 September 2026. The options are not transferrable and may not be pledged. In the event of a public take-over, significant asset sale, liquidation, merger or any other such transaction affecting Hilbert Group, the Options will vest in their entirety following completion of change of control.

## **JANUARY – SEPTEMBER 2023**

### **Revenue and results**

Revenue decreased to KSEK 16,477.5 (KSEK 22,638.9), of which KSEK 11,800.2 (KSEK 16,233.1) from Proprietary trading in cryptocurrencies, KSEK 1,382.9 (KSEK 746.5) from Fund management as a result of increase in Assets under Management (AUM) and the launch of Hilbert V1 and Hilbert V30, and KSEK 3,294.4 (KSEK 5,659.3) from Coin360, mainly related to Advertising income.

Operating results amounted to KSEK -27,732.4 (KSEK -31,967.1), this following the deduction of total operating expenses and income of KSEK -44,209.9 (KSEK -54,606.0); mainly relating to cost of cryptocurrencies sold KSEK -11,800.2 (KSEK -16,233.1) and KSEK -10,715.2 (KSEK -14,085.6) relating to personnel expenses, and other income and expenses including support services and depreciation and amortisation of KSEK -21,694.6 (KSEK -24,287.3).

The reduction in personnel expenses is a result of the streamlining completed by Hilbert Group during the long lasting crypto 2022 winter. The increase in depreciation, amortization and write-downs KSEK -5,820.8 (KSEK - 5,283.6) reflect the capital investments by the Hilbert Group attributable to the lease entered into in July 2022 by one of its subsidiaries, including leasehold improvements and the depreciation of the right-of-

use of assets. The change in other operating income and expenses KSEK 1,781.3 (KSEK -5,837.3) mainly reflects fair value adjustments of the crypto trading portfolio. Financial net of KSEK -1,749.3 (KSEK 16,503) is mainly related to foreign exchange translation on other account balances.

Result for the period amounted to KSEK -25,946.0 (KSEK -15,752.7) of which KSEK -23,566.5 (KSEK -14,257.2) is attributable to parent company shareholders and KSEK -2,379.6 (KSEK -1,495.5) to non-controlling interest.

### **Balance sheet and cashflow**

Total assets of the Group amount to KSEK 84,503.8 (KSEK 102,000.4) of which KSEK 52,630.9 (KSEK 66,664.6) relate to intangible assets and the right of use of assets; latter relating to a leased office premises which Hilbert entered into for a 7-year period in the amount of KSEK 6,417.0 (KSEK 6,570.6).

Total equity amount to KSEK 48,800.9 (KSEK 91,044.5) of which KSEK 32,854.2 (KSEK 68,170.3) are attributable to parent company shareholders and KSEK 15,946.7 (KSEK 22,874.2) are attributable to non-controlling interest.

Net cash flow from operating activities amounted to KSEK -24,195.4 (KSEK -22,668.8), net cash used in investing activities amounted to KSEK -2,774.9 (KSEK -9,196.0). Financing activities amounted to KSEK 27,366.8 (KSEK -102.0), mainly related to proceeds from convertible loan and issue of share capital in the nine months under review.

At the end of the period Hilbert Group held KSEK 796.5 (KSEK 4,558.4) in cash and cash equivalents.

## **SIGNIFICANT EVENTS AFTER THE THIRD QUARTER**

### **Coinbase partners with Hilbert Capital**

Coinbase has selected Hilbert Capital, the asset management business of Hilbert Group AB is day one partner for its newly launched asset management platform; Coinbase SMA (Separately Managed Accounts). Hilbert Capital is seen as one seven of the world's leading digital asset managers, and the partnership agreement with Coinbase is potentially by far the most impactful agreement in Hilbert's history, with the potential to increase the firm's asset under management in 2024, and hence Hilbert's profitability. Coinbase SMA enables Institutional Investors such as pension funds and private wealth managers to access Hilbert's active investment solutions in a secure, transparent, and liquid format. Coinbase exchange caters to investors in more than 100 countries and offers trading in broad range of cryptocurrencies. Currently around SEK1,375 billion is managed on the platform, and the exchange has more than 25 million visits per month and a daily trading of around SEK25 billion. Coinbase's SMA offers a diverse range of passive and active managed digital asset strategies through SMA's.

### **Directed New Issue of SEK17 million**

Hilbert Group AB, has resolved on a directed new issue of SEK17 million before related transaction costs ('the Directed Issue'). The Company will issue a total of 3,687,638 B-shares at a price of SEK4.61.

The main part of the Directed issue (SEK15.5 million) has been resolved by the Board of Directors based on the authorisation by the Annual General Meeting. The remaining part (SEK 1.5 million) was subscribed by the CEO of Hilbert Group and is subject to approval by an extraordinary general meeting to take place on December 1, 2023.



The Directed issue is subscribed by a group of Swedish and Norwegian investors with subscriptions between SEK0.3 and SEK5.0 million; the largest subscription SEK5.0 million made by the Swedish private equity firm Sutjagin Capital AB. The majority of the subscribers are not current shareholders of Hilbert Group. Niclas Sandstrom's subscription for SEK 1.5million (325,380 B-shares) is to be resolved in the EGM and is governed by the Lex Leo (Chapter 16 of the Swedish Companies Act) therefore requiring at least 90 percent of the shares and votes to support the resolution.

