
Hilbert Group AB (publ)

Year-End Report 2022



Year-End Report 2022 In Brief

FINANCIAL EVENTS

Fourth quarter

- Revenues amounted to kSEK 4,310.90 (5,693.7)
- Operating profit/loss (EBIT) totaled kSEK -18,214.0 (-4,134.6)
- Result for the period was kSEK -23,511.5 (-2,681.1)
- Cash flow from operating activities amounted to kSEK -3,765.0 (-2,694.0)
- Earnings per share before and after dilution amounted to SEK -0.41 (-0.07)

Full year January – December

- Revenues amounted to kSEK 26,949.70 (9,185.9)
- Operating profit/loss (EBIT) totaled kSEK -50,181.0 (-5,754.4)
- Result for the period was kSEK -39,264.1 (-3,987.6)
- Cash flow from operating activities amounted to kSEK -25,851.0 (-3,730.0)
- Earnings per share before and after dilution amounted to SEK -0.70 (-0.26)

SIGNIFICANT EVENTS

During the fourth quarter and after the reporting period

- Hilbert Group has opened the Hilbert VI Fund to institutional investors following regulatory approval during the fourth quarter.
- Hilbert Group's subsidiary Coin360.com launched an NFT-heatmap in partnership with leading marketplace Rarible during the fourth quarter.
- After the reporting period a directed issue of shares of SEK 5.7 million has been carried out and terms for a loan facility of SEK 22.2 million have been agreed. A part of the directed issue (SEK 0.8 million) requires approval by an EGM. This financing, when firmly agreed, will secure the cash flows and liquidity for the coming 12 months

Financial overview

kSEK	Q422	Q421	Full year 2022	Full year 2021
Revenue	4,310.9	5,693.7	26,949.7	9,185.9
EBIT	-18,214.0	-4,134.6	-50,181.0	-5,754.4
Profit/loss for the period	-23,511.5	-2,681.1	-39,264.1	-3,987.5
Earnings per share	-0.41	-0.07	-0.70	-0.26
Equity	67,297.4	104,393.5	67,297.4	104,393.5
Total assets	82,467.5	114,979.3	82,467.5	114,979.3
Equity/assets ratio, %	0.82	0.91	0.82	0.91

The information in this report is presented as combined financial statements for the year 2021. The legal formation of Hilbert Group occurred during the third quarter of 2021, when Hilbert Group AB (publ) acquired all outstanding shares in HC Holding Limited, incorporated in Malta. Financial information for the parent company and the operating entities have been combined for the year 2021, in order to provide meaningful and relevant information for all periods covered by the report. Refer to Note 1 on page 22 and the Annual Report 2021 for further information about accounting principles applied.

CEO's address

Dear Shareholders,

In the past months we have worked hard to find the right financing solution for Hilbert under very tough market conditions. I am very pleased that we have been able to announce a new issue of shares and that we have agreed terms on a loan financing. Having ensured that Hilbert is about to be well capitalised, enabled us to then define our business objectives and goals for 2023.

I want to emphasize that despite the deep funk in digital asset markets, Hilbert has never been in a stronger position in terms of potential growth, and in terms of the company's ability and capacity to attract the second wave of institutional capacity that we now see moving into crypto markets.

I am also very pleased to welcome Stuart Connolly, a principal of Red Acre Ventures, to the board of Hilbert Group. Stuart/Red Acre has been a valuable and very knowledgeable partner to Hilbert for almost two years and that partnership is now getting formalised by Stuart being elected to the board of Hilbert Group. Stuart brings strong crypto domain knowledge and a deep international network of investors and partners. In addition, Stuart is also on the board of HAYVN, one of our strongly performing private equity investments, and Red Acre Ventures is a major investor in HAYVN.

ASSET MANAGEMENT

Highlights:

- As previously reported, Hilbert has seen a 100%+ increase as of today in firmwide assets under management (AUM) compared to the end of Q3 2022 – despite being in a severe bear market. The main driver of the AUM growth has been institutional investments into the new Hilbert VI fund which opened to external investors in October 2022.
- We have managed to outperform many of our peers in the past year and so far, this year. Hilbert's investment strategies are up between 10% and 70% in the first 7 weeks of 2023. Our new strategy, Hilbert V30, is up 20% since we started trading it on 1st of May 2022, while the broader crypto market is down over 50% over that same period.
- We are seeing strong demand for products with a meaningful directional exposure to crypto markets, both in terms of managed accounts requests and in fund format. Therefore, we will open the Hilbert V30 fund to external investors during Q2 2023. The V30 strategy is designed to have a 25%-ish tolerance to drawdowns, on an annual basis, while retaining a large portion of the upside.

