

arcane

# Year-end Report

Q4 2021 | January – December



# A strong quarter with record revenue



Q4 has been a good quarter for Arcane with record revenue and improved result. We increased net sales by 83% compared to the previous quarter and our gross profit increased by 67% also compared to the previous quarter.

On the tech front, we have made important progress and launched Research, the first application in live beta on our new platform. On the mining front, we received the second delivery of our mining machines and are now running at a capacity of close to 80 PH/s.

Torbjørn Bull Jenssen, CEO Arcane Crypto

## Fourth quarter of 2021

– compared to fourth quarter 2020 –

- Group revenue increased to 148,930 kSEK (1,224)
- EBITDA amounted to –3,383 kSEK (–10,358)
- EBIT amounted to –11,737 kSEK (–10,373)
- The result for the period amounted to –12,568 (–9,533)
- Earnings per share before dilution amounted to SEK –0.002 (–0.018)
- Earnings per share after dilution amounted to SEK –0.001 (–0.018)

## Full year 2021

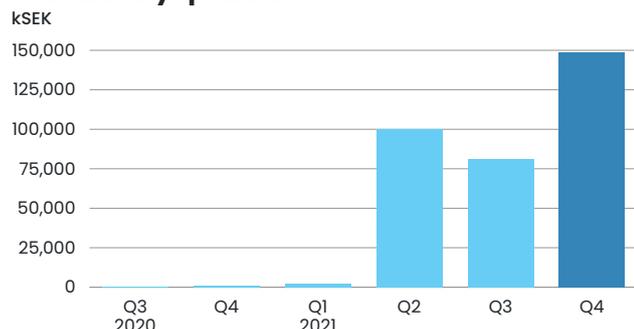
– compared to full year 2020 –

- Group revenue increased to 332,625 kSEK (2,103)
- EBITDA amounted to –21,969 kSEK (–17,812)
- EBIT amounted to –33,468 kSEK (–17,878)
- The result for the period amounted to –163,440 kSEK (–16,876)
- Adjusted result for the period amounted to –36,487 kSEK (–16,876)
- Earnings per share before dilution amounted to SEK –0.021 SEK (–0.031)
- Earnings per share after dilution amounted to SEK –0.019 SEK (–0.031)

## Financial overview

kSEK	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Revenue	148,930	1,224	332,625	2,103
Operating expenses	-152,313	-11,582	-354,594	-19,915
EBITDA	-3,383	-10,358	-21,969	-17,812
Total assets	181,044	41,243	181,044	41,243
Total liabilities	32,096	9,041	32,096	9,041
Equity	148,948	32,202	148,948	32,202

## Revenue by quarter



Please note that neither LN Markets, Alphaplate nor Puremarkets are consolidated into Arcane's accounts. These associated companies are instead accounted for in accordance with the equity method and Arcane's share of ownership.

# Main events

## Main events during Q4 2021

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- On October 4, Linus Jönsson was appointed as the new Group CFO of Arcane Crypto. Linus assumed his role on January 10th, 2022, replacing Interim CFO Per-Olov Östberg.
- On October 19, Arcane Green Data announced it had partnered with Luxor Technology Corporation and had gone live with the current hosting capacity of miners.
- On October 26, Arcane Green Data announced a purchase agreement for 360 Antminer s19 Pro (100 TH/s). The purchase agreement represents a total of 36,000 Terra Hash (TH) of computing power and the total cost amounts to approximately SEK 28 million. The machines were delivered in Q1 2022 and Arcane Green Data's total hosting capacity doubled to 2.5 MW.
- On November 12, Arcane Crypto's wholly owned subsidiary Ijort Invest AB ("Trijo") announced that Arcane Crypto's CEO Torbjørn Bull Jenssen would become CEO of Trijo and thereby replace Totte Löfström.
- On December 9, an extraordinary general meeting elected two new members to the Board of Arcane. Michael Jackson was elected Chairman of the Board and Simon Saneback was elected Member of the Board.
- On December 14, Arcane Crypto's partner Valour received approval from the Swedish Financial Supervisory Authority on its Base Prospectus, which includes an Exchange-Traded Product based on Arcane Assets' cryptocurrency fund.

## After the end of the year

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- On January 13, Arcane Crypto's wholly-owned subsidiary Kaupang Krypto AS entered into a collaboration with NFT AS and curator Sam Farao, to facilitate acquisitions of Bjarne Melgaard's first crypto art collection *The Lightbulb Man*.
- On February 1, Anna Svahn informed Arcane Crypto AB that she would have to resign from the board due to other professional obligations.

# Message from the CEO

## Dear shareholders,

Q4 has been a good quarter for Arcane with record revenue and improved result. We increased net sales by 83% compared to the previous quarter and our gross profit increased by 67% also compared to the previous quarter.

On the tech front, we launched Research in live beta on our new platform. On the mining front, we received the second delivery of our mining machines and are now running at a capacity of close to 80 PH/s.

Our portfolio company LN Markets has continued to set new records in trading activity, benefitting from increasing adoption of Lightning. Pure Digital continues to see strong interest from tier one banks, driven by the underlying client demand from institutional investors.

Arcane Crypto has now been listed for one year and operational for a little more than three. When we started out, our initial plan was to position the Company as a centre of gravity and build a portfolio of businesses, spanning the value chain of financial services for digital assets. Our goal has been to bring these services together and become the leading full service digital finance platform in Europe.

To this end, we are now ready for the next phase, shifting our main focus from investments to product and tech, putting all our efforts into building out a unified brand and tech platform for our users to learn, trade and invest in digital assets. This way we can reap the full benefits of the synergies between our existing services and develop the best possible user experience.

As part of this transition, we have developed an updated mission statement and strategy, the highlights of which are presented on page 5.

In brief, our mission is to enable the adoption of digital assets worldwide. To achieve this mission, we will continue to engage with companies, regulators and institutions to build trust in digital assets, while building the infrastructure necessary to make it easy, safe and reliable to access the digital assets' ecosystem.