The Directed issue entails an increase in the number of shares in the Company by 3,687,638 B-shares to a total of 55,921,375 shares divided into 8,500,000 A-shares and 47,421,375 B-shares. The share capital increases with SEK184,381.90 from SEK2 611,686.85 to SEK2,796,068.75. The Directed issue thereby entails a dilution effect of approximately 6.6 percent of the share capital and 2.8 percent of the votes in the Company, calculated as the number of newly issued shares divided by the total number of shares after the Directed issue.

The subscription prices has been determined through negotiations on arm's length basis with the investors and reflects the current market conditions.

The proceeds of the directed issue will be used for M&A opportunities and general corporate purposes.

### **Tim Grant, CEO of Deus X Capital and Former Galaxy Executive, joins Hilbert Group AB Board**

Hilbert announced its intention to appoint Tim Grant to the Board in accordance with a proposal by the founders of Hilbert Group who control approximately 62 percent of the votes in the Company. Hilbert Group is to convene an EGM in November at which; Tim Grant will be elected to the Board of Directors. Tim Grant has recently become the CEO of Deus X Capital, a newly launched \$1 billion Investment and operating company focused on private equity, venture capital, venture building and fund allocation in the digital asset, blockchain, fintech and Institutional capital markets sectors. Tim has a distinguished background and brings deep experience in both traditional finance and the blockchain/crypto industry. Prior to co-founding Deus X, he was Head of EMEA at Galaxy Digital, a leading operator in the digital asset ecosystem with assets under management of more than \$2.3 billion. Tim also held other roles, to mention CEO of Six Digital, Founder and CEO of DrumG Technologies and Managing Director at both UBS Investment Bank and UBS O'Connor, the multi-strategy hedge fund.

Deus X Capital is a shareholder in Hilbert Group and Deus X's CIO, Stuart Connolly sits on the Board of Directors of Hilbert Group AB. Tim and Stuart are the Chairman and the CEO respectively of Alpha Lab 40, a Institutional-grade digital asset market maker and liquidity provider.

## SHAREHOLDERS 2023-09-30

Owner	HILB A	HILB B	Capital	Votes	Verified
Magnus Holm & Companies*	1,684,300	8,125,220	18.78%	20.69%	2022-12-31
Niclas Sandström & Companies	1,180,250	6,941,957	15.55%	15.53%	2023-03-07
Frode Foss Skiftesvik & Companies	3,264,800	1,757,299	9.61%	28.51%	2022-12-31
Derivat Invest AS	850,000	2,256,259	5.95%	8.91%	2022-12-31
Red Acre Holdings Ltd.	—	2,022,000	3.87%	1.68%	2022-12-31
Erik Nerpin	—	1,700,000	3.25%	1.41%	2021-10-27
Hans-Peter Bermin*	419,050	1,421,681	3.52%	4.65%	2023-09-27
Thierry Pudet	207,400	550,522	1.45%	2.17%	2022-12-31
Chiuso Invest Aktiebolag	—	700,000	1.34%	0.58%	2023-09-27
Carl Johan Willem De Geer	—	621,423	1.19%	0.51%	2023-09-27
Others	894,200	17,637,376	26.20%	16.32%	—

Source: Monitor Sweden adjusted for \*

## 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 October 21, 2021, available on [www.hilbert.group](http://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 (a Company incorporated & registered under the laws of Malta with Company Registration Number C89451) and its wholly owned subsidiaries, also carrying 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 entitled the holder to subscribe for one new B-share in the Company. The exercise price was SEK 15 during the period 1 October, 2021 – 31 October, 2022, and SEK 20 during the period 1 November, 2022 – 31 October, 2024. A total of 10,700,000 warrants are outstanding. Assuming full exercise of the warrants, the dilution effect of the TO1B warrants corresponds to approximately 17.0 % of the share capital and 7.7 % of the votes in Hilbert Group in relation to the number of outstanding shares after the Directed share issue in Q1 2023.

Hilbert Group's share capital at the end of the reporting period was SEK 2,611,687 divided into 52,233,737 shares: 8,500,000 A-shares and 43,733,737 B-shares.

