

Financial Report

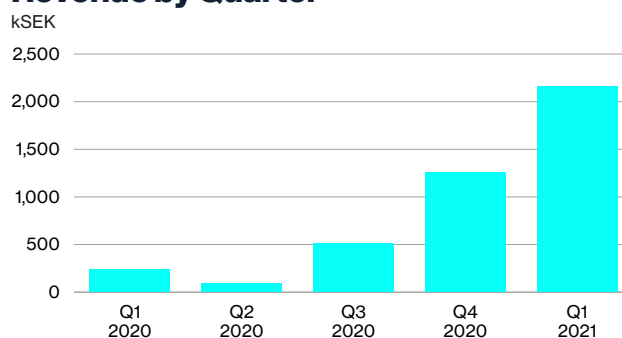
Q1 2021 | January - March



Strong growth and strengthened partnerships

- During the first quarter of 2021, Arcane Crypto focused on strengthening the balance sheet, increasing investment in existing companies and continued product development.
- Arcane Crypto has shown strong growth and continued to build partnerships with other cryptocurrency and digital asset companies. Arcane Research has gone from strength to strength, partnering with industry leading brands including BlockFi, Bitstamp and LMAX to provide institutional grade reports to their customers. Puremarkets also announced that they have partnered with Currenex's State Street to build the first wholesale marketplace for tier one investment banks to trade digital assets, Pure Digital, and that State Street (among other banks) were exploring trading on the Pure Digital platform.
- Arcane Crypto raised 49,500 kSEK from Lucerne Capital Management and Klein Invest to continue scaling existing companies in the Arcane Group both through talent acquisition and product development. There have been several significant hires across the Group and Kaupang has successfully launched its new front-end.
- Arcane Crypto increased investment in or fully acquired four companies within the Group during or directly following the period. Kaupang is now a wholly owned subsidiary, a share purchase agreement to acquire Trijo has been entered into and the investments in Puremarkets and LN Markets were increased.
- Group revenue increased to kSEK 2,157 in Q1. The Group revenue only reflects the revenue of the wholly owned business units Arcane Research and Arcane Assets. The revenue of the Associated Companies is not consolidated into the Group, and the revenue from Kaupang will only be consolidated from Q2 and onwards. Total assets were kSEK 84,957 and cash and cash equivalents were kSEK 53,952 at the end of the period.

Revenue by Quarter



Financial overview

kSEK	Q1 2021	Q1 2020	2020
Revenue	2,157	118	2,103
Operating expenses	13,200	3,015	19,915
EBITDA	-11,043	-2,897	-17,812
Total assets	84,957	16,946	41,243
Total liabilities	21,621	10,636	9,042
Equity	63,336	6,309	32,202

Main events

Main events during Q1 2021

- On 11th January 2021, the Extraordinary General Meeting of Vertical Ventures approved the acquisition of Arcane Crypto. The acquisition was completed on the same day.
- On 15th January 2021, Torbjørn Bull Jenssen was appointed CEO of Vertical Ventures.
- On 4th February 2021, Vertical Ventures changed its name to Arcane Crypto.
- On 5th February 2021, Arcane Crypto completed its listing on Nasdaq First North Growth Market and had its first day of trading.
- On 9th February 2021, Arcane Crypto increased its ownership in Puremarkets from 35% to 37.5%.
- On 16th February 2021, Arcane Crypto raised 49,500 kSEK from Lucerne Capital Management and Klein Invest.
- On 26th of March 2021, Arcane Crypto completed the acquisition of Kaupang
- On 19th March 2021, Arcane held an Extraordinary General Meeting where it was resolved on amendments of an already existing incentive program in Arcane Crypto.

After the end of the period

- On 2nd April 2021, Arcane Research, a division of Arcane Crypto announced it had entered into a collaborative partnership for institutional research with BlockFi, a financial services company dedicated to building a bridge between cryptocurrencies and traditional financial and wealth management products.
- On 8th April 2021, Puremarkets announced that State Street owned Currenex shall provide the trading infrastructure for Pure Digital. In addition, State Street and Puremarkets intend to explore the digital currency trading space via the Pure Digital platform based on an existing Letter of Intent between the parties.
- On 16th April 2021, Arcane Crypto entered into an investment agreement to increase its ownership in the Bitcoin Lightning based derivatives trading platform LN Markets from 7% to around 16%.
- On 20th April 2021, Arcane Crypto entered into a share purchase agreement to acquire the remaining shares in Trijo.

Letter from the CEO

The first quarter of 2021 has been the quarter when the hard work of building and positioning Arcane during the bear market of 2018-2020 has come to fruition. With the listing finalized in January we moved quickly and raised capital from Lucerne Capital Management and Klein Invest, increased our ownership in Puremarkets and finalized the acquisition of Kaupang. With growing demand for several of our services, we also seized the opportunity to recruit and secure top talent who will join the organization closer to the summer.

After the end of the period, we more than doubled our ownership in LN Markets, entered into an agreement to purchase the rest of Trijo, and Puremarkets announced that they are working with State Street.

The cryptocurrency sector is now stronger than ever, with adoption and innovation happening on all fronts. Bitcoin is capturing institutional and corporate interest as an asset class; “digital gold”. At the same time, thanks to the increased adoption of the Lightning Network, Bitcoin is finally emerging as a payments rail as well. This development is still going under the radar for most, but that will soon change as more and more companies build out solutions that will make people realize that payments is the next frontier for the leading cryptocurrency.

In retrospect, it was inevitable, but three years ago, when Arcane Crypto was founded, betting on this future required some serious commitment. Without the strong and long-term backing from Arcane Crypto’s founding investors, I would not have had the tools to build what Arcane Crypto is today. I am grateful for that backing and it makes me extremely enthusiastic to see all the new investors who have joined them, to take part in our journey, since the listing.