As a part of this transition, we are now sharpening our focus, putting the users at the core of everything we do. This will ensure that we succeed in creating real value, enabling us to bring in millions of users on the platform. Furthermore, we are setting up a highly scalable infrastructure on Google Cloud, which in addition to securing a great user experience for our own users, will enable us to scale through offering all our services to third parties through open APIs.

With an experienced team backing me, a strong investor base and a sharpened focus, I am looking forward to an exciting journey over the next few years as we bring in millions of users to the digital assets space through our infrastructure.

**Torbjørn Bull Jenssen**  
CEO, ARCANE



# Vision, mission & strategy

**The global financial system is currently slow, expensive and exclusionary. We envision a world where the adoption of digital assets changes not only the nature of the financial system, but also the way in which financial services are offered, thereby helping realize the potential of a truly global and open financial system, unleashing innovation and driving inclusion worldwide.**

**Our mission** is to enable the adoption of digital assets worldwide.

**Our strategy** is twofold:

1. Position Arcane as an organization that regulators and institutions can trust to manage digital assets
2. Build the infrastructure necessary to make it easy, safe and reliable to access the global digital assets ecosystem

**Our plan has four main steps:**

1. Invest in and acquire companies with key capabilities within the digital assets ecosystem. ✓
2. Create a unified Arcane brand and platform for users to learn, trade, and invest in digital assets, all from the same account.
3. Build trust and distribution through our market leading research content.
4. Expose everything as an API to enable third parties to build their own products, using our technology, and to sell their products to our users.

## Guiding principles

### Make something people want

In Arcane we will follow the mantra of *"Build Product. Get Feedback. Repeat"*. By doing so, we will embed a product mindset deeply within Arcane, maximizing our chances of making something people actually want.<sup>1)</sup>

### Think global

Our mission is to enable the adoption of digital assets worldwide. Everyone in Arcane shall have a global mindset, and all of our products, along with the unified software architecture they're built on, will be able to serve customers globally.

### Simple first, then powerful

Our products will be simple to start with and grow more powerful over time. Our key focus is to quickly identify those features that solve a real problem for users and double down on them, while quickly removing those that don't, all while hiding complexity from the user.

### Earn trust

We will be incredibly transparent about how we manage our user's privacy, security, and above all the digital assets they hold with us. We will be proactive rather than reactive when it comes to risk and regulation.

### Build in public

Our main codebase will be open source, enabling permissionless discovery and integration of Arcane APIs. Furthermore, our changelog will be public. This will encourage us to ship constantly, show our users the product is getting better, and show progress to our investors.

## What success looks like

### Millions of users on the Arcane platform

Whether it is readers of our research, high net worth individuals checking how their investment fund is performing, or traders looking for world class execution across multiple exchanges, we will be helping millions of users access digital assets every month.

### 1,000's of businesses using our SaaS products

We believe in a future where every financial institution has a digital asset offering, not because they built it themselves, but because they entered into partnerships.

We will be the preferred partner for financial institutions, initially in Europe, by offering the best set of APIs and by embracing the highest standards of regulatory compliance, thereby providing the most reliable infrastructure.

### Unicorn valuation, with revenue to match

We aim to become a multi-billion-dollar Company with revenue and profit to support that valuation. By leveraging scalable software, making smart choices in terms of where to compete, and hiring a small but incredibly talented and focused team, we believe we can make this a reality.

<sup>1)</sup> The most successful businesses in the world today (ex. Apple, Amazon, Square, Stripe) are product led. From top to bottom, they know and understand their users deeply, and are obsessed with identifying and solving real problems for them by delivering software and hardware products that keep engagement high, churn low, and generate incredible revenue.



## Where we are now

### Creating a unified platform

Our focus now is building a unified software architecture in Google Cloud Platform (GCP), that can serve millions of users globally, while remaining flexible to future and unknowable requirements.

We are building on Google Cloud Run, a new service unique to GCP, enabling us to develop and deploy highly scalable containerized applications on a fully managed serverless platform, thereby leapfrogging our competitors by using more advanced technologies.

All future Arcane services and APIs will be built on top of the platform we build in GCP, and we are committed to “dog-fooding” all our services internally.

We’re happy to say that as of today, Arcane Research is up and running on GCP at [arcane.no/research](https://arcane.no/research), in beta.

Over the coming months and years we will add the different services to the platform, with the overall focus to make the infrastructure to make it *easy, safe and reliable* to access the *global digital assets ecosystem*.

# Sector Development

## A quarter of accumulating activity and bullish news flows, priming the bitcoin market for solid momentum going into the last few months of the year.

A solid and important quarter for bitcoin and the crypto industry as a whole. Bitcoin reached a new all-time high in Q4 and the price increased during a quarter that was both volatile and impactful.

Bitcoin's foothold in the traditional markets continues to grow and this trend accelerated in Q4. In October, the SEC approved the first U.S. BTC ETFs. Proshares' BITO ETF managed to breach USD 1 billion in assets under management only two days after its launch. This made it the most successful non-equity-related U.S. ETF launch in history. This clearly illustrates that the demand for bitcoin exposure is sticky and very high at the institutional level. Overall, close-ended funds and ETPs now hold more than 845,000 BTC, up 140,000 BTC since January 2021.

### Exchange traded funds holdings



Institutional adoption continues to evolve in crypto. In Q4, fixed-income giant PIMCO announced that they held crypto exposure, while Mastercard announced that they would allow banks to offer crypto credit and debit cards. Banks are increasing their offerings within the sector, evident by a massive hiring spree in Citi and Goldman Sachs and a handful of other tier-one banks exploring bitcoin-backed loans.

The expansive monetary and fiscal policies following the Covid outbreak have resulted in a 40-year high inflation in the United States. Investors who sought protection from inflation through BTC have profited. Now, we see the tide turning as hawkish policies are enacted in most major economies to dampen inflation. The macro environment impacted bitcoin in the latter part of Q4. However, globally the situation remains volatile. We currently see large-scale adoption of bitcoin and stablecoins in Turkey as a response to the persistent inflationary pressure in the Turkish Lira.