# Condensed consolidated statement of comprehensive income

KSEK	Q323	Q322	Nine months 2023	Nine months 2022	Full year 2022
Revenue	5,811.2	10,411.3	16,477.5	22,638.9	26,949.7
Cost of cryptocurrency sold	-4,491.1	-9,127.2	-11,800.2	-16,233.1	-19,567.3
Other external expenses	-6,722.8	-4,002.7	-17,655.1	-13,166.4	-17,112.1
Personnel expenses	-2,929.7	-5,302.9	-10,715.2	-14,085.6	-19,127.6
Depreciation, amortization and write-downs	-2,027.2	-1,709.3	-5,820.8	-5,283.6	-14,671.7
Other operating income and expenses	3,586.8	2,083.5	1,781.3	-5,837.3	-6,652.1
<b>Operating profit/loss</b>	<b>-6,772.9</b>	<b>-7,647.4</b>	<b>-27,732.4</b>	<b>-31,967.1</b>	<b>-50,181.1</b>
Financial items, net	-162.7	7,122.8	1,749.3	16,503.0	11,006.1
<b>Profit before income tax</b>	<b>-6,935.6</b>	<b>-524.6</b>	<b>-25,983.1</b>	<b>-15,464.0</b>	<b>-39,175.0</b>
Income tax expense	—	-6.8	37.1	-288.7	-89.2
<b>Profit/loss for the period</b>	<b>-6,935.6</b>	<b>-531.4</b>	<b>-25,946.0</b>	<b>-15,752.7</b>	<b>-39,264.1</b>
Profit/loss is attributable to:					
Parent company shareholders	-6,211.5	644.3	-23,566.5	-14,257.2	-34,084.2
Non-controlling interests	-724.2	-1,175.7	-2,379.6	-1,495.5	-5,180.0
	<b>-6,935.6</b>	<b>-531.4</b>	<b>-25,946.0</b>	<b>-15,752.7</b>	<b>-39,264.1</b>
<b>Other comprehensive income</b>					
Items that may be reclassified to profit or loss (net of tax):					
Exchange differences on translation of foreign operations	90.6	692.7	-780.3	2,403.7	2,227.4
<b>Net other comprehensive income that may be reclassified to profit or loss</b>	<b>90.6</b>	<b>692.7</b>	<b>-780.3</b>	<b>2,403.7</b>	<b>2,227.4</b>
Items that will not be reclassified to profit or loss (net of tax):					
Net gain/loss on equity instruments designated at fair value through other comprehensive income	—	—	—	—	1,922.7
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,922.7</b>
<b>Other comprehensive income, net of tax</b>	<b>90.6</b>	<b>692.7</b>	<b>-780.3</b>	<b>2,403.7</b>	<b>4,150.2</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-6,844.9</b>	<b>161.3</b>	<b>-26,726.4</b>	<b>-13,348.9</b>	<b>-35,113.9</b>
Total comprehensive income is attributable to:					
Parent company shareholders	-6,107.7	-496.9	-24,975.4	-16,261.3	-32,849.6
Non-controlling interests	-737.3	658.2	-1,751.0	2,912.3	-2,264.3
	<b>-6,844.9</b>	<b>161.3</b>	<b>-26,726.4</b>	<b>-13,348.9</b>	<b>-35,113.9</b>
<b>Earnings per share</b>					
Basic profit/loss for the period attributable to parent company shareholders	-0.12	0.01	-0.46	-0.29	-0.70
Diluted profit/loss for the period attributable to parent company shareholders	-0.12	0.01	-0.46	-0.29	-0.70
Number of shares at period-end	52,233,737	48,800,000	52,233,737	48,800,000	48,800,000
Weighted number of share before and after dilution	52,233,737	48,800,000	51,610,286	48,800,000	48,800,000

# Condensed consolidated balance sheet

KSEK	30 September 2023	30 September 2022	31 December 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment	1,952.7	880.6	1,702.0
Right-of-use assets	6,417.0	6,570.6	6,983.6
Intangible assets	46,213.9	60,094.0	46,872.3
Other non-current assets	15,720.8	14,016.6	15,343.4
<b>Total non-current assets</b>	<b>70,304.4</b>	<b>81,561.8</b>	<b>70,901.3</b>
<b>Current assets</b>			
Inventory of cryptocurrencies	6,770.9	10,917.3	8,207.7
Other receivables	2,391.2	2,740.0	2,529.1
Receivables from related parties	4,240.8	2,221.8	2,422.2
Receivables from shareholders	—	1.1	1.0
Cash and cash equivalents	796.5	4,558.4	388.2
<b>Total current assets</b>	<b>14,199.4</b>	<b>20,438.6</b>	<b>13,548.3</b>
<b>TOTAL ASSETS</b>	<b>84,503.8</b>	<b>102,000.4</b>	<b>84,449.6</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity, parent company shareholders	32,854.2	68,170.3	51,581.8
Non-controlling interests	15,946.7	22,874.2	17,697.6
<b>Total equity</b>	<b>48,800.9</b>	<b>91,044.5</b>	<b>69,279.5</b>
<b>Non-current liabilities</b>			
Lease liability	5,711.5	6,098.5	6,221.5
<b>Total non-current liabilities</b>	<b>5,711.5</b>	<b>6,098.5</b>	<b>6,221.5</b>
<b>Current liabilities</b>			
Convertible bond	23,746.2	—	—
Lease liability	992.6	590.4	1,184.6
Other payables	2,819.6	394.4	3,237.7
Payables to shareholders	—	29.3	26.4
Current tax liabilities	—	124.1	124.1
Accrued expenses and deferred revenue	2,433.0	3,719.2	4,375.8
<b>Total current liabilities</b>	<b>29,991.4</b>	<b>4,857.4</b>	<b>8,948.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>84,503.8</b>	<b>102,000.4</b>	<b>84,449.6</b>