- One of the key strengths of Hilbert Group is that we have an extensive international network and can truly offer our investment solutions globally. In the past 6 months, we have continuously travelled and met with institutions in Europe, UK and the USA, and the investor sentiment there is one of expansion and positioning for a recovery in digital asset markets. The mess in 2022 has, more than ever, put the spotlight on quality of infrastructure of asset managers and operational risk – all the way from prime brokers and fund administrators to banking setup and custodians. In this respect, our rigorous approach to asset management is starting to pay big dividends – we are ready.
- Being well-positioned in the market and with the financing on its way, we are confident to set our goals high: AUM at the end of Q2 2023 shall amount to SEK 750 million and increase further to SEK 1.5 billion at the year end – all based on our current pipeline.

COIN360 - INVESTMENT

Highlights:

- The company reduced some of its staff back in August 2022 when its board deemed that it had become too bloated, staff-wise, and it was likely that a more persistent bear-market was at hand. This reduction decreased the monthly burn for the company by about 60% and this has enabled COIN360 to still be net profitable since day 1.
- COIN360 rolled out the anticipated NFT-heatmap during Q4 in 2022. This is a first of a long string of new features and apps to be added to the website. The roll-out time is still too long for us to be anywhere near satisfied, and reducing this lead-time is a focus during first half of 2023.
- Our near-term objectives and goals for COIN360 are:
 - A complete shift in how and what content is rolled out on the website and associated channels such as twitter and newsletters etc. A new head of content of COIN360.com was hired last week.
 - To reach USD 150k in monthly ad-revenue income alone, by July 2023.
 - To have a full-fledge subscription service in place in the second half of 2023.

HAYVN - INVESTMENT

Highlights:

- During 2022 revenues grew from \$0.68 million in 2021 to \$3.5 million in 2022 – this corresponds to a 5x revenue growth year-on-year.
- Company now has 4 revenue streams – Sales & Trading, PAY, Custody and Asset Management. Sales & Trading and PAY were the main drivers of the revenue growth.
- Sales & Trading is expected to be a key revenue driver for HAYN in 2023 with an estimated average monthly growth of 13.1%.
- HAYVN estimates they will have reached \$300 million in assets under custody by year-end 2023.

Niclas Sandström
CEO Hilbert Group

Hilbert Group

– recent senior hires

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



Richard Murray
CEO of Hilbert Capital

Richard joined us as Chief Executive Officer of Hilbert Capital, bringing 2 decades experience developing business and investment solutions at some of the world's leading hedge funds. This includes Cevian Capital (Europe's largest activist) and Brevan Howard (the world's largest macro fund, at the time).

Richard previously worked closely with Hilbert co-founder Dr. Sandstrom at Finisterre Capital, where he was Head of Business Development. This brings the total number of former Finisterre Capital colleagues working together at Hilbert to 6.

Richard has partnered with several former Brevan Howard colleagues at Hilbert to develop its investment solutions and client base globally.



Thierry Pudet Ph.D.
Senior Quant Strategist

Dr. Pudet joined Hilbert as a Senior Quant Strategist, bringing three decades of quantitative investing and risk management experience to Hilbert.

Dr. Pudet was previously Chief Risk Officer at Citadel in Europe (one of the largest and most successful hedge funds globally) where he was hired in 2008 to risk-manage the hedge fund through the global financial crisis. Dr. Pudet worked closely with Hilbert co-founder, Dr Sandstrom, at Finisterre Capital for several years where he was Chief Risk Officer. Dr. Pudet was also European Head of Risk for Structured Products at Goldman Sachs and Co-Head of Fixed Income Research at Salomon Brothers.



Nicholas Yannakoyorgos
Senior Quant Programmer

Nick joined Hilbert as a Senior Quant Programmer, bringing more than 23 years of programming experience for quantitative trading strategies and systems. Nick was previously senior quant at JP Morgan for 23 years in the rates, FX, and credit derivatives division. At JPMorgan, Nick worked closely with Hilbert's Chief Risk Officer, Dr. Hans-Peter Bermin, for six years.



Mark Adams
Chief Legal Officer

Mark joined Hilbert as Chief Legal Officer, bringing 15 years of legal experience.

Mark was the former Head of Legal at William Hill International where he was part of the senior leadership team and was responsible for a sizable team of legal staff globally. Mark was a board member, legal representative, and company secretary for multiple entities within the group.



Bruce Terry
Business Development

Bruce brings four decades of hedge fund and private equity experience. Brevan Howard is one of the world's leading macro hedge funds, and he oversaw its expansion from \$10 billion to \$40 billion in assets under management.

Bruce was the CEO of Brevan Howard US, responsible for marketing and selling their fund products.