The regulatory landscape is also evolving. The SEC's approval of the first U.S.-based BTC-linked ETFs is testament to how bitcoin has matured as an asset. With the crypto sector reaching a valuation of USD 3 trillion in Q4, the industry has become a priority in the U.S. December 2021 saw the first major in-person faceoff between crypto companies and regulators. Industry leaders met up with the U.S. Congress through a five-hour thoughtful discussion, educating lawmakers on the crypto industry.

2021 has seen the crypto landscape evolve far beyond the realm of bitcoin. Layer-1 protocols have set the stage ripe for the adoption of new decentralized innovations and in particular NFTs have thrived. This has led Meta (previously Facebook) to make a push towards the metaverse and large gaming companies to explore opportunities within the ecosystem. Meanwhile, venture capital investments in the industry soared in Q4, as Softbank, among others, entered the landscape. Throughout 2021, we saw over 200 crypto M&As representing a 131% increase in activity YoY, and a deal value of almost USD 8 billion, a roughly 730% increase YoY. This illustrates that the sector is becoming progressively more intertwined with the traditional financial markets.

# Business Unit Development

## Arcane Assets

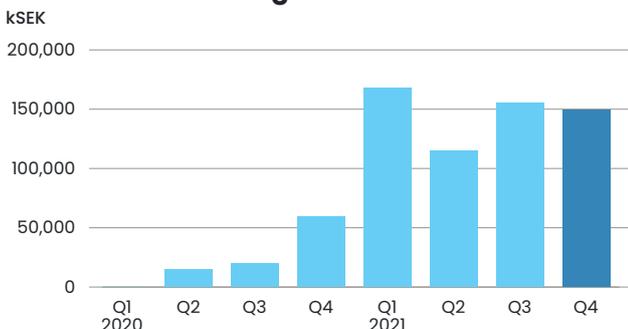
Arcane Assets’ revenue amounted to kSEK 3,257 in Q4 2021 compared to kSEK 656 in Q4 2020. For the full year 2021 revenue amounted to 11,300 kSEK compared to 904 kSEK during the full year 2020.

Arcane Assets is the entity that provides fund management services to our Fund, with Eric Wall as Chief Investment Officer (CIO).

Since its inception in 2020, the Fund managed by Arcane Assets has outperformed both bitcoin and other cryptocurrency hedge funds, as measured by the Eureka Cryptocurrency Hedge Fund Index. During the quarter we have continued our efforts to prepare to scale up the fund.

Arcane Assets is now close to finalizing the structure for the Exchange-Traded Product (ETP) which is based on Arcane’s cryptocurrency fund, together with Valour. The documentation required for the ETP has been completed and during the quarter Valour received approval from the Swedish Financial Supervisory Authority on its Base Prospectus, which includes an Exchange-Traded Product (“ETP”) based on Arcane Assets’ cryptocurrency fund. Arcane Assets is finalizing the mechanics for subscription and it is estimated that the ETP will be launched during Q2 2022. Upon its launch, the ETP will provide Arcane Assets with a significantly improved distribution and with a solid foundation for increased growth. Arcane Assets is focused on building a strong investor pipeline of both High-Net-Worth Individuals, family offices and fund of funds that are interested in access to a cryptocurrency hedge fund.

## Assets Under Management



## Arcane Research

Arcane Research’s revenue amounted to kSEK 848 in Q4 2021 compared to kSEK 1,353 in Q3 2021. For the full year 2021 revenue amounted to 3,066 kSEK compared to 475 kSEK during the full year 2020.

This quarter, Arcane Research’s growth has continued as it moves closer towards its goal of becoming one of the most trusted crypto research brands.

The demand for Arcane Research’s institutional-grade crypto research did not slow down this quarter, with a growth of 82% in our subscription base and coverage in Financial Times, Bloomberg and other Tier 1 media outlets. In addition, our year-end research report was shared broadly and picked up by most leading crypto news outlets. The work of Arcane Research has also been recognized by regulators worldwide and was cited in official SEC documents in the U.S in relation to potential bitcoin ETFs this quarter.

During the quarter Arcane Research published its in-depth report “The State of Lightning” that was made in collaboration with Lightning Labs and powered by OpenNode. The report was well-received in the industry, and also picked up by several traditional news outlets and thought-leaders from traditional finance. Part of the team presented the report “The State of Lightning” at the Adopting Bitcoin conference in El Salvador in November 2021, where they were keynote speakers.

During the quarter the team also focused on developing a new research platform that went live in beta in Q1 2022. The team also worked closely with Tech/ Engineering and Design specialists to make their research easily accessible and tailored to users. The new platform will enable Arcane Research to optimize distribution and reach even more users.

## Kaupang

Kaupang was acquired by Arcane Crypto on March 26, 2021. Following the acquisition, the focus has been on developing a dedicated premium offering for clients who execute larger trades and need deep liquidity.

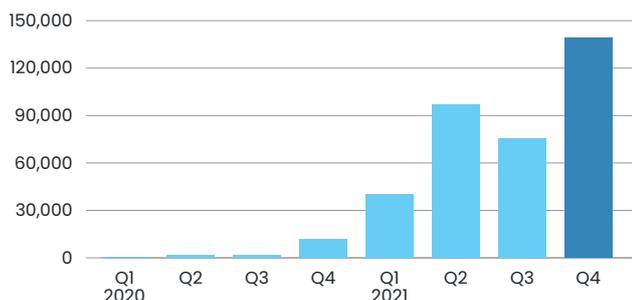
During Q4 2021, Kaupang continued to strengthen its premium offering to large private customers and businesses and launched an insured custody offering. The premium offering now includes an OTC-desk, a dedicated account manager setup, access to voice-trading and trading over chat, as well as institutional grade custody.

