

Interim Report

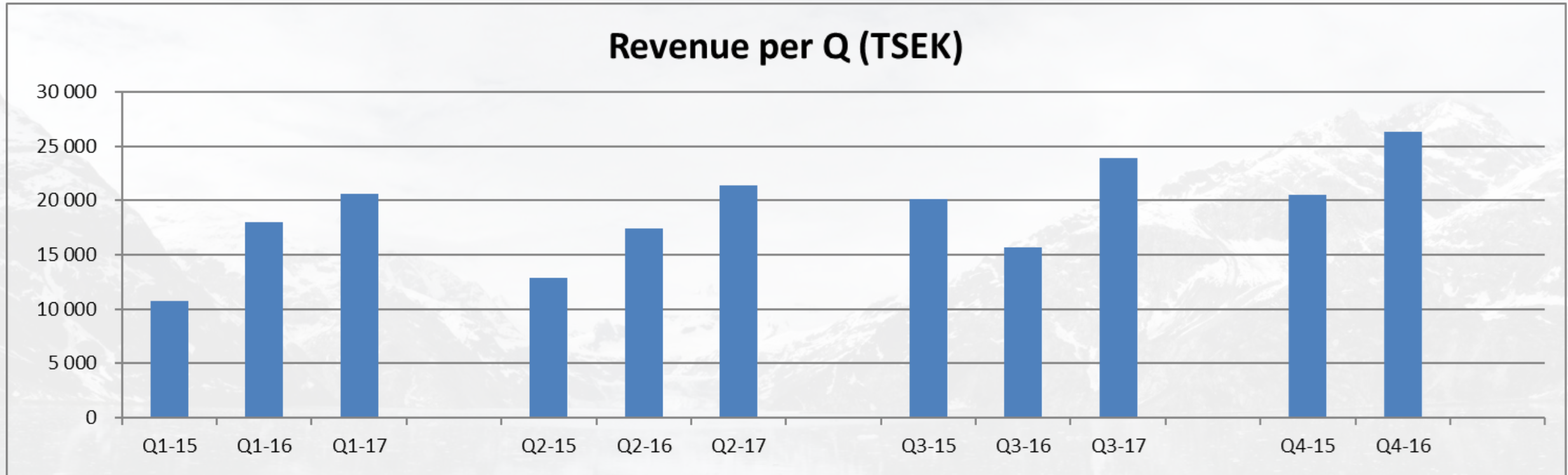
Q3 2017

- Financial Update
- The Cybersecurity Market
- Enterprise Market and Business Update
- Telecom Market and Business Update
- Financing

Financials Q3 2017 – Revenues and Profit.

- Revenues amounted to 23.9 (15.7) MSEK, an increase of 52% Y/Y
 - Product group IAM (through acquisition of PhenixID) contributed 4.9 (2.0) MSEK
 - Revenues, excluding IAM, increased with 39% Y/Y
- Gross margin amounted to 73 (61) %
 - Margins negatively affected by proportionally high sales in Asia of low-end products with lower margins
- Gross profit amounted to 17.3 (9.6) MSEK, an increase of 81% Y/Y
- Results after financial items amounted to -18.6 (-10.0) MSEK
 - Adjusted for extraordinary items, comparable results were -17.0 (-18.1) MSEK
- Cash at the EOP 31,3 (15,6) MSEK, + own shares at 7,8 MSEK giving a total of 39,1MSEK

Financials Q3 2017 – Quarterly Revenues (Year over Year).