To stay ahead of the curve, you must dare to commit when others are in doubt. We proved that when Arcane was founded in the spring of 2018. Last year, we doubled down when we decided to prepare the company for a listing in the middle of the financial meltdown, caused by COVID-19, resulting in Arcane Crypto being one of the first listed crypto companies in the world.

Looking forward, the future has never been brighter. We are in a strong position, with a unique portfolio, great investors and some of the best people in the industry. Our ambition is to grow from a Nordic powerhouse of crypto to a European leader. There is of course still work to be done, but our traction so far this year has demonstrated that we are on the right path, and we have what it takes.



Torbjørn Bull Jenssen
CEO, ARCANES CRYPTO

Sector Development

The crypto sector has thrived so far in 2021. Bitcoin saw a Q1 return of 102%, while ether climbed 160% in the same period. The activity on the leading spot exchanges has grown significantly, with the quarterly trading volume of Q1 reaching USD 845bn, ~220% increase from Q4.

The institutional adoption of bitcoin is still evolving. In Q1, Rothschild, BlackRock, and the Harvard and Yale endowment funds reportedly invested in bitcoin. Publicly listed companies around the world have started adding bitcoin to their balance sheets. Tesla bought USD 1.5 billion worth of bitcoin in January (and later sold 10% of their bitcoin holdings). Norwegian company Aker invested USD 60 million in bitcoin, and Chinese company Meitu invested USD 50 million in bitcoin and USD 50 million in ether. Both Square and MicroStrategy accumulated more bitcoin in the first quarter of 2021, with MicroStrategy investing more than USD 1 billion.

Additionally, new bitcoin funds have arrived. Most notably, Canada approved three ETFs, which have quickly grown in size, and currently ten US ETF applications have been submitted. In addition, Grayscale has publicly announced its intention of turning its popular bitcoin trust into an ETF.

Coinbase was listed on Nasdaq in April through a direct listing, the first major cryptocurrency exchange to go public. At the time of writing, Coinbase's market cap sits at USD 60 billion. The successful Coinbase listing has attracted more private companies to consider a public listing, most notably Kraken.

Major banks also announced their involvement in crypto in Q1. BNY Mellon will roll out digital asset custody in 2021, Goldman Sachs relaunched its cryptocurrency desk, and Morgan Stanley started offering wealthy clients access to bitcoin funds. We've seen further advancements in Q2, with State Street exploring trading digital assets and partnering with Arcane Crypto's portfolio company Puremarkets via their Currenex entity to help build a wholesale market for digital currency trading.

The increased adoption of bitcoin has led transaction fees to rise. The scaling issue is once again garnering attention from within the community. This has contributed to a thriving growth of the Lightning Network, with the network's capacity reaching a new all-time high.

We have also seen notable developments within payments. PayPal extended its crypto service and now lets customers use crypto as a payment method through PayPal's checkout solution. Just recently, Venmo, the PayPal-owned payments app with more than 70 million users, announced that it will begin to support buying, storing and selling cryptocurrencies. In March, Visa announced that it will allow the use of the cryptocurrency USD Coin to settle transactions on its payments network. In February, Mastercard announced that it will start supporting select cryptocurrencies directly on its network in 2021.

Real BTC Daily Volume (7-day average)



The Company

On 8 August 2020, Vertical Ventures announced through a press release that it had entered into a share purchase agreement with the majority owners of Arcane Crypto AS (**"Arcane Crypto"**), regarding the acquisition of all shares in Arcane Crypto through a Reverse Takeover (the **"Arcane Transaction"**). The Arcane Transaction was completed on the terms set out in the press release published by Vertical Ventures on 11 January 2021, following an approval from the Extraordinary General Meeting held on 11 January 2021 whereby 7,258,931,122 shares were issued as consideration in the Arcane Transaction.

Vertical Ventures changed its name to Arcane Crypto AB (**"the Company"** or **"Arcane"** or **"Parent Company"**) and announced that its first day of trading with its new name would be on 5th February 2021.

Arcane Crypto is a wholly owned subsidiary of the Company and develops and invests in projects, focusing on bitcoin and digital assets. Arcane Crypto operates a portfolio of businesses, spanning the value chain for digital finance. The portfolio companies deliver various services with strong synergies across payments, investments and trading as well as a brand building research arm. Arcane Crypto has the ambition to become a leading player in the digital assets space by growing the existing businesses and investing in innovative projects via acquisitions and consolidation.

Group entities

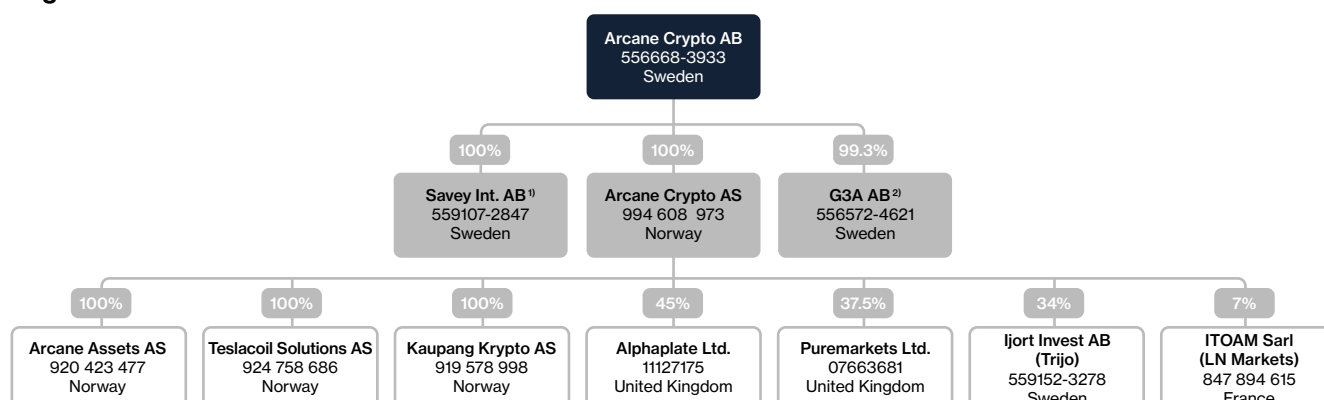
The Parent Company only carries supporting functions for the Group, with its main task to raise capital and manage the listing of its share. All income in the Parent Company is related to billing of services to group entities.