Hilbert Group's Business Verticals

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

ASSET MANAGEMENT

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

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

Hilbert Group currently offers two investible funds – Hilbert Digital Asset Fund and Hilbert V1 Fund, alongside an investible strategy, Hilbert V30, which is currently only available in managed account form (SMA), will be available also in fund format in Q2 of 2023.

■ **Hilbert Digital Asset Fund (HDAF).** HDAF is an actively managed Altcoin-focused fund that is predominantly algorithmically traded. It has been in operation since January 2019. The fund generates excess return over and beyond the underlying portfolio by means of volatility harvesting/mean-reversion. The fund is long-biased and offers broad exposure to the Altcoin sector. So far, the fund has never utilised any leverage in its trading. The fund has two share classes which the investors can choose from, 2 percent/20 percent and 1 percent/30 percent, where the first number indicates the management fee charged per annum and the second number indicates the performance fee. The fund is an absolute return fund which means it does not have a benchmark, and the performance fee is paid out vs a high watermark. Assets under management (AUM) for the HDAF as of 31 December 2022 was SEK 46 million across the fund and managed accounts.

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

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

HV1 operates within conservative investment guidelines:

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

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

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

The fund is designed to provide investors with an asymmetric return profile. During a bear / crash environment (like 2022), Hilbert V1 will aim to limit losses to approximately 1/10 of the market. During a benign / bull environment (like 2020 and 2021), HV1 will capture a meaningful proportion of the market return through trading alpha with limited directional exposure. HV1 was seed funded with SEK 50 million of Hilbert partner money in August 2022 and was opened to external investors in October 2022. Assets under management (AUM) for HV1 as of 31 December 2022 was about SEK 83 million, across the fund and managed accounts.

PROPRIETARY TRADING

Proprietary trading means trading part of Hilbert Group's own capital. The objectives are: To capture a large part of the projected growth in the digital asset sector over the next decade. To opportunistically position the underlying portfolio to take advantage of certain market environments. To offer holders of Hilbert Group equity a vertical with "pure" exposure to the asset class. The proprietary trading strategy is a mix of algorithmic/technical- and discretionary/fundamental trading, focusing on the digital assets with the largest market capitalization and/or the highest liquidity. Importantly, the strategy will never utilise any leverage. The revenue will be generated solely through capital appreciation in the underlying portfolio.

Having proprietary trading and asset management under the same roof implies challenges from a conflict-of-interest point of view. Hilbert Group will adhere to best practices in this respect and also fully disclose this fact. This vertical made its first

investment during the fourth quarter of 2021. The market value of the investments as of 31 December 2022 was approximately SEK 8 million.

EQUITY INVESTMENTS

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

Hilbert Group has made three equity investments:

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

DATA & ANALYTICS

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

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

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

Financial overview

OCTOBER – DECEMBER 2022

Revenue and results

Revenue decreased to kSEK 4,310.9 (5,693.7), of which 3,334.2 (—) from Proprietary trading in cryptocurrencies, 128.2 (1,592.6) from Fund management and 848.5 (3,844.6) from Coin360, mainly related to Advertising income. The proprietary trading vertical made its first investment during the fourth quarter 2021 and high-volume trading started in April 2022. Refer to Business Verticals section for further information about the vertical. The high volatility in earnings from fund management results from funds managed to be long-biased. This means significant performance fees are only generated when digital asset markets go up enough to recoup the losses from a recent drawdown.

Operating result amounted to kSEK -18,214.0 (-4,134.6), including purchases and fair value adjustments of cryptocurrencies reported as inventory by kSEK -4,109.6 (—), amortisation of Technology related to Coin360 by kSEK -1,146.1 (-920.2) and an impairment loss related to Coin360 Brand and Technology amounting to kSEK -6,084.1. Refer to the January-December section below for further information about effects from Coin360. Operating expenses for the period continue to reflect the investments being made in Hilbert brand awareness and in forming the right team of skilled personnel. A fund management team satisfying the operational requirements of leading investment firms, banks and pension funds is created, while the organisation of Coin360 has been streamlined to adapt to the prevailing market conditions.

Financial net was kSEK -5,497.0 (1,488.4), pertaining to currency translation effects on receivables denominated in USD.

Result for the period was kSEK -23,511.5 (-2,681.1).

Cash flow and financial position

Cash flow from operating activities was kSEK -3,765.0 (-2,694.0). Net investments amounted to kSEK 11.0 (-24,795.0), including net proceeds from sale of cryptocurrencies amounting to kSEK 2,370.0 (—). These proceeds comprise the net effect of stablecoin cryptocurrencies, reported as intangible assets, that during the period have been used as means of payment in transactions to settle trade receivables and payables. Investments for the current period mainly related to IT and office equipment.