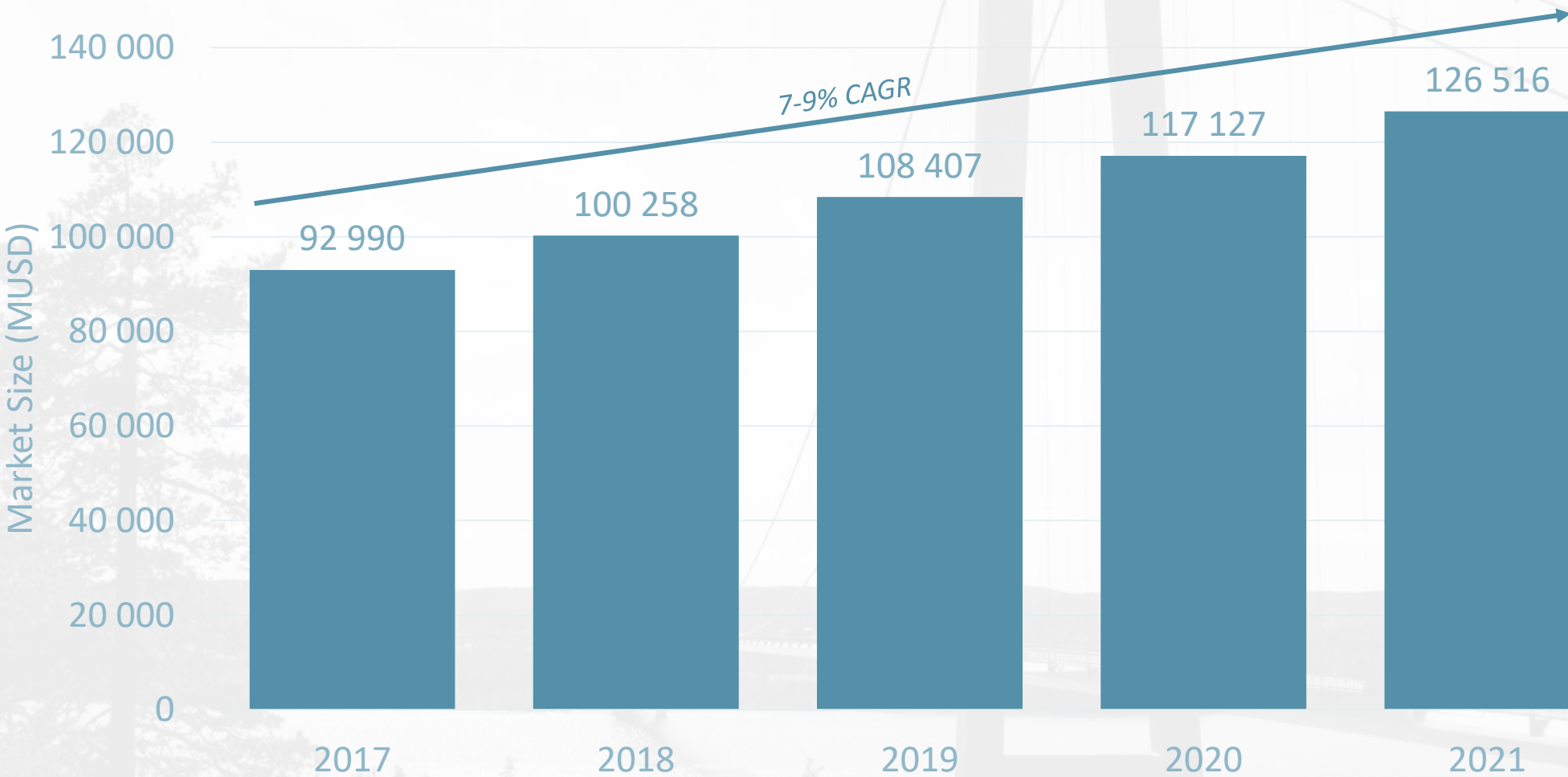


Financials Q3 2017 – Revenues and Profit.