All acquisitions and operations are performed in Arcane Crypto which comprises four wholly owned subsidiaries or divisions who also manage interest in the Associated Companies as well as other investments.

Arcane Research, a team of researchers and analysts providing cryptocurrency insights and market reports as well as bespoke research reports, partnering with companies in the cryptocurrency and traditional finance space. Arcane Research is frequently quoted in cryptocurrency media and more traditional news sites including; Bloomberg, Forbes and Coindesk, which has been important as the Company continues to build the Arcane brand. Arcane Research now includes Arcane Media division which produces the Kryptografen news site and podcast.

Arcane Technology, is the business unit developing the software solution Teslacoil and trading as Teslacoil Solutions AS. Teslacoil is producing payments software for instant cryptocurrency to fiat payments. Teslacoil is leveraging the Bitcoin Lightning Network targeting business clients with its "lightning as a service" approach.

Organization as of 31 March 2021



¹⁾ The dormant subsidiary Savey Int. AB was sold for book value 0,05 KSEK on 1st April 2021.

²⁾ Entered voluntary liquidation on 30th September 2020.

Arcane Assets is the entity that provides fund management services to our Fund, with Eric Wall as Chief Investment Officer (CIO). Eric Wall, is a well-known cryptocurrency expert both in Sweden and internationally. Arcane Assets has agreed to provide the services of Eric Wall to assist the investment manager, AK Jensen Investment Management Limited, in the day-to-day portfolio management of the Fund. The Fund is registered as an exempted company, limited by shares, under Cayman Islands law with registration number AP-358169. It is registered as a mutual fund under section 4(3) of the Cayman Mutual Funds Act and it is subject to continuing obligations and other regulations under the Cayman Mutual Funds Act. The Fund is a cryptocurrency and digital assets hedge fund.

Kaupang is a Norwegian cryptocurrency broker, approved and regulated by the Norwegian Financial Supervisory Authority. Kaupang provides a secure platform for individuals and businesses to trade cryptocurrencies, offering deep liquidity and the largest selection of cryptocurrencies in Norway.

On an Extraordinary General Meeting in **G3A AB** on 30th September 2020, it was resolved on a voluntary liquidation of G3A AB, which is ongoing as of the date of this report. The liquidation was registered with the Swedish Companies Registration Office on 8th October 2020.

Associated Companies

In addition to the above, Arcane Crypto also has investments in four other companies.

Puremarkets is a UK company in which Arcane Crypto has a 37.5% ownership. Puremarkets are building a platform to provide an interbank marketplace for digital assets, Pure Digital.

During the first quarter, Arcane Crypto owned 34% of the shares in **Trijo**, which operates a Swedish cryptocurrency exchange.

Following the period, Arcane Crypto entered into an agreement to acquire the remaining outstanding shares in Trijo. Trijo is the first Swedish cryptocurrency exchange licensed by Finansinspektionen, the Swedish financial supervisory authority.

Arcane Crypto has a 45% shareholding in **Alphaplate** a UK company. Alphaplate is a cryptocurrency market maker and algo trader.

Finally, during the first quarter of 2021, Arcane Crypto had a warrant holding, representing a 7% shareholding in **LN Markets**, a Bitcoin Lightning Network based trading platform. LN Markets uses Bitcoin, paid and settled over the Lightning Network, as collateral for derivatives trading.

Business Unit Development

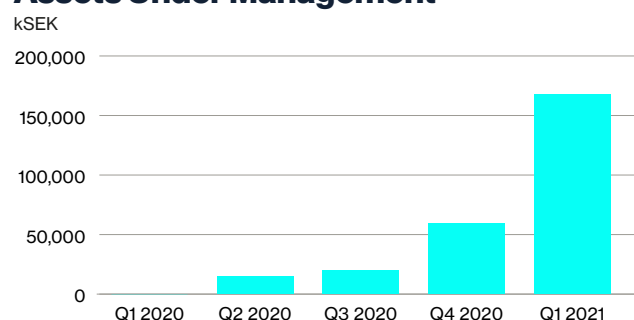
Arcane Assets*

Arcane Assets manages the Fund, which has reached Assets Under Management (AUM) of just below USD 20m (kSEK 167,600). Since launch, a year ago, the Fund has outperformed both bitcoin and other cryptocurrency hedge funds, as measured by the Eureka Cryptocurrency Hedge Fund Index.

Arcane Assets, the management company, made kSEK 1,788 revenue in Q1 2021 compared to kSEK 67 in Q4 2020.

To strengthen the team, Arcane Assets has recruited an additional Fund Manager and a Client Relationship Manager, both of whom will start in their positions by the summer. See “Strategic recruitment” for more information.

Assets Under Management



Arcane Research

Arcane Research has more than doubled its revenue from Q4 2020 to Q1 2021 and has secured several new clients, most notably:

- Published 70-page industry report with Bitstamp
- Consulting work for LMAX and started working on report for publication in May
- Partnered with BlockFi for a recurring biweekly market report, sent to their institutional clients

In addition to working with business clients, selling consultancy and research products, Arcane

Research is distributing a free weekly newsletter and an associated paid weekly market report. The growth rate for the weekly report has been good, and with increased marketing focus, we expect the growth to accelerate going forward.

Arcane Research is currently strengthening the team and is in a good position to respond to market demand and continue the growth going forward.

During Q1, the operational responsibility of Arcane Media, primarily the Kryptografen news site and podcast, has been transferred over to Arcane Research, operating it as a sub-unit.

Arcane Technology

Arcane Technology, the business unit developing the software solution Teslacoil, has seen good product development during Q1. The first instance with external clients is now running smoothly. It is an instance that is licensed to, and run by Kaupang.