# Condensed consolidated statement of changes in equity

KSEK	Attributable to parent company shareholders					Total	Non-controlling interest	Total equity
	Share capital	Share issue in progress	Other paid-in capital	Other reserves	Retained earnings			
<b>Balance at 31 December 2021</b>	<b>2,440.0</b>	—	<b>86,110.0</b>	<b>17.4</b>	<b>-4,135.8</b>	<b>84,431.5</b>	<b>19,961.9</b>	<b>104,393.4</b>
Comprehensive income	—	—	—	-2,004.1	-14,257.2	-16,261.3	2,912.3	-13,348.9
<b>Balance at 30 September 2022</b>	<b>2,440.0</b>	—	<b>86,110.0</b>	<b>-1,986.7</b>	<b>-18,393.0</b>	<b>68,170.3</b>	<b>22,874.2</b>	<b>91,044.5</b>
<b>Balance at 31 December 2022</b>	<b>2,440.0</b>	—	<b>86,110.0</b>	<b>1,251.8</b>	<b>-38,220.0</b>	<b>51,581.8</b>	<b>17,697.6</b>	<b>69,279.5</b>
Share issue	171.7	—	5,528.3	—	—	5,700.0	—	5,700.0
Value of conversion rights	—	—	259.7	—	—	259.7	—	259.7
Stock options IFRS 2	—	—	288.1	—	—	288.1	—	288.1
Comprehensive income	—	—	—	-1,409.0	-23,566.5	-24,975.4	-1,751.0	-26,726.4
<b>Balance at 30 September 2023</b>	<b>2,611.7</b>	—	<b>92,186.1</b>	<b>-157.2</b>	<b>-61,786.5</b>	<b>32,854.2</b>	<b>15,946.7</b>	<b>48,800.9</b>

A directed issue of shares was resolved by an extraordinary general meeting of Hilbert Group AB (publ) on 6 March 2023.

Conversion right related to the EUR 2 million Convertible Bond in April 2023 is presented as Other paid-in capital. Refer to Financial overview for further information.

Also fair value on grant date 1 July 2023 of stock options, pertaining to the incentive scheme ESOP 2023, is presented as Other paid-in capital. Refer to Financial overview and note 3 for further information.



# Condensed consolidated statement of cash flows

KSEK	Q323	Q322	Nine months 2023	Nine months 2022	Full year 2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Profit/loss before tax</b>	<b>-6,935.6</b>	<b>-524.6</b>	<b>-25,983.1</b>	<b>-15,464.0</b>	<b>-39,175.0</b>
Adjustments for items not affecting cash:	1,719.5	-7,706.8	8,862.1	-5,724.8	14,777.7
Taxes paid	—	-6.3	-87.0	-199.0	—
<b>Cash flow from operating activities before changes in working capital</b>	<b>-5,216.1</b>	<b>-8,237.7</b>	<b>-17,208.0</b>	<b>-21,387.8</b>	<b>-24,397.3</b>
<b>Changes in working capital</b>					
Receivables	-35.1	-1,052.6	-824.3	-360.0	-856.0
Payables	-185.9	-1,413.6	-6,163.1	-921.0	2,916.0
<b>Cash flow from changes in working capital</b>	<b>-221.0</b>	<b>-2,466.2</b>	<b>-6,987.4</b>	<b>-1,281.0</b>	<b>2,060.0</b>
<b>Net cash flow from operating activities</b>	<b>-5,437.1</b>	<b>-10,703.9</b>	<b>-24,195.4</b>	<b>-22,668.8</b>	<b>-22,337.3</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Purchase of equipment	-38.8	-33.2	-524.6	-600.0	-1,641.8
Net proceeds from/purchase of intangible assets	-945.7	2,821.0	-2,250.3	-1,325.0	-4,421.8
Purchase of financial instruments	—	—	—	-7,271.0	-7,271.0
<b>Net cash used in investing activities</b>	<b>-984.5</b>	<b>2,787.8</b>	<b>-2,774.9</b>	<b>-9,196.0</b>	<b>-13,334.6</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of share capital	—	—	5,700.0	—	—
Principal elements of lease payments	-154.6	-102.0	-965.9	-102.0	-111.0
Proceeds from convertible loan	—	—	22,632.7	—	—
<b>Net cash generated from financing activities</b>	<b>-154.6</b>	<b>-102.0</b>	<b>27,366.8</b>	<b>-102.0</b>	<b>-111.0</b>
<b>Cash flow for the period</b>	<b>-6,576.2</b>	<b>-8,018.1</b>	<b>396.5</b>	<b>-31,966.8</b>	<b>-35,782.9</b>
Foreign currency translation, cash and cash equivalents	-2.7	352.1	11.8	824.4	470.3
Cash and cash equivalents at beginning of the period	7,375.4	12,224.4	388.2	35,700.8	35,700.8
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>796.5</b>	<b>4,558.4</b>	<b>796.5</b>	<b>4,558.4</b>	<b>388.2</b>