	July - Sept	July - Sept
<i>MSEK</i>	2017	2016
EBIT	-16,4	-14,7
Reversal of depreciation	0	-2,6
EBIT after items affecting comparabilty	-16,4	-17,3

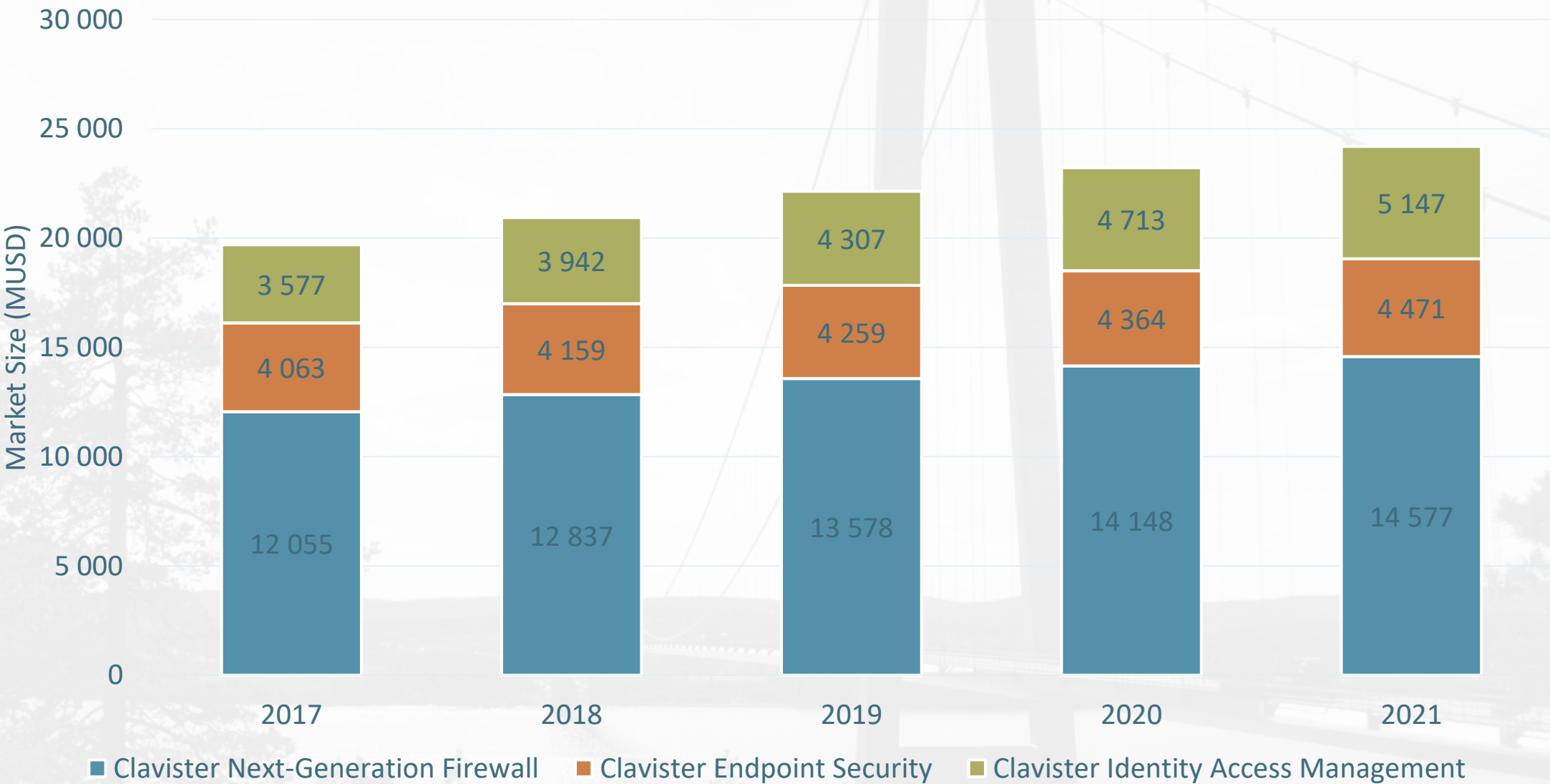
	July - Sept	July - Sept
<i>MSEK</i>	2017	2016
Result after financial items	-18,6	-10,0
Reversal of depreciation	0,0	-2,6
Financial gain of associate	0	-5,5
Extra ordinary financial cost in conjunction with financing	1,6	0
Result after items affecting comparabilty	-17,0	-18,1

Compelling Market Size (Global Cybersecurity Market).