Kaupang currently uses Teslacoil to offer bitcoin over Lightning as a payment solution to several smaller online services. Teslacoil has developed integrations with popular webshop platforms such as WooCommerce and Shopify, which has made it easy for Kaupang's business clients to integrate with the solution. The flow and revenue from these first clients is expected to be limited, and they act initially as pilot customers.

Long term, Kaupang will use Teslacoil to enable full Lightning support to all its users, including retail clients. From Arcane Technology's perspective, Kaupang is just the first of many B2B clients to come.

Strategically, the plan is to sell Teslacoil to other service providers as a white label “lightning as a service” solution in the future.

To better execute on this strategy, we have hired two new resources who will take charge and lift the current MVP-version of the software to a full-fledged cloud based multi-tenant setup. They will start in their positions during Q2.

When it comes to other ongoing dialogues with potential clients of Teslacoil, Q1 has been challenging for a couple of reasons. First of all, the explosion in trading volumes has made it difficult to get attention

* Nothing in this document constitutes an offer or invitation to subscribe to units or shares of an AIF or to invest in Arcane Assets Fund Limited. The Fund is only available to Professional Investors as defined by MIFID II. Past performance is not an indication of future results.

from potential partners who could act as on and off-ramps (exchanging into, and out of bitcoin), as they have had too much on their hands in terms of handling trading activity. Second, while the Lightning Network is maturing rapidly, and the need is more present than ever, with currently high on-chain fees, Lightning is still in an early adopter phase, with few available on-ramps. For many of our potential clients, a smooth on-ramp, a way for their end clients to pay with bitcoin over Lightning straight from their bank account or credit card, is a must.

If anything, the high fees and increased trading activity strengthen the case for a professionally provided “lightning as a service” product. To deal with the need for a smooth on-ramp, the strategy is to work closely with Kaupang to develop an ideal solution which could then form the basis for selling the same setup to other exchange services.

In terms of activity going forward, we expect to spend most of 2021 continuing to develop Teslacoil and run it with pilot customers, and focus on large scale distribution next year.

Puremarkets (Pure Digital)

On 9th February 2021, Arcane Crypto announced that it was strengthening its relationship with Puremarkets by increasing its ownership stake. The Company increased its ownership in Puremarkets from 35% to 37.5%.

Puremarkets are 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 bring many years of experience at top tier banks and have successfully delivered a similar platform for the FX market. Puremarkets has seen very strong development in Q1 and into Q2.

During the period Puremarkets signed a product agreement with State Street’s Currenex to provide trading infrastructure to the Pure Digital platform. That platform has now been developed and is awaiting testing and further development.

Puremarkets have seen increased interest this quarter, both from tier one investment banks in participating on the platform and from various settlement, risk, custody and other digital asset services providers looking to integrate their services to the Pure Digital platform.

At the end of the period there were 2 Letters of Intent (LOIs) in place with Tier 1 investment banks, both of which have been in place since 2020.

Kaupang

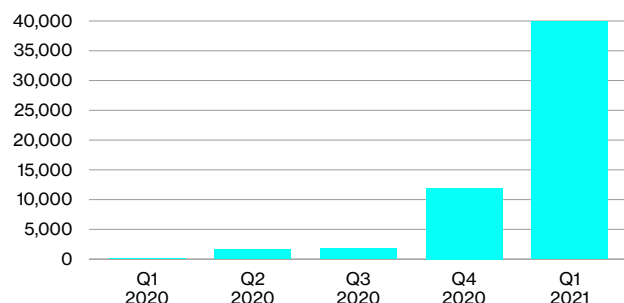
On 13th October 2020, Arcane Crypto announced that it had entered into a share purchase agreement for the acquisition of all shares in Kaupang from Bulltech AS.

The closing conditions of the share purchase agreement were met on 26th March 2021 and the Board of Directors of Arcane approved a directed set-off issue of shares in Arcane to Bulltech AS in order to settle the consideration shares for the transaction. Kaupang is now a wholly owned subsidiary of Arcane.

During the first quarter of 2021, Kaupang has seen strong traction and growth. In addition to a strong uptick in trading volume, and new users, Kaupang has launched a new front-end and scaled up the team.

Kaupang

Gross trading volume, kSEK



They have also implemented Teslacoil and are now, at the start of Q2, live with several smaller online merchants, accepting bitcoin over Lightning as a checkout solution for NOK-denominated payments.

Kaupang is unique in the Norwegian cryptocurrency market, acting as a broker with deep liquidity in a large selection of coins. Going forward, now as a fully owned part of Arcane, the focus will be on developing a dedicated premium offering for large clients, development of a custody solution and tighter integration with Teslacoil.

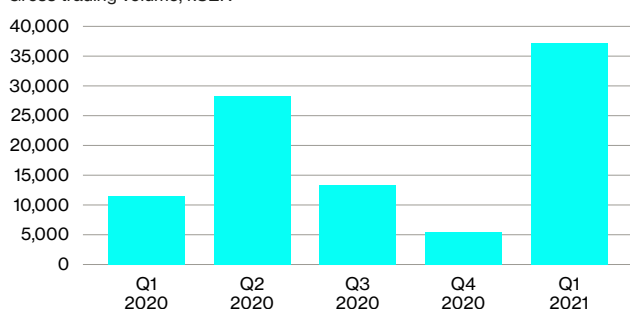
Trijo

During the first quarter of 2021 Arcane held 34% of the shares in Trijo. Following the period on 20th April 2021, Arcane entered into a share purchase agreement to acquire the remaining outstanding shares in Trijo.

In Q1, Trijo has benefited from the increased market activity. The platform has also implemented support for credit card payments, in addition to SEPA transfers. Trijo continues to receive good user feedback on social media and the CEO, Totte Löfström, is heavily used as a cryptocurrency expert by the media.