# Condensed parent company income statement

KSEK	Q323	Q322	Nine months 2023	Nine months 2022	Full year 2022
Revenue	439.3	—	1,320.0	—	1,487.9
Other external expenses	-2,089.9	-1,858.0	-8,447.4	-7,170.0	-10,417.0
Personnel expenses	-1,330.4	-1,268.1	-3,406.3	-5,030.8	-6,880.2
Depreciation and amortisation	-1.4	-1.4	-4.3	-1.4	-2.9
Other operating expenses	-63.7	-67.6	382.7	-200.6	-201.5
<b>Operating profit/loss</b>	<b>-3,046.1</b>	<b>-3,195.1</b>	<b>-10,155.3</b>	<b>-12,402.8</b>	<b>-16,013.6</b>
Financial items, net	-92.1	7,272.6	1,509.0	16,652.9	191.7
<b>Profit before income tax</b>	<b>-3,138.2</b>	<b>4,077.5</b>	<b>-8,646.3</b>	<b>4,250.1</b>	<b>-15,821.9</b>
Income tax expense	—	—	37.1	-89.2	-89.2
<b>PROFIT/LOSS AFTER TAX</b>	<b>-3,138.2</b>	<b>4,077.5</b>	<b>-8,609.2</b>	<b>4,160.9</b>	<b>-15,911.1</b>

Hilbert Group AB's activities are focused on group management services, group accounting and fund investor relations. The company employs 3 (4) people. Revenue for the third quarter as well as the nine-month period 2023 comprises recharge of certain personnel expenses to subsidiaries. For the year 2022, such recharges were made in the fourth quarter for the entire year. Other external expenses for the quarter as well as for the nine-month period include recharges from other group entities. Such expenses were also recharged during the fourth quarter 2022 for the full year 2022.

The decrease in personnel expenses for the nine-months period 2023 compared to the same period 2022 is pertaining to certain non-recurring items for formation of the team that affected the comparison period.

On 28 April 2023 Hilbert Group AB concluded and signed the financing of a Euro denominated 10% fixed rate Convertible bond of EUR 2 million. Refer to the Financial Overview section of this report for further information. Financial net for the third quarter 2023 is pertaining to accrued interest and currency translation effects on the Euro denominated Convertible bond. For the comparison periods, financial net comprises currency translation effects on receivables on group companies denominated in USD.

Cash and cash equivalents at the end of the period amounted to 458.1 (456.7) KSEK.

The AGM on 15 June 2023 resolved to implement an Employee Stock Option Plan ("ESOP 2023") for the employees and consultants in Hilbert Group AB (including its subsidiaries). On 1 July 2023 participants were granted, free of charge, stock options to acquire B-shares in Hilbert Group AB subject to vesting over a three-year period. The options may be exercised during a period of three months starting 1 July 2026 at an exercise price of 6.41 SEK per B-share. As the options have been granted free of charge, there has been no effect on Hilbert Group AB cash flow for the period. Refer to the Financial Overview section of this report for further information about ESOP 2023.

During the first quarter 2023 Hilbert Group carried out a directed issue of B-shares of SEK 5.7 million. The main part (SEK 4.9 million) was resolved by the Board of Directors based on an authorization by the AGM and the remaining part (SEK 0.8 million) was approved by the EGM on 6 March 2023.

# Condensed parent company balance sheet

KSEK	30 September 2023	30 September 2022	31 December 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment	10.0	15.8	14.3
Shares in subsidiaries	2,900.0	2,900.0	2,900.0
<b>Total non-current assets</b>	<b>2,910.0</b>	<b>2,915.8</b>	<b>2,914.3</b>
<b>Current assets</b>			
Receivables from group companies	91,350.6	90,092.9	73,587.5
Other receivables	180.9	—	190.3
Cash and cash equivalents	458.1	456.7	116.9
<b>Total current assets</b>	<b>91,989.6</b>	<b>90,549.6</b>	<b>73,894.7</b>
<b>TOTAL ASSETS</b>	<b>94,899.6</b>	<b>93,465.3</b>	<b>76,809.0</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity	68,074.9	90,508.4	70,436.4
<b>Current liabilities</b>			
Convertible bond	23,746.2	—	—
Other payables	1,871.2	414.6	1,926.3
Payables to group companies	—	1,256.2	2,292.8
Current taxes	—	124.1	124.1
Accrued expenses	1,207.3	1,162.1	2,029.5
<b>Total current liabilities</b>	<b>26,824.7</b>	<b>2,956.9</b>	<b>6,372.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>94,899.6</b>	<b>93,465.3</b>	<b>76,809.0</b>

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# Notes

## **NOTE 1**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **I. Accounting principles**

This note describes the comprehensive basis of preparation which has been applied in preparing the consolidated financial statement, as well as the accounting policies for specific areas applied by Hilbert Group AB (publ) and the Group in which Hilbert Group AB (publ) is the Parent company.

Hilbert Group AB's city of residence is Stockholm, Sweden. The terms "Hilbert Group", the "Group" or the "Company" refers, depending on the context, to Hilbert Group AB (publ) (corporate ID No. 559105-2948) or the consolidated Group in which Hilbert Group AB (publ) is the Parent company and its subsidiaries. Enumerated amounts presented in tables and statements may not always agree with the calculated sum of the related line items due to rounding differences. The aim is for each line item to agree with its source and therefore there may be rounding differences affecting the total when adding up the presented line items.