Source: Cybersecurity Ventures

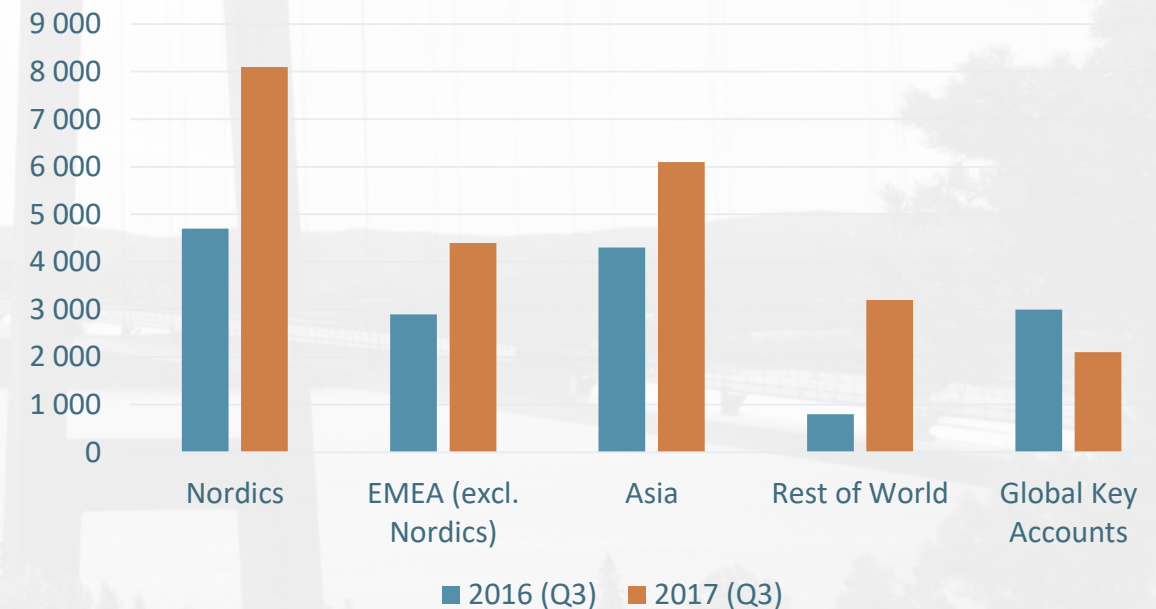
Total Addressable Market – Enterprise Product Groups.



Source: Gartner Forecast Information Security Q2'17 Update

Enterprise Segment – Business Update.

- Sales grew to 21.8 MSEK from 15.7 MSEK, an increase of 39% Y/Y
- Strong growth in all main geographical regions:
 - Nordics: 8.1 (4.7) MSEK, +74%
 - Whereof 4.9 (2.0) MSEK from product group IAM *)
 - EMEA (excluding Nordics): 4.4 (2.9) MSEK, +53%
 - Asia: 6.1 (4.3) MSEK, +42%



*) Product group IAM relates to acquisition, consolidated late August 2016.