Trijo

Gross trading volume, kSEK



However, Trijo has been operating at a very low burn rate, limiting the scope of marketing and speed of product development.

Following the transaction to purchase the additional shares in Trijo, Arcane's objective is to accelerate both the product development and marketing. Over time we will work towards a unified operation and infrastructure across Kaupang and Trijo, which will include deep integration with Teslacoil to enable Lightning transactions and payments.

LN Markets

On 16th April 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 EUR 1,500,000 (Equivalent to kSEK 15,356). 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.

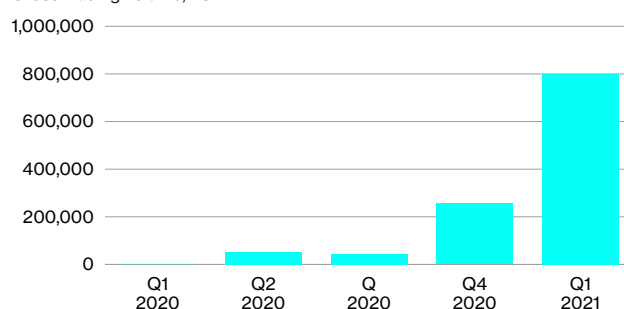
LN Markets provides access to instant and low-cost derivatives transactions using the Bitcoin Lightning Network. LN Market's set-up and APIs further enables almost anyone with a bitcoin wallet

with Lightning support rapid access to derivatives trading directly from their wallet. This provides LN Markets with the opportunity to scale the business globally and the team are already exploring potential partnerships.

LN Markets are uniquely positioned to address demand in this emerging market. Despite trading on LN Markets only launching in March 2020 they have already seen impressive growth and positive user feedback. Gross trading volume (gross derivative exposure) on LN Markets was kSEK 801,341 for Q1 2021, kSEK 255,741 for Q4 2020, kSEK 42,625 for Q3 2020 and kSEK 51,149 for Q2 2020.

LN Markets

Gross trading volume, kSEK



Alphaplate

During the first quarter of 2021, Arcane held 45% of Alphaplate and this remained unchanged during the period.

Alphaplate has prioritized their market making activity on Group company, Trijo, this quarter. Their reported PnL for Q1 from their market making activity and other trading activities was £273,693 (Equivalent to 3,171 kSEK). They have streamlined their operations and trimmed down their team.

Alphaplate has also been focusing on their integration with Pure Digital and a third-party service provider to become a liquidity provider to the Pure Digital platform.

Strategic recruitments

- Arcane Crypto has focused on building out its technical and developer team during the first quarter. Notable hires were made in the form of Oisin Zimmerman and Vihang Patil. Both of whom are currently working their notice period and will be joining in the summer.

Oisin will assume the role of Group Chief Technology Officer (CTO) and comes with a wealth of experience from traditional finance as Senior Vice President in Product Management and Technology at Telenor, where he founded and acted as CTO and the Head of Product at Red Otter Pte Ltd, an internal startup within Telenor.

- Arcane Crypto will also be joined by Vihang Patil as Senior Software Architect. Vihang has over 10 years of experience as a software architect and senior software engineer in both technology and financial companies and also worked alongside Oisin at Telenor prior to his current role.
- On 26th March 2021, Arcane Crypto completed the acquisition of Kaupang and issuance of the consideration shares. As a result, Kaupang's 5 full-time employees and 1 part-time employee were integrated into Arcane Crypto.

- Arcane Assets will be strengthened by two new employees in Summer 2021. Natalia Goldin Lundh is joining as Client Relationship Manager and Georges Mansourati as a Fund Manager, both of whom have a wealth of experience in traditional finance.

Natalia is currently working as a Client Relationship Manager as well as a board member of Library Capital AB, an Alternative Investments Fund Manager based in Stockholm. She has also been a bitcoin trader and investor since August 2017, as well as a professional art dealer and business owner with over 15 years' experience in the art market. Georges is currently working his notice as Chief Analytics and Credit Officer at Northmill Bank in Stockholm and prior to that held various roles at Swedbank AB over 10+ years including, Head of XVA and Capital Management, Fixed Income Trader and Risk Analyst. With the support of these two new hires, we expect Eric Wall to be able to continue to grow the Fund.