#### **II. Basis of preparation**

This Q32023 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 2022, unless otherwise stated below.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

#### **III. Consolidation**

Subsidiaries are fully consolidated from the date on which the Group achieves control and continues to be consolidated until the date that such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or

similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Upon consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### **IV. Segment reporting**

The chief operating decision maker (CODM) for Hilbert Group comprises Group management, as it is the Group management team who evaluates the Group's balance sheet and performance and make strategic decisions. The management bases its decisions on the Group in its entirety when allocating resources and assessing performance. Internal reporting is also based on the performance of the Group as a whole. Given the above, the assessment is that Hilbert Group has one operating segment, which comprises the Group as a whole.

For information about revenue per geographical area, refer to note 2. Funds managed by Hilbert Group; Hilbert Digital Asset Fund (HDAF), Hilbert V1 Fund (HV1) and Hilbert V30 Fund (HV30), from which fund management fees are received, there are no major customers, individually or as a group. Proprietary trading with cryptocurrencies is executed on crypto exchanges where the buyer is not known to the seller.

#### **V. Business combinations and goodwill**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.



It is determined that a business has been acquired when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process, or it significantly contributes to the ability to continue producing outputs. An acquisition that does not meet the criteria is identified as an acquisition of a group of assets that do not constitute a business. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred
  - amount of any non-controlling interest in the acquired entity, and
  - acquisition-date fair value of any previous equity interest in the acquired entity
- over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration that is classified a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## **VI. Acquisition of subsidiaries constituting an asset acquisition**

Upon acquisition of a subsidiary Hilbert Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs. An acquisition of a subsidiary that does not meet the criteria is identified as an acquisition of a group of assets that do not constitute a business. For such acquisitions, constituting net assets without significant processes, the acquisition cost is allocated to the identifiable assets and liabilities based on their relative fair values at the date of the acquisition. Transaction costs are added to the purchase price of the acquired net assets when assets are ac-

quired. Holdings of non-controlling interest in subsidiaries recognised as asset acquisitions are measured according to the same principles as for business combinations except the inclusion of goodwill.

## VII. Foreign currency translation

The Group's consolidated financial statements are presented in Swedish krona (SEK), which is also the Parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

### (i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

### (ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Swedish krona at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income (OCI). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### Exchange rates applied for translation

SEK	Q32023		Q32022		2022	
	Closing	Average	Closing	Average	Closing	Average
USD	10.8413	10.5887	11.1227	9.9213	10.4371	10.1245

## VIII. Asset and liabilities current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
  - held primarily for the purpose of trading
  - expected to be realised within twelve months after the reporting period or
  - cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
- All other assets are classified as non-current.

A liability is current when it is:

- expected to be settled in the normal operating cycle
- held primarily for the purpose of trading
- due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

## **IX. Offsetting financial instruments**

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## **X. Fair value measurement**

The Group measures financial instruments such as equity investments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted market prices at the end of the reporting period.

**Level 2:** The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter financial instruments) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

## **XI. Equipment**

Equipment is initially recorded at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Computer equipment      5 years
- Furniture and Fittings      5 years
- Leasehold Improvements      7 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## **XII. Leases**

The 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. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group is only a party to contracts in which the Group is a lessee.

### **i) Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Periods covered by an extension option 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 testing.

### **ii) Lease liabilities**

At the commencement date of the lease, lease liabilities measured at the present value of lease payments to be made over the lease term are recognised. 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 2022.

Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss in the period in which the event or condition that triggers payment occurs.

## **XIII. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination or as a group of assets is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment

losses. Internally generated intangibles, excluding but capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with indefinite useful lives, such as brand names and cryptocurrencies, are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An acquired asset is capitalised on the basis of the costs incurred to acquire and bring to use the specific asset.

Amortisation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

■ Technology acquired as an asset	5 years
■ Website development	3–5 years
■ Software licenses	3 years

Costs associated with maintaining intangible assets are recognised as an expense as incurred.

#### **XIV. Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use
- its intention to complete and its ability and intention to use the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

#### **XV. Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### **XVI. 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. Cryptocurrencies in the proprietary trading portfolio are initially measured at cost and subsequently at fair value less costs to sell based on quoted market prices and classified as Inventory.

With effect from April 2022, Hilbert Group commenced trading of cryptocurrencies on its own account (proprietary trading) applying a mix of algorithmic/technical and discretionary/fundamental trading.

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 policy 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.

Inventory of cryptocurrency is recognised at fair value less costs to sell. Changes in fair value are recognised as other operating income and expenses in the statement of comprehensive income.

## **XVII. Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

## **XVIII. Equity instruments**

The Group's equity instruments are not held for trading. At initial recognition, the equity instruments are measured at fair value, and subsequently at fair value through other comprehensive income (FVOCI). Only dividend income is recognised in profit or loss, whereas all other gains and losses are recognised in OCI without reclassification to profit or loss on derecognition. Transaction costs are expensed in profit or loss.

## **XIX. Receivables**

Receivables comprise amounts due from customers for services performed in the ordinary course of business. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit losses.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles and historical credit losses of the Group.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others,

the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on receivables are presented within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## **XX. Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at face value. In the statement of cash flows, cash and cash equivalents include deposits held with banks.