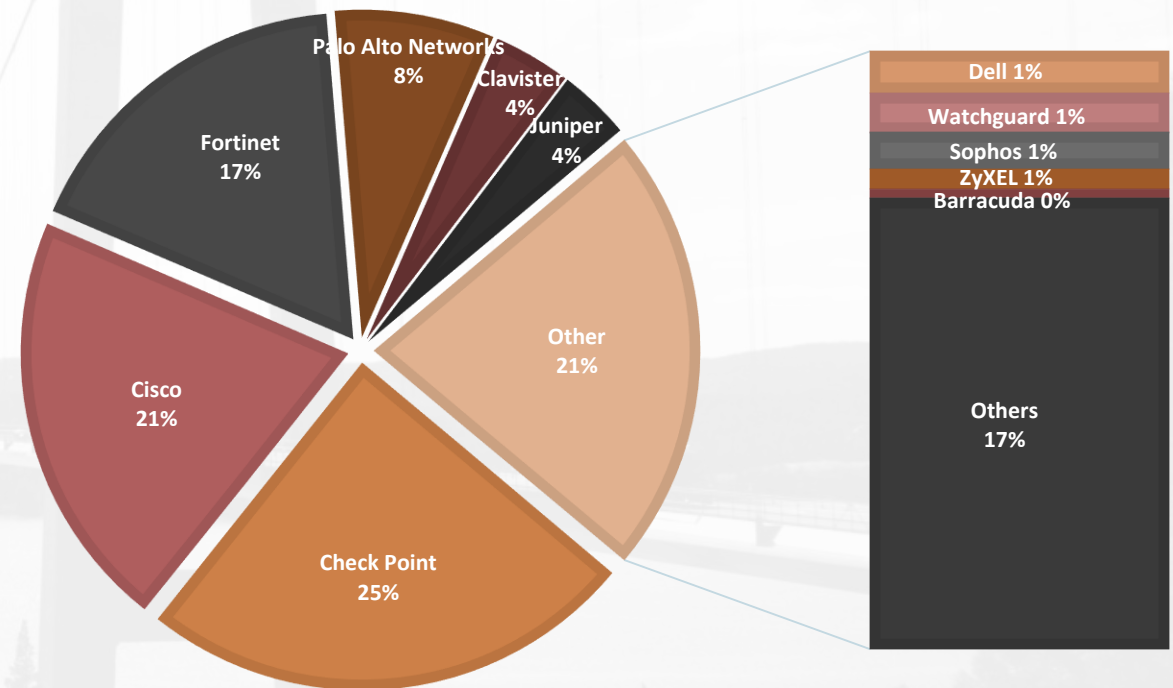
Enterprise Segment – Key Events.

CLAVISTER®

- **Customer retention is high**
Major Nordic law-enforcement agency placing substantial order
- **High level of customer satisfaction**
93% of customers will recommend Clavister
- **Steady growth with Canon IT Solutions in Japan**
Two major orders totalling to 4.2 MSEK received in July and September
- **New product release – Clavister E10**
Entry-level product designed for Service Providers and Enterprises

Enterprise Segment – Future Outlook.

- Investing into Sales and Marketing to increase market share
- Sales headcount reallocation to focus markets in order to improve efficiency (Nordics sales team grew with 100% from Q1 2017)
- Fragmented vendor landscape - no single vendor dominates the market



Firewall vendor shares in Sweden according to IDC

Telecom Segment – Addressable Market (Core Security).

CLAVISTER®

Total Addressable Market - Virtualized Core Security	2018	2019	2020	2021	2022
Monthly Mobile Data (PB / Month) ¹⁾	19 857	28 679	39 615	53 096	71 566
Peak Throughput (Tbps) ²⁾	515	744	1 027	1 377	1 855
Virtualization Adoption ³⁾	5%	25%	50%	80%	95%
Virtualized Mobile Core Throughput (Tbps)	26	186	514	1 101	1 763
Incremental Virtualized Mobile Core Throughput (Tbps)	26	160	328	588	661
Average Gross Price, Virtualized Core Security, per Gbps (EUR) ⁴⁾	4 000	4 000	4 000	4 000	4 000
Total Addressable Market - Virtualized Core Security (Based on Gross Prices) (MEUR)	103	640	1 310	2 350	2 645

Sources: ¹⁾ Ericsson Mobility Report 2017, ²⁾ CelPlan, ³⁾ SNS Research, ⁴⁾ Clavister