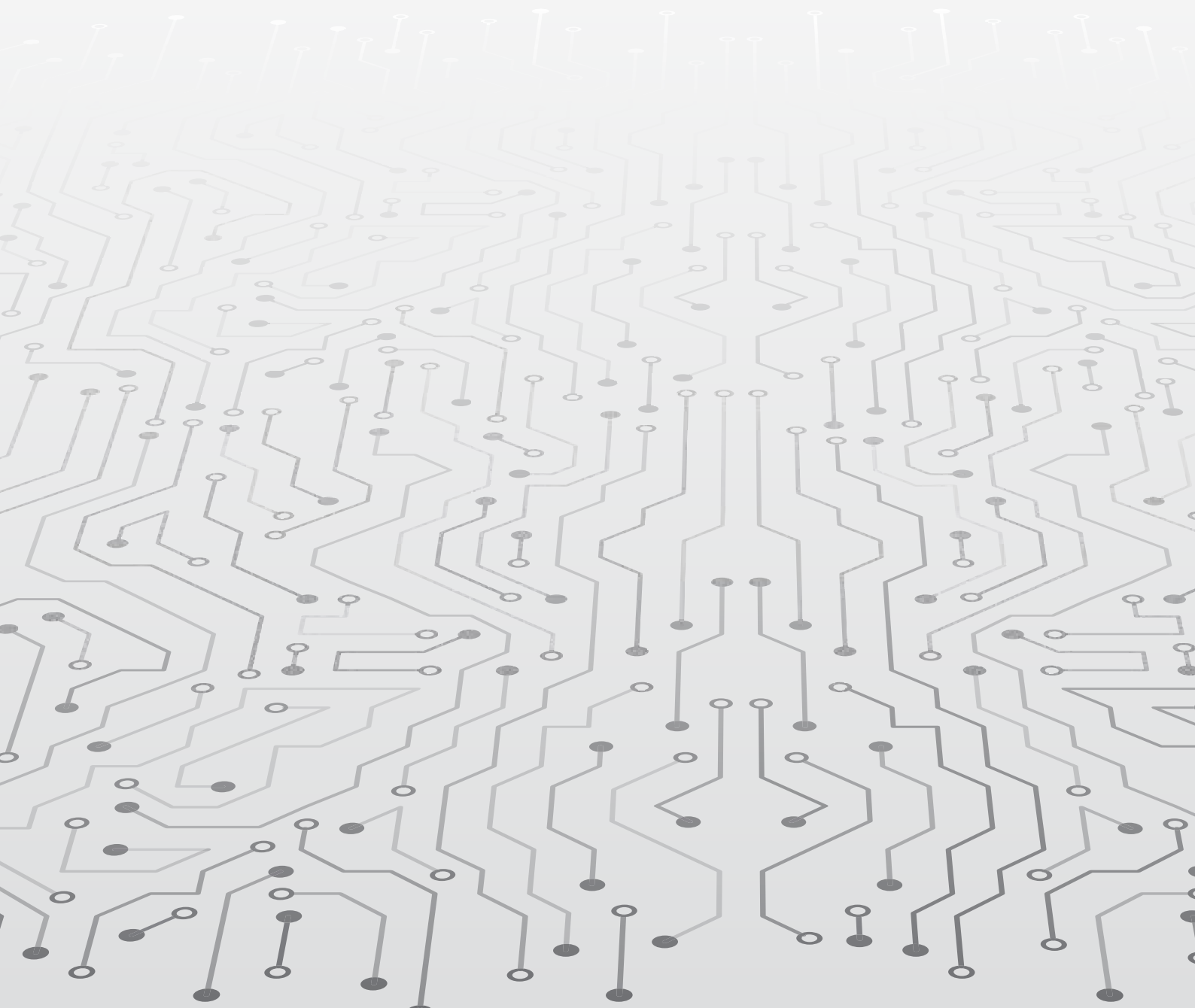
Financials

Following the Reverse Takeover, Arcane Crypto AS has been consolidated as part Arcane Crypto AB from the start of 2021.

However, as the transaction was a Reverse Takeover, it is Arcane Crypto AS that is seen as the acquiring party from a financial reporting perspective for the Group.

The financial statements have been prepared in accordance with the company accounting policies,

aligned with BFNAR Annual Reports and Consolidated Financial Statements (K3) and the Annual Accounts Act (Sw. årsredovisningslagen), which are the basis for all 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.



Consolidated Income Statement

kSEK	Q1 2021	Q1 2020	2020
Net sales	2,094	118	1,941
Other operating income	63	-	162
Total Revenue	2,157	118	2,103
Operating expenses			
Other external expenses	-4,354	-904	-10,923
Personnel costs	-8,846	-2,111	-8,992
Earnings before depreciation and amortization (EBITDA)	-11,043	-2,897	-17,812
Depreciation and write-downs of intangible fixed assets	-36	-1	-66
Operating profit	-11,079	-2,898	-17,878
Profit from participation in Associated Companies	447	8	37
Interest income and other financial income	1,606	0	1,193
Interest expenses and other financial costs*	-127,024	-3	-228
Total financial items	-124,971	5	1,002
Profit after financial items	-136,050	-2,893	-16,876
Profit before tax	-136,050	-2,893	-16,876
Tax on profit for the period	-	-	0
The result of the period	-136,050	-2,893	-16,876
Adjusted result for the period (excluding other financial costs related to the Reverse Takeover)	-9,097	-2,893	-16,876

* Interest expenses and other financial costs include a cost item of kSEK 126,917 arising from a technical accounting matter related to special accounting rules applicable to the Reverse Takeover, without any cashflow effect or any other effect on the operational strength of the Group. Please see below for further description.

Comments January - March 2021

There has been a strong growth in revenue in the first quarter of 2021, even though most of Arcane's business lines are at an early stage and/or are not consolidated into Arcane's accounts. Revenue in Q1 2021 increased with a factor over 18 times to 2,157 kSEK from 118 kSEK in Q1 2020, and 71% from Q4 2020 (1,234 kSEK). EBITDA was -11,043 kSEK in Q1 2021 compared to -2,897 kSEK in Q1 2020 and -2,298 kSEK in Q4 2020. The Company accounted for 7,475 kSEK as a one-time cost including an accrual of social charges related to the warrants in Arcane Crypto AS being transferred to Arcane Crypto AB and valued using the B&S Method and legal and other fees related to potential mergers and acquisitions. Excluding these items EBITDA is -3,568 kSEK compared to -2,897 kSEK in Q1 2020.

See "Development by business unit" for more details for each of the different businesses.

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

Kaupang is only consolidated into the balance sheet (and not the Profit & Loss) as the acquisition was completed at the end of the quarter.

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 technical cost item included in *Interest expense and other financial costs* of kSEK 126,917.

Accounting-wise the Group is seen as acquiring Vertical Ventures at market price at the time of closing (0.235SEK 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 kSEK 126,917) of kSEK 9,097, which, according to the Company's opinion, better reflects the financial performance of the Group in the period.