Regarding trading activity, Kaupang saw an 85% increase in gross turnover compared to Q3 2021, compared to a general 22% increase in the market (bitcoin volume). Net revenue in Q4 2021 amounted to 138,892 kSEK compared to 75,262 kSEK in Q3 2021. It was a record quarter in terms of revenue and the average order size gradually increased each month, along with the number of customers. As for the technical road map going forward, the plan is to move Kaupang over to the new Arcane platform over time, for a seamless integration with several other Arcane services.

We have increased Kaupang’s profitability by acquiring new FX partners and negotiating better terms for trading with our liquidity partners. Lastly, the market-making activities have also proven to be an important extra revenue stream for us. Kaupang will continue to grow and scale its business model throughout 2022.

### Kaupang

Gross trading volume, kSEK



## Arcane Green Data

Arcane Green Data focuses on executing Arcane’s mining strategy. The operation went live in October 2021 and generated revenue of 8,347 kSEK with an average gross margin of 65% during the fourth quarter, a period with historically high electricity prices.

After the quarter, machines representing an additional 36 PH of capacity, were delivered and are now operational. Arcane Green Data now exports a total computing capacity of just below 80 PH/s. With current deployment and market conditions we are generating a revenue equivalent to approximately 32 Bitcoins per quarter.

With an electricity price of 1 SEK / KWh, our direct cost for generating one bitcoin at current market conditions is approximately 167 kSEK. Based on the electricity futures market, we expect electricity prices to reduce by approximately 50% in the longer term.

## Trijo

Revenue in Q4 2021 amounted to 741 kSEK compared to 525 kSEK in Q3 2021.

The acquisition of Trijo was completed through a directed set-off issue of shares in Arcane Crypto to the sellers on July 2, 2021. Trijo is consolidated into Arcane's accounts as of Q3 2021.

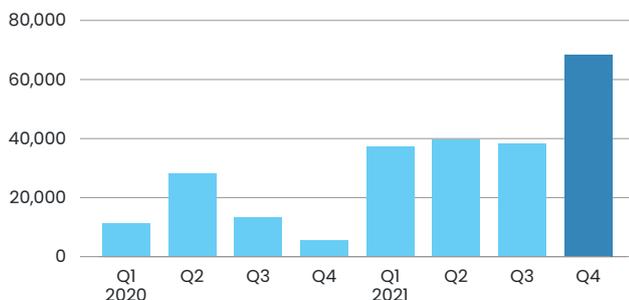
During Q4, Torbjørn Bull Jenssen and Totte Löfström mutually agreed that Torbjørn Bull Jenssen should take over the role as CEO of Trijo to unify operations and infrastructure across the Group.

During the quarter, Trijo worked on revising the fee structure and now enables users to buy crypto for a fee starting at 0.5%. The revised fee structure, integration of Trustly and the launch of Trijo Autopilot, the first service in Sweden for automatic saving in Bitcoin, Ethereum and Litecoin in Q3 2021 has led to record trading volumes in Q4 2021, up 78% compared to the previous quarter.

Arcane continues to work on a unified operation and infrastructure across Kaupang and Trijo, which will include deep integration with Teslacoil to enable Lightning transactions and payments. Trijo has continued to work on strengthening its partnership with Kaupang during the quarter, to offer better liquidity on the exchange.

### Trijo

Gross trading volume, kSEK



## Puremarkets

The Company owns 37.5% of Puremarkets. Puremarkets is building an interbank marketplace for cryptocurrency price discovery and exchange of wholesale risk via their Pure Digital platform. Pure Digital will provide a best in-class primary wholesale marketplace, with a consortium of banks as liquidity providers, custodians and clearers. The management team brings many years of experience at top-tier banks and have successfully delivered a similar platform for the FX market.

Puremarkets have seen steady development in Q4. The team has used this quarter to continue to hold regular meetings and calls with investment banks that have signed LOIs. Topics of discussion have included regulation, custody options and the banks' expected plans for launching spot trading in crypto. The Pure Digital platform is now complete and ready for test trading with the banks and Zodia has been set up for testing on the platform.

Puremarkets submitted their application to the UK's Financial Conduct Authority to register as a crypto asset business under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 in Q2 2021 and await feedback on their application.

At the end of the period there were 6 LOIs in place with Tier 1 investment banks, two of which have already been announced (State Street and Bank of New York Mellon).

## LN Markets

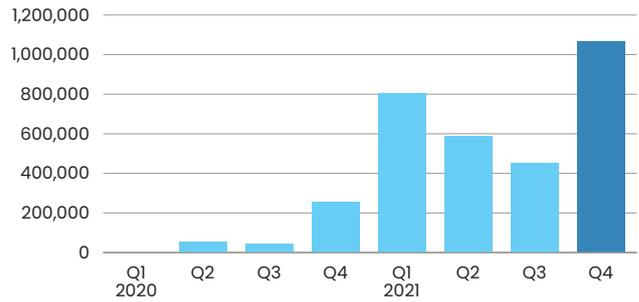
On April 16, 2021, Arcane Crypto entered into an investment agreement to increase its ownership in LN Markets from 7% to around 16% via a cash investment of 1,500,000 EUR (equivalent to 15,356 kSEK). LN Markets is a trading platform built on the Bitcoin Lightning Network and uses bitcoin, paid and settled over the Lightning Network, as collateral for derivatives trading.

During Q4, the total volume traded on LN Markets' platform amounted to 120 MUSD (equivalent to 1,068,000 kSEK), up 104% from 53 MUSD in Q3 2021 (equivalent to 449,922 kSEK), compared to a general market increase in trading activity (bitcoin spot) of 22%. While the trading volume correlated with market sentiment, LN Markets continued to see a strong increase in their user base, up 33%.

LN Markets provides access to instant and low-cost derivatives transactions using the Bitcoin Lightning Network. LN Markets' setup and APIs further enable easy integration with other services such as trading systems and bitcoin lightning wallets. As an example, LN Markets is integrated with the node platform Umbrel. On the product development front, LN Markets has increased maximum leverage on the platform to 100x and are working on developing the trading module for options trading, on a broker model.