## **XXI. Liabilities**

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

## **XXII. Convertible Bond**

Convertible bond is initially recognised at fair value, net of transaction costs incurred. Convertible bond are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the Convertible bond using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Convertible bond are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

## **XXIII. Current and deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and



laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **XXIV. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

#### **XXV. Reserves in equity (other reserves)**

Reserves comprise:

- fair value reserve of assets at fair value through other comprehensive income
- translation reserve including exchange rate differences arising on translation to Swedish krona (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

#### **XXVI. Employee benefits**

##### **(i) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

##### **(ii) Pension plans**

Currently, there are no pension plans within the Group.

##### **(iii) Compensation in case of dismissal**

A provision is recognised in connection with redundancies of staff only if the entity is formally obliged to terminate an employment relationship before the normal date or when benefits are made as an offer to initiate voluntary resignation.

##### **(iv) Employee share-based payment/Employee Stock Option Plan**

Hilbert Group AB (publ) resolved to implement an Employee Stock Option Plan ("ESOP 2023") for the employees and consultants in Hilbert Group AB (including its subsidiaries). The resolution came into effect on 15 June 2023 during its Annual General Meeting. ESOP 2023 is a program under which the Participants are granted, free of charge, stock options to acquire B-shares in Hilbert Group AB, subject to a vesting over a three-year period in accordance with the terms and conditions.

The first tranche of the Options was granted as of 1 July 2023, (the Grant Date). Each option entitles the holder to acquire one B-share in Hilbert Group AB at a price of 150 percent of the volume weighted average price of the Hilbert Group B-share on Nasdaq First North during the ten trading days preceding the grant date. Exercise price is 6.4 SEK per B share. The Options vest over a three-year period ending 30 June 2026, and thereafter be exercisable, provided that the Participant still is employed by Hilbert Group (or, in the case of consultants, still provides services to Hilbert Group). If the participant is no longer employed/provides services to Hilbert Group at the expiry of the vesting period, the Options become null and void. The options are exercisable during the period 1 July 2026 – 30 September 2026. Options are not transferable and may not be pledged. In the event of a public take-over, significant asset sale, liquidation, merger or any other such transaction affecting Hilbert Group, the Options will vest in their entirety following completion of change in control.

Hilbert Group has the right to change these terms and conditions to the extent required by law, court ruling, government decision or agreement of if otherwise, in Hilbert Group's reasonable judgement for practical reasons it is appropriate or necessary and the Participant's rights are not impaired in any material respect.

Hilbert Group has issued warrants to a subsidiary in order to secure its capacity to deliver shares to the Participants in ESOP 2023.

Set out below are the summaries of options granted under the plan.

	<b>2023</b>
	<b>No of options</b>
As at 1 January	—
Granted during the year	2,160,750
Exercised during the year	—
Forfeited during the year	—
<b>As at 30 September</b>	<b>2,160,750</b>

No options expired during the periods covered by the above tables.

The assessed fair value of the options at grant date 1 July 2023 was 1.6 SEK. The fair value at grant date is independently determined using the Black-Scholes model.

The model inputs for the options granted during the quarter end 30 September 2023 included:

- (a) Exercise price: 6.41 SEK per B-share;
- (b) Grant date: 1 July 2023
- (c) Expiry date: 30 June 2026
- (d) Share price at grant date: 1.6 SEK
- (e) Expected volatility price of the shares: 75 %
- (f) Risk free interest rate: 3 %
- (g) Expected dividend yield: nil

The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

Participants of the option programme are responsible for any tax in connection with the allocation of the Options, vesting of options, exercise of options and sale of shares acquired by the Participants through the exercise of the Options. Hilbert Group is responsible for social security fees and similar taxes and charges that Hilbert Group (and its subsidiaries) shall bear as employer/client of the Participant.

## XXVII. Revenue from contracts with customers

Revenue is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the services to be provided.

For fixed-price advertising contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. An output method, based on contract time elapsed, is used for measuring the services transferred.

Asset management and performance fee are recognised at a point in time; management fee and performance fee are accrued on a monthly basis, and crystallise on a monthly and quarterly basis, respectively.

## XXVIII. Dividend

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. As per the corporate laws of Sweden, a distribution is authorised when it is approved by a general meeting of shareholders. A corresponding amount is recognised directly in equity.

## NOTE 2

### REVENUE FROM CONTRACTS WITH CUSTOMERS

#### Revenue by major revenue stream

KSEK	Q323	Q322	Nine months 2023	Nine months 2022	Full year 2022
Fund management fees	281.2	189.5	1,382.9	746.5	874.7
Advertising income	1,038.9	1,094.5	3,294.4	5,659.3	6,507.8
Sales of cryptocurrency	4,491.1	9,127.3	11,800.2	16,233.1	19,567.3
<b>Total</b>	<b>5,811.2</b>	<b>10,411.3</b>	<b>16,477.5</b>	<b>22,638.9</b>	<b>26,949.7</b>