Financing activities was kSEK -9.0 (28,327.0), with proceeds from pre-IPO Issue of share capital affecting the comparison period. At the end of the period Hilbert Group held kSEK 388.0 (35,701.0) in cash and cash equivalents.

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

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

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

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

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

JANUARY – DECEMBER 2022

Revenue and results

Revenue increased to kSEK 26,949.7 (9,185.9), of which 19,567.3 (–) Proprietary trading in cryptocurrencies, 874.7 (4,758.8) from Fund management and 6,507.8 (4,170.6) from Coin360. The proprietary trading vertical made its first investment during the fourth quarter 2021 and high-volume trading started in April 2022. Refer to Business Verticals section for further information about the vertical. The high volatility in earnings from fund management is a result of fund managed being long-biased. This means that significant performance fees are only generated when digital asset markets go up enough to recoup the losses from a recent drawdown.

Operating result amounted to kSEK -50,181.0 (-5,754.4), including purchases and fair value adjustments of cryptocurrencies reported as inventory by kSEK -25,979.6 (–). A portfolio of cryptocurrencies reported as non-current intangible assets until 31 March 2022 was transferred to a proprietary trading portfolio held by the closed-ended fund Hilbert PP in April 2022. The portfolio is reported as inventory from Q2 22 report.

Operating expenses for the period continue to reflect the investments being made in Hilbert brand awareness and in forming the right team of skilled personnel, but also streamlining the Coin360 organisation. Operating expenses also include amortisation of Technology related to Coin360 amounting to kSEK 4,324.1 (-1,524.0) and an impairment loss at year-end 2022 of kSEK -6,084.1 (-) related to Coin360 Brand and Technology. During Q3 2022, the analysis of the acquisition of 60 percent of the

outstanding share capital COIN360 Global Limited was finalised. Total consideration was USD 3.2 million and COIN360 has been consolidated by Hilbert Group from the date of acquisition in July 2021. The acquisition was initially assessed to comprise a business. Following the finalisation of the analysis of assets purchased, the acquisition was reassessed to comprise a group of assets and not a business. At the time of the acquisition, fair value of the intangible assets amounted to USD 5.3 million/SEK 45.8 million in total, of which SEK 19.0 million for technology and SEK 26.7 million for the brand. Due to the reassessment, comparison periods have been adjusted to reflect the intangible assets acquired and the related amortisation of technology over a useful life of 5 years, as well as the related non-controlling interest portion of 40% of the assets. In financial reports presented before Q322, the consideration paid, net of cash acquired, was presented as goodwill, amounting to SEK 30.7 million as of 30 June 2022.

The reassessment of the acquisition of Coin360 from business to an acquisition of assets thus means that certain key figures have been adjusted in previously reported periods. Refer to the Notes section (heading Acquisition of subsidiaries constituting an asset acquisition) of this report for further information about the applicable accounting principles and to the section Hilbert Group's Business Verticals of this report for further information about Coin360.

Financial net was kSEK 11,006.1 (1,801.8), pertaining to currency translation effects on receivables denominated in USD.

Result for the period was kSEK -39,264.1 (-3,987.6).

Cash flow and financial position

Cash flow from operating activities was kSEK -25,851.0 (-3,730.0). Net investments amounted to kSEK -9,820.0 (-51,232.0), with the equity investments in HAYVN closed in Q4 2021 and CapChap closed during Q1 2022 as main items. Investments include net proceeds from sale of cryptocurrencies amounting to kSEK 3,512.2 (—). These proceeds comprise the net effect of stablecoin cryptocurrencies, reported as intangible assets, that during the period have been used as means of payment in transactions to settle trade receivables and payables. For the comparison period, the acquisition of Coin360 was the main item.

Financing activities was kSEK -111.0 (88,500.0) with proceeds from pre-IPO Issue of share capital affecting the comparison period. At the end of the period Hilbert Group held kSEK 388.0 (35,701.0) in cash and cash equivalents.

SIGNIFICANT EVENTS AFTER THE FOURTH QUARTER

Recruitment of Thierry Pudet as Senior Quant Strategist

Thierry Pudet has joined Hilbert Group as Senior Quant Strategist in Hilbert Capital, the quantitative asset management arm of Hilbert Group. Thierry Pudet, Ph.D., joins Hilbert Group following senior risk roles at Finisterre Capital, Citadel, and Goldman Sachs. He brings over three decades of risk management and investing experience

to the team, where he will focus on the ongoing development of Hilbert Group's systematic trading strategies.

Loan Facility and Directed Issue of Shares

Hilbert Group has announced a directed issue of B-shares of in total SEK 5.7 million. The main part of the directed Issue (SEK 4.9 million) was resolved by the Board of Directors based on an authorization by the Annual General Meeting. This new issue was subscribed by a group of Norwegian investors. The remaining part of the directed issue (SEK 0.8 million) must be approved by an extraordinary general meeting which will take place on March 6, 2023. Entitled to subscribe are Hilbert Group's CEO Niclas Sandström and Chief Risk Officer Hans-Peter Bermin.