## LN Markets

Gross trading volume, kSEK

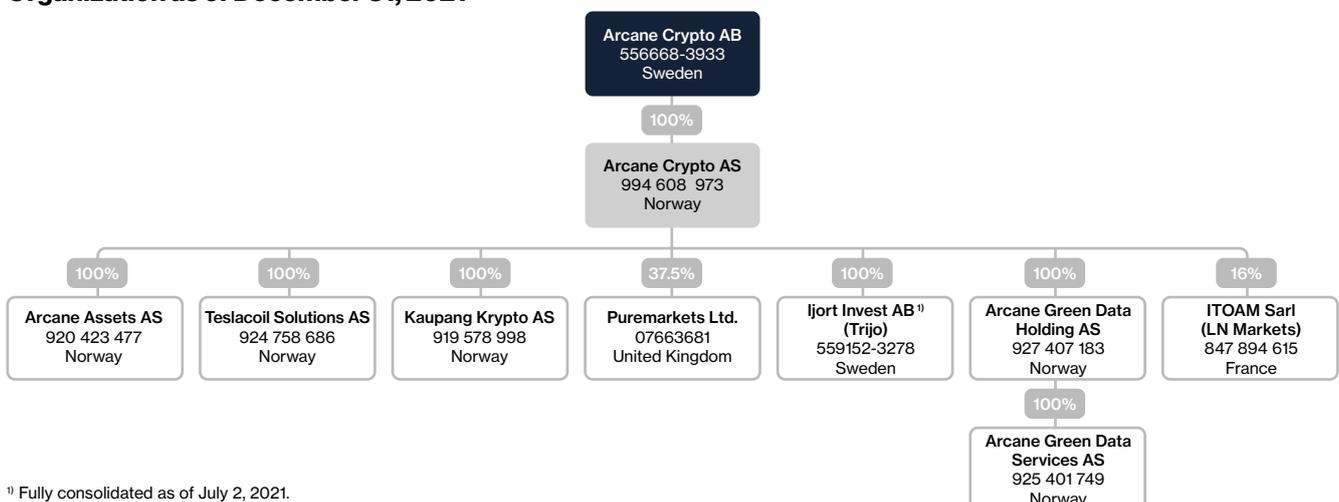


## Alphaplate

During Q4 2021, Arcane held 45% of Alphaplate and this remained unchanged during the period. Alphaplate reported an estimated profit for Q4 2021 of 105,058 GBP (equivalent to 1,240 kSEK).

Following the period Arcane sold its shares in Alphaplate. The transaction was completed on January 22, 2022.

## Organization as of December 31, 2021



<sup>1)</sup> Fully consolidated as of July 2, 2021.

# Financials

The financial statements have been prepared in accordance with the Company's accounting policies, aligned with BFNAR Annual Reports and Consolidated Financial Statements (K3) and the Annual Accounts Act (Sw. årsredovisningslagen). The financial statements are prepared on the basis that the acquisition is reported as a Reverse Takeover in accordance with K3 19.6. and Chapter 7 Section 23 of the Annual Accounts Act. This means that Arcane Crypto AS is consolidated as a part of Arcane Crypto AB from 2021 even though it is Arcane Crypto AS that is seen as the acquiring party for financial reporting purposes.

## Comments October – December 2021 and January – December 2021

### Income statement

The strong growth in revenue continued in this period and following the consolidation of Kaupang in Q2 2021 and Trijo in Q3 2021, the Group's revenue amounted to 332,625 kSEK in FY 2021 compared to 2,103 kSEK in FY 2020. EBITDA amounted to -21,969 kSEK during FY 2021 compared to -17,812 kSEK in FY 2020. In Q4 2021, the Group had revenue of 148,930 kSEK compared to 1,224 kSEK in the corresponding period last year. EBITDA amounted to -3,383 kSEK in the quarter compared to -10,358 kSEK for the corresponding period last year.

Please note that neither Alphaplate, LN Markets, nor Puremarkets are consolidated into Arcane's accounts. These portfolio companies are instead accounted for in accordance with the equity method and Arcane's share of ownership. Result from participation of the associated companies amounted to -5,490 kSEK in FY 2021 and -1,540 kSEK in Q4 2021.

The acquisition of Arcane Crypto by then Vertical Ventures is accounted for as a Reverse Takeover in the consolidated Group statements, which leads to a cost item included in Interest expense and other financial costs in Q1 2021.

Revenue generated by Kaupang from cryptocurrency is accounted for according to the accounting principle of goods (in Norway NRS 1). When selling cryptocurrency to customers, the acquisition cost is expensed as the cost of goods and the sales value of the cryptocurrency is recognized as sales revenue. When Kaupang acquires cryptocurrencies from a customer and off-sets the trade by exchanging the cryptocurrencies with another counterparty, the off-setting trade is classified as sales revenue while the purchase from the customer is classified as the cost of goods.

### Balance sheet

After the consolidation in accordance with the Group accounting principles, intangible assets have increased by 50,966 kSEK, mainly related to goodwill from the acquisitions of Kaupang and Trijo.

In Q3 2021, Arcane founded Arcane Green Data and invested 35,978 kSEK in mining hardware during Q3 and another 31,779 kSEK in Q4. Arcane Green Data has now begun mining bitcoin in Norway.

Investment in Financial Assets amounted to 17,244 kSEK through the cash investment in IOTAM (LN Markets).

The successful directed issue in Q1 2021 increased the cash balance and equity by 49,500 kSEK. In Q3 2021, Arcane conducted another successful directed issue of 61,000 kSEK in order to finance the investment in Arcane Green Data. Consolidated equity as of 31st December was 148,948 kSEK which was a net increase of 116,746 kSEK compared to the same period last year. Current liabilities amounted to 32,096 kSEK which was a net increase of 23,055 kSEK compared to the same period last year. This was mainly driven by the consolidation of current liabilities in Arcane Green Data Services (17,595 kSEK), Kaupang (4,901 kSEK) and in Trijo (1,068 kSEK).