#### Timing of revenue recognition

KSEK	Q323	Q322	Nine months 2023	Nine months 2022	Full year 2022
At a point in time	4,783.5	9,443.0	13,218.9	17,217.3	20,691.5
Over time	1,027.7	968.3	3,258.6	5,421.6	6,258.3
<b>Total</b>	<b>5,811.2</b>	<b>10,411.3</b>	<b>16,477.5</b>	<b>22,638.9</b>	<b>26,949.7</b>

#### Revenue by country of group company incorporation

KSEK	Q323	Q322	Nine months 2023	Nine months 2022	Full year 2022
Cayman Islands	4,772.4	9,316.8	13,183.0	16,979.6	20,441.9
British Virgin Islands	1,038.8	1,094.5	3,294.5	5,659.3	6,507.8
<b>Total</b>	<b>5,811.2</b>	<b>10,411.3</b>	<b>16,477.5</b>	<b>22,638.9</b>	<b>26,949.7</b>

### **NOTE 3**

#### **CONVERTIBLE BOND**

On 28 April 2023 Hilbert Group AB concluded and signed the financing of a Euro denominated 10% fixed rate convertible bond of EUR 2 million, equivalent to SEK 22.2 million approximately. The bond is for a term of three years and is due to be repaid in 2026, or earlier in full redemption price upon the occurrence of certain events; namely Change of Control, Event of Default, Insolvency, Qualified Financing and Free cashflow generation as per the agreed terms of contract (as further detailed below). The bond is secured by a pledge over certain Hilbert Group assets and secures the cashflow and provides sufficient liquidity for at least the coming 12 months.

The interest is payable on maturity of the bond, i.e., after three years. On the maturity date Hilbert Group shall pay the nominal amount of the loan, accrued interest and a premium equal to 100 per cent of the nominal amount of the loan. The loan will become due and payable prematurely if Hilbert Group at any time during the three-year term of the loan raises six million Euro or more in a new issue of shares. In such case, the lenders under the loan facility may choose between repayment of the nominal amount plus accrued interest but without a premium on the nominal value or to convert the loan amount to B-shares. The subscription price shall be the lower of SEK 9 and the issue price in the new issue of shares of EUR6 million or more. Such conversion of the loan to shares will be carried out through a new issue with payment by set-off of the loan which requires approval by Hilbert Group's shareholders.

The convertible bond amounting to kSEK 23,746.2 as of 30 September 2023, is presented as current. Management has and will continue to focus its efforts to settle the convertible bond prematurely, assuming a 12-months period after the reporting date.

The face value of the bond issued amounted to SEK22,721,013 and the value of conversion rights amount to SEK 259,700.

Interest expense amounted to SEK 1,025,237 and is calculated by applying the effective interest rate of 10.5% to the liability component.

The initial fair value of the liability portion of the bond was determined using a market interest rate of 11% for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

The fair values are not materially different from their carrying amounts, since the interest payable on those convertible bonds-liability portion is short-term with expected settlement date after the 12-month period of the reporting date of this quarter.

## NOTE 4 FAIR VALUE MEASUREMENT

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

<b>30 September 2023</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments	Equity securities	—	—	15,720.8	<b>15,720.8</b>
Intangible assets	Cryptocurrencies	2,236.0	—	—	<b>2,236.0</b>
Inventory	Cryptocurrencies	6,770.9	—	—	<b>6,770.9</b>
<b>30 September 2022</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments	Equity securities	—	—	14,016.6	<b>14,016.6</b>
Intangible assets	Cryptocurrencies	4,479.4	—	—	<b>4,479.4</b>
Inventory	Cryptocurrencies	10,917.3	—	—	<b>10,917.3</b>
<b>31 December 2022</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments	Equity securities	—	—	15,134.7	<b>15,134.7</b>
Intangible assets	Cryptocurrencies	1,518.5	—	—	<b>1,518.5</b>
Inventory	Cryptocurrencies	8,207.7	—	—	<b>8,207.7</b>

For Equity investments fair value remains unchanged since prior quarter Q4 2022. For valuation, an Income approach has been applied. Future income and expenses for the entity are converted to a current discounted amount, reflecting current market expectations about those future amounts.

For information about the fair value hierarchy levels and inputs used, refer to the 2022 Annual report.

## NOTE 5 PLEGGED ASSETS AND CONTINGENT LIABILITIES

The parent company Hilbert Group AB (publ) has pledged all shares in the wholly owned subsidiary HC Holding Ltd as collateral against the EUR 2 million convertible bond agreement concluded during the second quarter 2023. Assets pledged on 30 September 2023 as well as at year-end 2022 comprised KSEK 50.0 of cash and cash equivalents held by Hilbert Group AB.

On 30 September 2023, neither the parent company nor any other Hilbert Group company has pledged any other assets and there are no contingent liabilities. The same applied for the comparison periods in this report.

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# 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 2023  
Board of Directors

Erik Nerpin  
*Chairman*

Frode Foss-Skiftesvik  
*Board member*

David Butler  
*Board member*

Stuart Connolly  
*Board member*

Niclas Sandström  
*CEO*

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

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# Other information

## **FINANCIAL CALENDAR**

Interim Report Q4

28 February 2024

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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 12:00 CET on 30 November, 2023.