The directed issue consists of in total 3,433,737 new B-shares at a subscription price of SEK 1.66 per share. The subscription price corresponds to a discount of approximately 10 percent the volume-weighted average price (VWAP) of Hilbert Group's B-shares on Nasdaq First North Growth Market during the period January 30 – February 10, 2023.

The directed issue will entail an increase in the number of shares in Hilbert Group by in total 3,433,737 B-shares to 52,233,737 shares divided into 8,500,000 A-shares and 43,733,737 B-shares. The increase of the share capital is SEK 171,686.855 to SEK 2,611,686.85. The directed issue will entail a dilution effect for current shareholders of approximately 6.6 percent of the share capital and 2.7 percent of the votes, calculated as the number of newly issued shares divided by the total number of shares after the directed issue.

In addition to the directed issue, Hilbert Group has agreed on the terms for a loan facility of SEK 22.2 million. The agreed terms are being converted to a binding agreement. The loan will be secured by a pledge over certain Hilbert Group assets. It is the details around the pledge that will take some time to finalize. Further, Hilbert Group is in discussions with institutional investors to increase the loan facility with approx. SEK 5.5 million.

SHAREHOLDERS 2022-12-31

Owner	HILB A	HILB B	Capital	Votes
Magnus Holm & companies	1,684,300	8,125,220	20.10%	19.93%
Niclas Sandström & companies	1,180,250	6,787,284	16.33%	14.84%
Frode Foss Skiftesvik & companies	3,264,800	1,757,299	10.29%	27.46%
Derivat Invest AS	850,000	2,256,259	6.37%	8.58%
Red Acre Holdings Ltd.	—	2,022,000	4.14%	1.61%
Erik Nerpin	—	1,700,000	3.48%	1.36%
Hans-Peter Bermin	419,050	1,112,335	3.14%	4.23%
Thierry Pudet	207,400	550,522	1.55%	2.09%
Chiuso Invest Aktiebolag	—	700,000	1.43%	0.56%
Willem De Geer	—	621,423	1.27%	0.50%
Others	894,200	14,667,658	31.89%	18.84%

Source: Modular Finance

The loan facility is denominated in Euro and will initially amount to Euro 2.0 million, i.e. approx. SEK 22.2 million. The loan has a term of three years. The interest rate is ten per cent per annum. The interest is payable on maturity of the loan, 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 six million Euro 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.

Hilbert Group could receive proceeds of in total SEK 33.4 million (the directed issue SEK 5.7 million and the loan facility SEK 22.2 + 5.5 million). The transaction costs are limited to administrative costs and do not include any commission. This financing, when firmly agreed, will secure the cash flows and liquidity for at least the coming 12 months.

Goals for the Asset Management

After the announcement of the new issue and the loan facility Hilbert Group has set up goals for the asset management. The goal is that AUM (assets under management) at the end of Q2 2023 shall amount to SEK 750 million and increase further to SEK 1.5 billion at the year end. Hilbert Group will open a new fund, Hilbert V30 Fund to external investors in the second quarter 2023.

OTHER INFORMATION

Dividend

The Board of Directors proposes that no dividend should be paid for the 2022 financial year.

Annual Report 2022

The Annual Report for 2022 will be announced and available at www.hilbert.group on May 5, 2023.

Annual General Meeting 2023

Hilbert Group's Annual General Meeting (AGM) is planned to be held in Stockholm on May 26, 2023. Notice of the AGM will be announced no later than four weeks before the AGM.

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.

Share Capital and Formation of Hilbert Group

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

Prior to the acquisition of HC Holding Limited, Hilbert Group carried out a private placement of kSEK 88,000. The private placement was made in the form of 8,800,000 units. The issue price for one unit was SEK 10. One unit included one B-share and one warrant of series 2021/24, "TO 1B". Each warrant entitles the holder to subscribe for one new B-share in the Company. The exercise price is SEK 15 during the period October 1, 2021 – October 31, 2022. The exercise price is SEK 20 during the period November 1, 2022 – October 31, 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 18.0 % in relation to the number of outstanding shares.

Hilbert Group's share capital at the end of the reporting period was SEK 2,440,000 divided into 48,800,000 shares: 8,500,000 A-shares and 40,300,000 B-shares. After the end of the reporting period Hilbert Group has announced a directed issue of in total 3,433,737 B-shares. A part of the directed issue must be approved by an extraordinary general meeting which will take place on March 6, 2023. The directed issue will increase the total number of shares to 52,233,737 divided into 8,500,000 A-shares and 43,733,737 B-shares. The share capital will increase with SEK 171,686,855 to SEK 2,611,686.85.