Total Addressable Market - Virtualized Backhaul Security

	2018	2019	2020	2021	2022
Monthly Mobile Data (PB / Month) ¹⁾	19 857	28 679	39 615	53 096	71 566
Peak Throughput (Tbps) ²⁾	515	744	1 027	1 377	1 855
Virtualization Adoption ³⁾	5%	25%	50%	80%	95%
Virtualized Mobile Core Throughput (Tbps)	26	186	514	1 101	1 763
Incremental Virtualized Mobile Core Throughput (Tbps)	26	160	328	588	661
Average Gross Price, Virtualized Backhaul Security, per Gbps (EUR) ⁴⁾	4 300	4 300	4 300	4 300	4 300

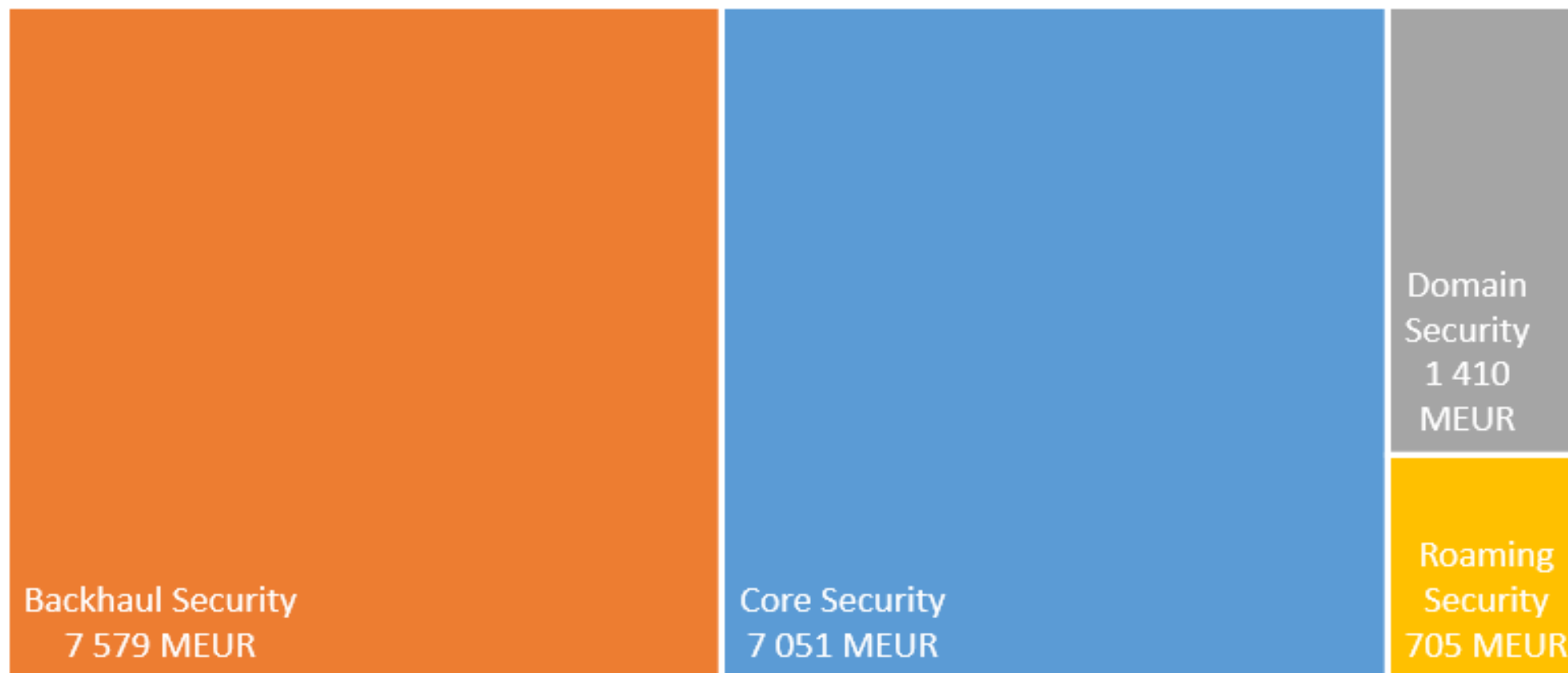
Total Addressable Market - Virtualized Backhaul Security (Based on Gross Prices) (MEUR)