According to the applicable accounting rules for the Reverse Takeover the acquired entity, Arcane Crypto AS, is seen as the surviving entity in the Group accounts. The consolidated changes in equity shall be compared against previous accounts for the surviving entity. Adjustment to align with the share capital in the legal parent company is presented on a separate line in the statement of changes in equity.

### Cash flow

Investments in intangible fixed assets are related to goodwill from acquisitions of subsidiaries and cash flow from financing activities is related to the completed directed share issue (private placement) in Q1. During 2021, 88,288 kSEK was invested in the acquisition of Kaupang and Trijo, increased ownership in LN Markets and in hardware for the operation of Arcane Green Data. All of this was mainly financed through the two private placements amounting to a total of 110,882 kSEK.

# The Share & Shareholders

As of December 31, 2020, there were 6,593 shareholders holding 540,072,401 shares in Arcane available for trade. After the Reverse Takeover of Arcane Crypto the number of shareholders has grown from around 6,000 to around 27,188 shareholders holding 8,505,700,189 shares on December 31, 2021.

During the year 13,476,312,567 shares were traded at an average price of 0.29 SEK per share, a total traded value of over 3,972 MSEK.



## Shareprice and volume since start of trading Arcane Crypto



## Top 10 Shareholders, December 31, 2021

kSEK	Number of shares	% of shares
Middelborg Invest AS	2,124,587,715	24.98%
Arctic Securities AS	1,744,474,088	20.51%
Klein Invest AS	578,486,315	6.80%
Modiola AS	540,833,759	6.36%
Hortulan AS	314,015,268	3.69%
BNY Mellon SaNV	260,961,449	3.07%
Bulltech AS	155,718,793	1.83%
Muunilinst AS	154,892,795	1.82%
CBLDN-Barclays Bank PLC	139,224,809	1.64%
Skandinaviska Enskilda Banken AB (publ) OSLOFIL	125,363,446	1.47%
<b>Sum top 10</b>	<b>6,138,558,437</b>	<b>72.17%</b>
Other	2,367,141,752	27.83%
<b>Total number of shares</b>	<b>8,505,700,189</b>	<b>100.00%</b>

# Additional comments

## Organization and Employees

As of the end of Q4, the Group has a total of 21 full-time employees across the various business units and wholly owned subsidiaries. Additionally, there are 6 part-time employees assisting the teams.

## Significant Risks and Uncertainty

Arcane Crypto operates in the cryptocurrency industry, which is still largely unregulated and subject to continual and rapid technological and regulatory changes. There are uncertainties related to the development of the cryptocurrency market, including its future size, and the future success of Arcane Crypto's business is, therefore, difficult to predict. The legal status of cryptocurrencies varies between different countries and is very much in transition. There exists a lack of regulatory consensus concerning the regulation of cryptocurrencies in Europe. Future regulatory or political developments could adversely affect markets for cryptocurrencies, their adoption, and ultimately, their prices. Please see the company description published by Arcane Crypto AB (then Vertical Ventures) on December 21, 2020 prior to the Reverse Takeover for further description of the business of the company and associated risk factors.

## Accounting Principles

The financial statements have been prepared in accordance with BFNAR Annual Reports and Consolidated Financial Statements (K3) and the Annual Accounts Act (Sw. Årsredovisningslagen), which are the accounting principles that are the basis for the annual reports. The financial statements are prepared on the basis that the acquisition is reported as a Reverse Takeover in accordance with K3 19.6. and Chapter 7 Section 23 of the Annual Accounts Act.

## Transactions with Closely Related Parties

Arcane Crypto had a consultancy agreement with Middelborg AS, for work performed by Jonatan Raknes (Chairman of the Board) beyond his normal duties as Chairman of the Board. Middelborg was entitled to a monthly fee of approximately 100 kSEK plus VAT. This agreement was terminated in December as Jonatan

Raknes was succeeded as Chairman by Michael Jackson. Arcane Crypto has a consultancy agreement with Hafoko OÜ for work performed by Michael Jackson beyond normal duties as Chairman of the Board. Hafoko is entitled to a monthly fee of approximately 50 kSEK plus VAT.

## Financial Calendar

Date	Event
26 April 2022	Annual Report 2021
10 May 2022	Annual General Meeting 2022 and Interim Report Q1 2022
23 August 2022	Interim Report Q2 2022
8 November 2022	Interim Report Q3 2022
28 February 2023	Interim Report Q4 2022

## Contact

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This Report has not been subject to review by the company's auditor. The information disclosed in this Interim Report is mandatory for Arcane Crypto AB to publish pursuant to the EU's Market Abuse Regulation (MAR). This information was submitted for publication at 08:00 a.m. (CET) on February 25, 2022, through the agency of the CEO.

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# Consolidated Income Statement

kSEK	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Net sales	148,684	1,062	332,239	1,941
Other operating income	246	162	386	162
<b>Total Revenue</b>	<b>148,930</b>	<b>1,224</b>	<b>332,625</b>	<b>2,103</b>
<b>Operating expenses</b>				
Cost of goods sold	-136,280	0	-304,837	0
Other external expenses	-8,416	-8,633	-25,694	-10,923
Personnel costs	-7,617	-2,949	-24,063	-8,992
<b>Earnings before depreciation and amortization (EBITDA)</b>	<b>-3,383</b>	<b>-10,358</b>	<b>-21,969</b>	<b>-17,812</b>
Depreciation and write-downs of intangible fixed assets	-8,354	-15	-11,499	-66
<b>Operating profit</b>	<b>-11,737</b>	<b>-10,373</b>	<b>-33,468</b>	<b>-17,878</b>
Profit from participation in associated companies	-1,540	-411	-5,490	37
Interest income and other financial income	1,837	1,173	4,122	1,193
Interest expenses and other financial costs*	-1,128	78	-128,604	-228
<b>Total financial items</b>	<b>-831</b>	<b>840</b>	<b>-129,972</b>	<b>1,002</b>
<b>Profit after financial items</b>	<b>-12,568</b>	<b>-9,533</b>	<b>-163,440</b>	<b>-16,876</b>
<b>Profit before tax</b>	<b>-12,568</b>	<b>-9,533</b>	<b>-163,440</b>	<b>-16,876</b>
Tax on profit for the period	0	0	0	0
<b>The result of the period*</b>	<b>-12,568</b>	<b>-9,533</b>	<b>-163,440</b>	<b>-16,876</b>
Adjusted result for the period excluding write down	-12,568	-9,533	-36,487	-16,876