Warrants to employees – Incentive scheme

Prior to the listing on Nasdaq First North Growth Market in October 2021 Hilbert Group issued 1,000,000 warrants to a subsidiary for transfer to Hilbert Group's employees as a part of an incentive scheme. Each warrant entitles the holder to subscribe for one new B-share in the parent company Hilbert Group AB (publ) at an exercise price of SEK 15. The warrants can be exercised during the period October 1, 2024 – October 1, 2025.

No warrants have yet been granted, neither at period-end December 31, 2022, nor after the end of the reporting period. The reason is that Hilbert Group intends to investigate whether a new incentive program should be introduced and, if so, replace the old one. A new incentive program must be approved by a shareholders' meeting.

Condensed consolidated statement of comprehensive income

kSEK	Q422	Q421	Full year 2022	Full year 2021
Revenue	4,310.9	5,693.7	26,949.7	9,185.9
Purchase of cryptocurrencies	-4,109.6	0.0	-25,979.6	—
Other external expenses	-4,581.3	-7,698.4	-17,112.1	-11,591.8
Personnel expenses	-5,042.0	-774.8	-19,127.6	-1,371.5
Depreciation, amortization and write-downs	-8,752.4	-1,285.3	-14,671.7	-1,907.3
	-39.5	-69.8	-239.9	-69.8
Operating profit/loss	-18,214.0	-4,134.6	-50,181.0	-5,754.4
Financial items, net	-5,497.0	1,488.4	11,006.1	1,801.8
Profit before income tax	-23,710.9	-2,646.2	-39,175.0	-3,952.6
Income tax expense	199.5	-34.9	-89.2	-34.9
Profit/loss for the period	-23,511.5	-2,681.1	-39,264.1	-3,987.6
Profit/loss is attributable to:				
Parent company shareholders	-19,827.0	-3,493.0	-34,084.2	-4,450.4
Non-controlling interests	-3,684.5	811.9	-5,180.0	462.9
	-23,511.5	-2,681.1	-39,264.1	-3,987.5
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Exchange differences	-235.7	603.2	2,168.1	832.0
Other comprehensive income, net of tax	-235.7	603.2	2,168.1	832.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-23,747.2	-2,077.9	-37,096.1	-3,155.5
Total comprehensive income is attributable to:				
Parent company shareholders	-18,570.6	-3,471.4	-34,831.8	-4,387.0
Non-controlling interests	-5,176.6	1,393.4	-2,264.3	1,231.8
	-23,747.2	-2,077.9	-37,096.1	-3,155.5
Earnings per share				
Basic profit/loss for the period attributable to parent company shareholders	-0.41	-0.07	-0.70	-0.26
Diluted profit/loss for the period attributable to parent company shareholders	-0.41	-0.07	-0.70	-0.26
Number of shares at period-end	48,800,000	45,000,000	48,800,000	48,800,000
Weighted average number of shares before and after dilution	48,800,000	18,913,043	48,800,000	17,400,000

Condensed consolidated balance sheet

kSEK	31 December 2022	31 December 2021
ASSETS		
Non-current assets		
Equipment	1,702.0	163.9
Right-of-use assets	6,983.6	—
Intangible assets	46,872.3	66,300.9
Other non-current assets	13,361.3	9,043.7
Total non-current assets	68,919.2	75,508.5
Current assets		
Inventory of cryptocurrencies	8,207.7	—
Other receivables	2,529.1	2,915.6
Receivables from related parties	2,422.2	842.7
Receivables from shareholders	1.0	11.5
Cash and cash equivalents	388.2	35,700.8
Total current assets	13,548.3	39,470.7
TOTAL ASSETS	82,467.5	114,979.3
Equity and liabilities		
Equity		
Equity, parent company shareholders	49,599.7	84,431.5
Non-controlling interests	17,697.6	19,961.9
Total equity	67,297.4	104,393.5
Non-current liabilities		
Lease Liability	6,221.5	—
Total non-current liability	6,221.5	—
Current liabilities		
Lease Liability	1,184.6	—
Other payables	3,237.7	7,339.1
Payables to shareholders	26.4	11.4
Current tax liabilities	124.1	34.9
Accrued expenses and deferred revenue	4,375.8	3,200.4
Total liabilities	8,948.6	10,585.8
TOTAL EQUITY AND LIABILITIES	82,467.5	114,979.3

Condensed consolidated statement of changes in equity

kSEK	Attributable to parent company shareholders					Non-controlling interest	Total equity
	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total		
Balance at 31 December 2020	50	—	-46	312	317	—	317
Shareholder transactions	2,390	89,010	—	-2,898	88,502	—	88,502
Non-controlling interest on subsidiary acquisition	—	—	—	—	—	18,730	18,730
Comprehensive income	—	—	63	-4,450	-4 387	1,232	-3,155
Balance at 31 December 2021	2,440	89,010	17	-7,036	84,432	19,962	104,393
Comprehensive income	—	—	-748	-34,084	-34,832	-2,264	-37,096
Balance at 31 December 2022	2,440	89,010	-730	-41,120	49,600	17,698	67,297

The reporting period 2021, and thus opening equity for the year 2022, has been restated to reflect a reassessment of the Coin360 acquisition in 2021. Refer to Financial overview for further information.