Consolidated Balance Sheet

kSEK	2021-03-31	2020-03-31	2020-12-31
ASSETS			
Fixed assets			
Intangible assets	21,139	115	193
Tangible assets	59	21	74
Financial assets	0	12,726	18,997
Total fixed assets	21,198	12,862	19,263
Current assets			
Receivables	3,842	96	2,711
Short-term investments	5,965	966	1,407
Cash and bank balances	53,952	3,021	17,862
Total current assets	63,759	4,084	21,981
TOTAL ASSETS	84,957	16,946	41,243
Equity			
Share capital	-29,386	-121	-143
Other contributed capital	-170,001	-19,123	-48,520
Other equity including profit for the year	136,050	12,935	16,462
Total equity	-63,336	-6,309	-32,202
Liabilities			
Long-term liabilities	-	-9,342	-177
Current liabilities	-21,621	-1,294	-8,865
Total liabilities	-21,621	-10,636	-9,042
TOTAL EQUITY AND LIABILITIES	-84,957	-16,946	-41,243

Comments January - March 2021

After the consolidation in accordance with the Group accounting principles, intangible assets have increased (mainly goodwill from investments in Associated Companies) by kSEK 21,024 and the successful private placement increased cash balance by kSEK 49,500, in total more than doubled the asset value compared to before the acquisition of Arcane Crypto.

The net increase in equity in the current quarter was kSEK 31,134 driven by the Reverse Takeover of Arcane Crypto, the direct share issue of kSEK 49,500 and the net loss of kSEK 136,050. The current liabilities grew kSEK 12,579 mainly due to an accrual of kSEK 10,229 for social charges related to the employee option pool in Arcane Crypto, for employees with their tax residence in Norway.

Change in Consolidated Equity

kSEK	Share capital	Other contributed equity	Other equity incl. Profit for the year	Total Equity
Equity 2020-12-31 (ACAS)	153	51,992	-17,640	34,505
Alignment to new group structure after Reverse Takeover ACAB)	1,818	-227,981		-226,163
Share Issue	27,415	364,867		392,282
Issue costs		-1,238		-1,238
The result of the period			-136,050	-136,050
Equity 2021-03-31	29,386	187,640	-153,690	63,336

Comments January - March 2021

In the applicable accounting rules for the Reverse Takeover the acquired entity, Arcane Crypto, 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.

Consolidated Cash Flow

kSEK	Q1 2021	Q1 2020	2020
Operating profit	-11,079	-2,898	-17,878
Adjustments for items that are not included in cash flow	36	1	66
Cash flow from operating activities before changes in working capital	-11,043	-2,897	-17,812
Increase / decrease in operating receivables	-2,236	42	-1,180
Increase / decrease in operating liabilities	12,579	860	-734
Change in working capital	10,343	902	-1,914
Cash flow from operating activities	-700	-1,994	-19,726
Investment activities			
Acquisition of intangible / financial fixed assets	-11,474	-2,614	-9,015
Cash flow from investing activities	-11,474	-2,614	-9,015
Financing activities			
Share Issue / Private placement	49,500	7,600	47,752
Issue costs	-1,238	-	-
Borrowings	-	-	-
Repayment of loans	-	-	-1,348
Cash flow from financing activities	48,262	7,600	46,404
Increase / decrease in cash and cash equivalents	36,088	2,991	17,663
Cash and cash equivalents at the beginning of the year	17,863	30	199
Cash and cash equivalents at the end of the period	53,951	3,021	17,862

Comments January - March 2021

Investments in intangible fixed assets are related to goodwill from investments in Associated Companies and cash flow from financing activities is related to

the completed directed share issue (private placement) in the quarter.

Parent Company

The Parent Company only carries 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	Q1 2021	Q1 2020	2020
Net sales	687	0	3,000
Activated work for own account	0	0	0
Total revenue	687	0	3,000
Operating expenses			
Other external expenses	-1,260	-261	-2,409
Personnel costs	0	-99	-258
Earnings before depreciation and amortization (EBITDA)	-573	-360	333
Depreciation and write-downs of intangible fixed assets	0	0	0
Operating profit	-573	-360	333
Profit from financial items			
Profit from shares in group companies	0	0	0
Interest income and other income items	0	669	669
Interest expenses and other income items	-45	-91	-1,720
Total financial items	-45	578	-1,051
Profit after financial items	-618	218	-718
Profit before tax	-618	218	-718
Tax on profit for the period	0	0	0
The result of the period	-618	218	-718

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

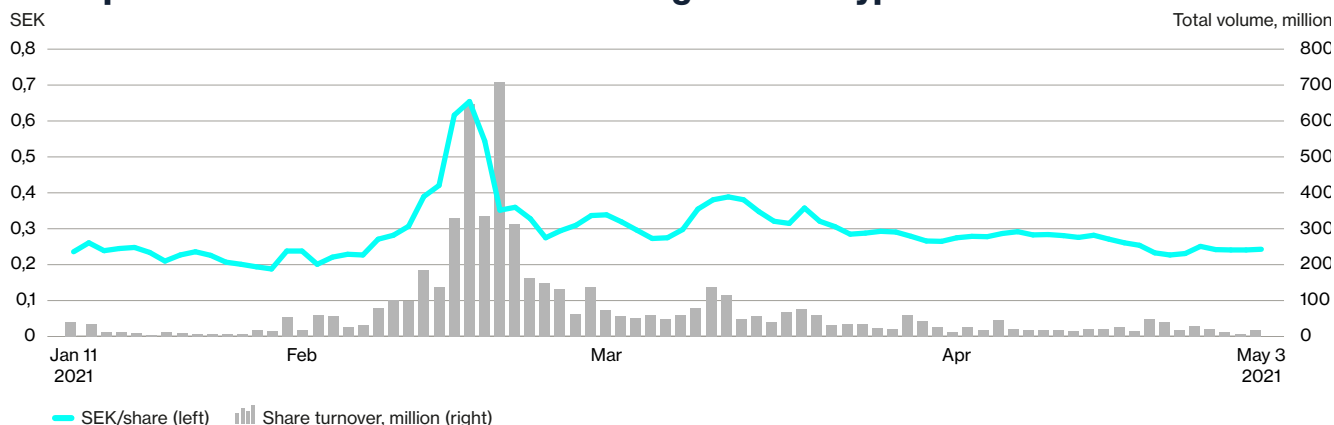
The Parent Company has as of today no employees and purchases its services on a contractual basis.