\* Accounting-wise the Group is seen as acquiring Vertical Ventures at market price at the time of closing (0.235 SEK per share). As there were no operations in Vertical Ventures before closing of the Reverse Takeover, the purchase price cannot be allocated to goodwill, hence the entire acquisition price is accounted for as Other financial costs, in the Group income statement. This is purely a technical accounting matter, has no cash flow effect and does not impact the operational strength of the operations of the Group. Hence, Arcane also presents an adjusted result for the period (excluding this cost item of 126,953 kSEK), which, according to the Company's opinion, better reflects the financial performance of the Group in the period.

# Net earnings per share

	Q4 2021	Q4 2020	Full year 2021	Full year 2020
<i>Before dilution</i>				
Number of shares	8,505,700,189	540,072,401	8,505,700,189	540,072,401
Weighted average	8,279,711,253	540,072,401	7,916,683,428	540,072,401
Net earnings, kSEK	-12,568	-9,533	-163,440	-16,876
Net earnings per share before dilution	-0.002	-0.018	-0.021	-0.031
<i>After dilution</i>				
Weighted average number of shares	8,279,711,253	540,072,401	7,916,683,428	540,072,401
Issued warrants not yet converted to shares	826,070,816		826,070,816	
Total number of shares after dilution	9,105,782,069	540,072,401	8,742,754,244	540,072,401
Net earnings, kSEK	-12,568	-9,533	-163,440	-16,876
Net earnings per share after dilution, SEK	-0.001	-0.018	-0.019	-0.031

# Consolidated Balance Sheet

kSEK	2021-12-31	2020-12-31
<b>ASSETS</b>		
Fixed assets		
Intangible assets	51,159	193
Tangible assets	66,244	74
Financial assets	27,379	18,996
<b>Total fixed assets</b>	<b>144,782</b>	<b>19,263</b>
<b>Current assets</b>		
Receivables	13,373	2,711
Short-term investments	3,568	1,407
Cash and bank balances	19,321	17,862
<b>Total current assets</b>	<b>36,262</b>	<b>21,980</b>
<b>TOTAL ASSETS</b>	<b>181,044</b>	<b>41,243</b>
<b>Equity</b>		
Share capital	31,035	143
Other contributed capital	300,355	48,447
Other equity including profit for the year	-182,442	-16,388
<b>Total equity</b>	<b>148,948</b>	<b>32,202</b>
<b>Liabilities</b>		
Long-term liabilities	0	0
Current liabilities	32,096	9,041
<b>Total liabilities</b>	<b>32,096</b>	<b>9,041</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>181,044</b>	<b>41,243</b>

# Consolidated Cash Flow

kSEK	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Operating profit	-11,737	-9,371	-33,468	-17,878
Adjustments for items that are not included in cash flow	-12,908	28	-12,185	66
<b>Cash flow from operating activities before changes in working capital</b>	<b>-24,645</b>	<b>-9,343</b>	<b>-45,653</b>	<b>-17,812</b>
Increase / decrease in operating receivables	-2,285	-16	-10,662	-1,180
Increase / decrease in operating liabilities	1,342	-2,161	19,170	-734
Change in working capital	-943	-2,177	8,508	-1,914
<b>Cash flow from operating activities</b>	<b>-25,588</b>	<b>-11,520</b>	<b>-37,145</b>	<b>-19,726</b>
<b>Investment activities</b>				
Acquisition of intangible / financial fixed assets	-20,086	-136	-88,288	-9,015
Sale of intangible / financial fixed assets	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-20,086</b>	<b>-136</b>	<b>-88,288</b>	<b>-9,015</b>
<b>Financing activities</b>				
Share Issue / Private placement	0	9,158	110,882	47,752
Issue costs	0	0	-1,532	0
Borrowings	17,542	-268	17,542	0
Repayment of loans	0	-1,348	0	-1,348
<b>Cash flow from financing activities</b>	<b>17,542</b>	<b>7,542</b>	<b>126,892</b>	<b>46,404</b>
Increase / decrease in cash and cash equivalents	-28,132	-4,114	1,459	17,663
Cash and cash equivalents at the beginning of the year	47,453	21,976	17,862	199
Cash and cash equivalents at the end of the period	19,321	17,862	19,321	17,862

# Change in Consolidated Equity

kSEK	Share capital	Other contributed equity	Other equity incl. Profit for the year	Total Equity
Equity 2020-01-01 (ACAS)	121	11,832	-9,849	2,104
Rights issue	22	36,688	9,932	46,642
Issue costs		-		-
Exchange rate difference			332	332
The result of the period			-16,876	-16,876
Equity 2020-12-31 (ACAS)	143	48,520	-16,461	32,202
Equity 2021-01-01 (ACAS)	143	48,520	-16,461	32,202
Alignment to new group structure after reversed acquisition (ACAB)	1,828	-205,297		-203,469
Rights issue	29,064	458,664	-	487,728
Issue costs		-1,532	-	-1,532
Exchange rate difference			-2,541	-2,541
The result of the period *			-163,440	-163,440
Equity 2021-12-31	31,035	300,355	-182,442	148,948

\* Accounting-wise the Group is seen as acquiring Vertical Ventures at market price at the time of closing (0.235 SEK per share). As there were no operations in Vertical Ventures before closing of the Reverse Takeover, the purchase price cannot be allocated to goodwill, hence the entire acquisition price is accounted for as Other financial costs, in the Group income statement. This is purely a technical accounting matter, has no cash flow effect and does not impact the operational strength of the operations of the Group. Hence, Arcane also presents an adjusted result for the period (excluding this cost item of 126,953 kSEK), which, according to the Company's opinion, better reflects the financial performance of the Group in the period.