Condensed consolidated statement of cash flows

kSEK	Q422	Q421	Full year 2022	Full year 2021
CASH FLOW FROM OPERATING ACTIVITIES				
Profit/loss before tax	-23,711	-2,647	-39,175	-3,953
Adjustments for items not affecting cash:	16,552	-404	11,264	31
Cash flow from operating activities before changes in working capital	-7,159	-3,051	-27,911	-3,922
Changes in working capital				
Receivables	-495	-775	-856	-3,134
Payables	3,889	1,132	2,916	3,326
Cash flow from changes in working capital	3,394	356	2,060	192
Net cash flow from operating activities	-3,765	-2,694	-25,851	-3,730
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of equipment	-347	-69	-947	-129
Purchase and proceeds from sale of intangible assets*	358	-20,435	-1,603	-20,717
Purchase of financial instruments	—	-4,291	-7,271	-4,291
Business combinations, net of cash acquired	—	—	—	-26,095
Net cash used in investing activities	11	-24,795	-9,820	-51,232
CASH FLOW FROM FINANCING ACTIVITIES				
Principal elements of lease payments	-9	—	-111	—
Proceeds from issue of share capital	—	28,537	—	79,040
Proceeds from borrowings	—	-210	—	9,460
Net cash generated from financing activities	-9	28,327	-111	88,500
CASH FLOW FOR THE PERIOD	-3,763	837	-35,782	33,538
Foreign currency translation, cash and cash equivalents	-408	687	470	-158
Cash and cash equivalents at beginning of the period	4,558	34,176	35,701	2,321
Cash and cash equivalents at end of the period	388	35,701	388	35,701
* whereof net proceeds from settlement of trade receivables and payables with stablecoin cryptocurrency reported as Intangible assets	2,370.0	—	3,512.2	—

Condensed Parent company income statement

kSEK	Q422	Q421	Full year 2022	Full year 2021
Revenue	1,487.9	—	1,487.9	—
Other external expenses	-3,247.0	-4,990.6	-10,417.0	-6,947.8
Personnel expenses	-1,849.4	—	-6,880.2	—
Depreciation and amortization	-1.4	—	-2.9	—
Other operating expenses	-0.9	-69.1	-201.5	-69.8
Operating profit/loss	-3,610.8	-5,059.7	-16,013.6	-7,017.6
Financial items, net	-5,509.2	1,550.4	11,143.8	1,950.0
Profit before income tax	-9,120.0	-3,509.3	-4,869.8	-5,067.6
Income tax expense	—	-34.9	-89.2	-34.9
Profit/loss after tax	-9,120.0	-3,544.2	-4,959.0	-5,102.5

Starting the first quarter 2022 and going forward Hilbert Group AB's activities focused on group management services, group accounting and investor relation activities. At period-end 31 December 2022 the company employed four people. Revenue for the fourth quarter 2022 comprise recharge of certain personnel expenses for the year 2022 to subsidiaries.

Other external expenses for the fourth quarter 2022 include recharges from other group entities for the entire financial year 2022.

Personnel expenses for the fourth quarter 2022 include non-recurring items for formation of the team. Such expenses were also incurred during the first quarter of 2022, and are thus included in the expenses for full year 2022.

Financial net is pertaining to currency translation effects on receivables denominated in USD both for the fourth quarter and for the full year 2022. Cash and cash equivalents at the end of the period amounted to kSEK 307.2.

During 2021 the activities of the parent company Hilbert Group AB mainly included the legal formation of Hilbert Group through the acquisition of HC Holding Limited, fund raising of in total kSEK 91,400 and preparations for the listing of the company's B-shares and warrants on Nasdaq First North Growth Market which took place on 27 October 2021.

In February 2023, thus after period end, Hilbert Group has resolved to carry 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. The remaining part (SEK 0.8 million) must be approved by an EGM on March 6, 2023. In addition, Hilbert Group has agreed on the terms for a loan facility of SEK 22.2 million. The agreed terms are being converted to a binding agreement. Further, Hilbert Group is in discussions with institutional investors to increase the loan facility with approx. SEK 5.5 million. Hilbert Group could hereby receive proceeds of in total SEK 33.4 million. This financing, when firmly agreed, will secure the cash flows and liquidity for at least the coming 12 months. Refer to Financial Overview section of this report for further information.