Parent Company Balance Sheet

kSEK	2021-03-31	2020-03-31	2020-12-31
ASSETS			
Fixed assets			
Financial assets	328,502	2,535	900
Total fixed assets	328,502	2,535	900
Current assets			
Receivables	20,807	7,216	3,967
Cash and bank balances	46,125	428	160
Total current assets	66,932	7,644	4,127
TOTAL ASSETS	395,434	10,179	5,027
Equity			
Share capital	29,386	1,971	1,971
Share premium fund	746,659	319,114	319,114
Balanced gain or loss	-383,760	-319,127	-319,126
The result of the period	-618	218	-718
Total equity	391,667	2,176	1,241
Liabilities			
Long-term liabilities	-	-	-
Current liabilities	3,767	8,003	3,786
Total short-term liabilities	3,767	8,003	3,786
TOTAL EQUITY AND LIABILITIES	395,434	10,179	5,027

The Share & Shareholders

Shareprice and volume since start of trading Arcane Crypto



As of 30th December 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 23,000 shareholders holding 8,053,722,316 shares at 31st March 2021.

As can be seen in the graph the trade in Arcane has been extensive. During the first quarter 5,342,398,167 shares were traded at an average price of SEK 0.406 per share, a total traded value in the first quarter exceeding 2,168 million SEK. In the same quarter last year 3,638,539,609 shares were traded at an average price of SEK 0.068 per share, a total traded value of 248 million SEK.

Top 10 Shareholders, March 31, 2021

kSEK	Number of shares	% of shares
Middelborg Invest AS	2,239,718,215	27.81%
Arctic Securities AS	1,790,069,261	22.23%
Klein Invest AS	580,486,315	7.21%
Modiola AS	540,833,759	6.72%
Skandinaviska Enskilda Banken AB (publ) Oslofilii	405,149,825	5.03%
Hortulan AS	353,077,530	4.38%
Muunilinst AS	153,642,795	1.91%
CBLDN-Barclays bank PLC	139,224,809	1.73%
Venture AS	120,854,869	1.50%
UFI AS	112,077,974	1.39%
Sum top 10	6,435,135,352	79.90%
Other	1,618,586,964	20.10%
Total number of shares	8,053,722,316	100.00%

Definitions

Alphaplate • Alphaplate Limited.

Annual Accounts Act • (SV: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 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.

Arcane Technology • the business unit developing the software solution Teslacoil and trading as Teslacoil.

Arcane Transaction • acquisition of all of the shares in Arcane Crypto through a Reverse Takeover by Vertical Ventures AB (publ).

BFNAR • BokFöringsNämndens Allmänna Råd.

BlackRock • BlackRock Global Allocation Fund, Inc.

BlockFi • BlockFi Inc.

Board • the board of Arcane.

B&S • Black & Scholes, The Black-Scholes model, also known as the Black-Scholes-Merton (BSM) model, is a mathematical model for pricing an options contract. In particular, the model estimates the variation over time of financial instruments.

Coinbase • Coinbase Global Inc.

EBITDA • Earnings before interest tax depreciation and amortization.

ETF • Exchange Traded Fund.

Eurekahedge Crypto-Currency Hedge Fund Index

• an equally weighted index of 17 constituent funds. The index is designed to provide a broad measure of the performance of underlying hedge fund managers that allocate to bitcoin and other cryptocurrency-currencies. The index is base weighted at 100 at Jun 2013, does not contain duplicate funds and is denominated in USD. For more information please see: <https://www.eurekahedge.com/Indices/hedge-fund-index-methodology>.

Fund • Arcane Assets Fund Limited.

Goldman Sachs • Goldman Sachs Group, Inc.

Grayscale • Grayscale Investments, LLC.

Kaupang • Kaupang Krypto AS.

Lightning or Lightning Network • the Bitcoin Lightning Network.

LMAX • LMAX Digital Broker Limited.

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

LOI • Letter of Intent.

MicroStrategy • MicroStrategy Inc.

MVP • Minimum Viable Product.

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 requirer as the shareholders in the acquired entity become the major shareholders in the acquirer.

Square • Square, Inc.

State Street • State Street Bank & Trust Company

Tesla • Tesla, Inc.

Teslacoil • Teslacoil Solutions AS.

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

Venmo • Venmo, LLC (subsidiary of PayPal).

Vertical Ventures • Vertical Venture AB (publ).

Visa • Visa, Inc.

Additional comments

Organization and Employees

As of the end of Q1, Arcane Crypto AS (and Arcane Assets) has a total of 17 full-time employees across the various divisions and wholly owned subsidiaries. Additionally, there are 5 part-time employees / consultants 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 markets, including its future size, and the future success of the 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 21st December 2021 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 Vertical Ventures' annual reports. The pro forma 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 has a consultancy agreement with Middelborg AS, regarding the work performed by Jonatan Raknes (Chairman of the Board) beyond his normal duties as Chairman of the Board. According to the agreement Middelborg is entitled to a monthly fee of approximately kSEK 100 plus VAT.

Financial Calendar

Date	Event
7th May 2021	Interim Report Q1 2021
21st May 2021	Annual General Meeting 2021
13th August 2021	Interim Report Q2 2021
29th October 2021	Interim Report Q3 2021

Address and Contact

Company Address

Sweden

Arcane Crypto AB
Box 12172
102 25 Stockholm
Sweden

Norway

Arcane Crypto AS
Munkedamsveien 45
0250 Oslo
Norway

Contact

Torbjørn Bull Jenssen, CEO, Arcane Crypto AB
e-mail: post@arcanecrypto.se
web: investor.arcanecrypto.se

This information is information that Arcane Crypto is required to publish in accordance with the EU Market Abuse Regulation. The information was submitted, through the agency of the contact person above, for publication on 7 May 2021 at 08:00 CET.

The Company is listed on Nasdaq First North Growth Market and Mangold Fondkommission is Certified Adviser, tel. +46 8 5030 1550, e-mail: ca@mangold.se, web: www.mangold.se.



Financial Report

Q1 2021 | January - March