# Parent Company

The Parent Company only carries out supporting functions for the Group with its main task to raise capital and

manage the listing of its share. All income in the parent company is related to billing of services to the Group.

## Parent Company Income Statement

kSEK	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Net sales	6,921	3,000	10,302	3,000
<b>Total revenue</b>	<b>6,921</b>	<b>3,000</b>	<b>10,302</b>	<b>3,000</b>
<b>Operating expenses</b>				
Other external expenses	-3,678	-583	-8,665	-2,409
Personnel costs	-347	71	-1,209	-258
<b>Earnings before depreciation and amortization (EBITDA)</b>	<b>2,896</b>	<b>2,488</b>	<b>428</b>	<b>333</b>
Depreciation and write-downs of intangible fixed assets	0	0	0	0
<b>Operating profit</b>	<b>2,896</b>	<b>2,488</b>	<b>428</b>	<b>333</b>
<b>Profit from financial items</b>				
Profit from shares in group companies	-1	0	34	0
Interest income and other income items	1,732	0	1,732	669
Interest expenses and other income items	0	-1,553	-75	-1,720
<b>Total financial items</b>	<b>1,731</b>	<b>-1,553</b>	<b>1,691</b>	<b>-1,051</b>
<b>Profit after financial items</b>	<b>4,627</b>	<b>935</b>	<b>2,119</b>	<b>-718</b>
<b>Profit before tax</b>	<b>4,627</b>	<b>935</b>	<b>2,119</b>	<b>-718</b>
Tax on profit for the period	0	0	0	0
<b>The result of the period</b>	<b>4,627</b>	<b>935</b>	<b>2,119</b>	<b>-718</b>

Net sales for the quarter as well as comparable figures for previous periods are related to billing for services to the

Group. The Parent Company has as of today no employees and purchases its services on a contractual basis.

# Parent Company Balance Sheet

kSEK	2021-12-31	2020-12-31
<b>ASSETS</b>		
Fixed assets	-	-
Financial assets	326,886	900
<b>Total fixed assets</b>	<b>326,886</b>	<b>900</b>
<b>Current assets</b>		
Receivables	151,875	3,967
Cash and bank balances	9,781	160
<b>Total current assets</b>	<b>161,656</b>	<b>4,127</b>
<b>TOTAL ASSETS</b>	<b>488,542</b>	<b>5,027</b>
<b>Equity</b>		
Share capital	31,035	1,971
Share premium fund	773,455	319,114
Balanced gain or loss	-319,844	-319,126
The result of the period	2,119	-718
<b>Total equity</b>	<b>486,765</b>	<b>1,241</b>
<b>Liabilities</b>		
Long-term liabilities	-	-
Current liabilities	1,777	3,786
<b>Total short-term liabilities</b>	<b>1,777</b>	<b>3,786</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>488,542</b>	<b>5,027</b>

# Definitions

**Alphaplate** • Alphaplate Limited.

**Annual Accounts Act** • (Sw: Årsredovisningslagen)  
Accounting legislation in Sweden consists of mandatory accounting acts – the Annual Accounts Act of 1995 (Årsredovisningslagen) and the Book-keeping Act of 1999 (bokföringslagen) being the most important. Both the Annual Accounts Act and the Book-keeping Act are general frameworks for accounting and both Acts refer to generally accepted accounting principles. The Annual Accounts Act is based on an EU Directive. Credit institutions, brokerages and dealers in securities, and insurance companies, are covered by two specific accounting acts.

**Arcane or the Company** • Arcane Crypto AB.

**Arcane Assets** • Arcane Assets AS.

**Arcane Crypto** • Arcane Crypto AS.

**Arcane Green Data** • Arcane Green Data Services AS

**Arcane Group or Group** • the group of companies comprising the Arcane Crypto portfolio and forming part of Arcane.

**Arcane Research** • research division of Arcane Crypto, which includes Arcane Media that produces the Kryptografen new site and podcast.

**Bank of New York Mellon** • Bank of New York Mellon Corporation.

**BFNAR** • BokFöringsNämndens Allmänna Råd.

**Board** • the board of Arcane.

**Citi** • Citigroup Inc.

**EBITDA** • Earnings before interest tax depreciation and amortization.

**ETF** • Exchange Traded Fund.

**Fund** • Arcane Assets Fund Limited.

**Goldman Sachs** • Goldman Sachs Group, Inc.

**Kaupang** • Kaupang Krypto AS.

**Lightning or Lightning Network** • the Bitcoin Lightning Network.

**LN Markets** • ITOAM, the owner of the Bitcoin Lightning Network based trading platform LN Markets.

**Luxor** • Luxor Technology Corporation

**Nasdaq** • Nasdaq Stock Market (US).

**Nasdaq First North** • Nasdaq First North Growth Market.

**PayPal** • PayPal Holdings Inc.

**Pure Digital** • the interbank trading platform being developed by Puremarkets.

**Puremarkets** • Puremarkets Limited, trading as Pure Digital.

**Reverse Takeover** • a takeover where the acquired entity is seen as the acquirer as the shareholders in the acquired entity become the major shareholders in the acquirer.

**SEC** • The U.S. Securities and Exchange Commission.

**Square** • Square, Inc.

**State Street** • State Street Bank & Trust Company

**Teslacoil** • Teslacoil Solutions AS.

**Trijo** • Ijort Invest AB, which operates the Swedish cryptocurrency exchange Trijo.

**Valour** • Valour Structured Products Inc.

**Vertical Ventures** • Vertical Venture AB (publ).



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## Financial Report

Q4 2021 | January – December