Condensed Parent company balance sheet

kSEK	31 December 2022	31 December 2021
ASSETS		
Non-current assets		
Equipment	14.3	—
Shares in subsidiaries	2,900.0	2,900.0
Total non-current assets	2,914.3	2 900.0
Current assets		
Receivables from group companies	84,539.6	55,167.0
Other receivables	190.3	—
Cash and cash equivalents	116.9	31,838.2
Total current assets	84,846.8	87,004.7
TOTAL ASSETS	87,761.1	89,904.7
Equity and liabilities		
Shareholders' equity	81,388.5	86,347.4
Current liabilities		
Other payables	1,926.3	1,686.9
Payables to group companies	2,292.8	1,010.5
Current taxes	124.1	34.9
Accrued expenses	2,029.5	825.1
Total liabilities	6,372.6	3,557.3
TOTAL EQUITY AND LIABILITIES	87,761.1	89,904.7

Notes

NOTE 1

Accounting principles

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

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

Leases

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

Hilbert Group as a lessee

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

i) Right-of-use assets

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

■ Office - 7 years

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

ii) Lease liabilities

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

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

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 acquired. 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.

Cryptocurrencies

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

Intangible assets – change of principles applied for Cryptocurrencies

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

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

The change of accounting policy has no effect on opening equity, as the carrying amount

reported on 31 December 2021 according to the cost model equals the value when applying the fair value model. There has been no increase in fair value over the initial cost, thus a decrease has been recorded in profit or loss both for the period ended 31 December 2022 and the period ended 31 December 2021.

Inventory of Cryptocurrencies

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

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

Reserves in equity

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

There has been no net increase in fair value over the initial cost for cryptocurrencies measured at fair value, thus no amounts have been recorded in the revaluation reserve as of 31 December 2022.

NOTE 2

Revenue from contracts with customers

Revenue by major revenue stream kSEK	Q422	Q421	2022	2021
Fund management fees	128.2	1,592.6	874.7	4,758.8
Advertising income	848.5	3,844.6	6,507.8	4,170.6
Sales of cryptocurrency	3,334.2	—	19,567.3	—
Other	—	256.5	—	256.5
Total	4,310.9	5,693.7	26,949.7	9,185.9
Timing of revenue recognition kSEK	Q422	Q421	2022	2021
At a point in time	3,474.2	1,523.1	20,691.5	5,015.3
Over time	836.7	4,170.6	6,258.3	4,170.6
Total	4,310.9	5,693.7	26,949.7	9,185.9
Revenue by country of group company incorporation kSEK	Q422	Q421	2022	2021
Cayman Islands	3,462.4	1,081.0	20,441.9	4,247.1
British Virgin Islands	848.5	4,612.7	6,507.8	4,938.8
Total	4,310.9	5,693.7	26,949.7	9,185.9

NOTE 3

Fair value measurement

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

31 December 2022		Level 1	Level 2	Level 3	Total
Investments	Equity securities	—	—	13,152.6	13,152.6
Intangible assets	Cryptocurrencies	1,518.5	—	—	1,518.5
Inventory	Cryptocurrencies	8,207.7	—	—	8,207.7
31 December 2021		Level 1	Level 2	Level 3	Total
Investments	Equity securities	—	—	9,043.7	9,043.7
Intangible assets	Cryptocurrencies	20,363.4	—	—	20,363.4
Inventory	Cryptocurrencies	—	—	—	—

For Equity investments fair value remains unchanged since prior quarter and year-end 2021. For 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 cryptocurrencies presented as non-current intangible assets, fair value for the comparison periods is disclosed for information purpose. A cost model has been applied for periods prior to financial year 2022. The carrying amount has equalled quoted prices, thus equalling fair value.

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

NOTE 4

Pledged assets and contingent liabilities

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

At year-end 2022, neither the parent company nor any other Hilbert Group company has pledged any other assets and there are no contingent liabilities.

Declaration by the Board of Directors and the CEO

The Board of Directors and CEO confirm that this Year-end 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, 28 February 2023

Board of Directors

Erik Nerpin
Chairman

Frode Foss-Skiftesvik
Board member

David Butler
Board member

Niclas Sandström
CEO

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

Other information

FINANCIAL CALENDAR

Annual Report	5 May 2023
Annual General Meeting	26 May 2023
Interim Report Q1	26 May 2023
Interim Report Q2	31 August 2023
Interim Report Q3	30 November 2023
Year-end 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 19:00 CET on 28 february, 2023.