	110	688	1 408	2 527	2 844
--	-----	-----	-------	-------	-------

Sources: ¹⁾ Ericsson Mobility Report 2017, ²⁾ CelPlan, ³⁾ SNS Research, ⁴⁾ Clavister

Total Addressable Market - Telecom Security Solutions Five Year Aggregate (MEUR)

■ Core Security ■ Backhaul Security ■ Domain Security ■ Roaming Security



- Sales amounted to 5.2 (0.2) MSEK (9 months period), whereof 2.1 (0) MSEK in Q3
- Three new strategic orders since end of second quarter (two in Q3 and one in Oct):
 - Orders for two of the world's largest mobile operators. Deal size, over five years, estimated at 20 – 40 MSEK each.
 - Smaller order received for a market-leading global data center provider
- Additional upsell orders (capacity and functionality) for earlier customer deployments
- Strong positive trend for virtual security; commercial activities globally
- +200m subscriber base at customers' operations
- Investing into sales and marketing to replicate successes

- Cash and cash equivalents at 39.1 MSEK, of which 7.8 MSEK being own shares
- First part of funding – agreement for 50 MSEK signed
 - Full amortization of previous lender
 - Hybrid financing: warrants priced at SEK 20
 - Securities included (as with previous lender)
 - Increases likelihood for second part of funding
- Second part of funding – in progress
 - Financing to secure Clavister's long-term growth strategy
 - Funds being made available early Q1 2018 (subject to final due diligence)
 - Partner is one of the world's largest lending institutions

Q & A

Appendices

Financials Q3(2017): P & L

CLAVISTER

	July - Sept 2017	July - Sept 2016	Jan - Sept 2017	Jan - Sept 2016	Jan-Dec 2016 *
Income statement (TSEK)					
Revenue	23 860	15 689	65 791	51 054	78 117
COGS	-6 533	-6 125	-14 874	-17 923	-24 650
Gross profit	17 327	9 564	50 917	33 131	53 467
Gross margin, %	73%	61%	77%	65%	68%
Cap. Dev. Expenses	5 286	4 933	17 471	13 773	20 406
Staff costs	-23 113	-19 890	-79 120	-61 613	-89 751
Other external costs	-9 902	-9 111	-32 067	-29 259	-41 896
Depreciation and impairment loss	-138	-231	-425	-470	-629
Amortization and impairment loss	-5 825	8	-15 006	-7 652	-14 106
EBIT	-16 365	-14 727	-58 230	-52 090	-72 509
Financial items	-2 208	4 714	-4 353	2 030	796
Result after financial items	-18 573	-10 013	-62 583	-50 060	-71 713
Taxes	4 037	-22	13 621	-62	16 516
Net profit - loss	-14 536	-10 035	-48 962	-50 122	-55 197
<i>Average number of shares (before dilutive effect)</i>	22 895 384	19 371 608	22 821 254	19 037 284	20 642 541
<i>Result per share, SEK</i>	-0,63	-0,52	-2,15	-2,63	-2,67
Net profit relating to					
Shareholders of the Parent Company	-14 536	-10 035	-48 962	-50 122	-55 197
<i>Total results of the Group:</i>					
Net profit (loss) end of the period	-14 536	-10 035	-48 962	-50 122	-55 197
Other profit	-54	1276	-205	907	108
Net profit (loss)	-14 590	-8 759	-49 167	-49 215	-55 089

Result after financial items for the period amounted to -18.6 (-10.0) MSEK.

Adjusted for extraordinary items and costs, including reversal of depreciation of **2.6 MSEK** and financial gain of associate of **5.5 MSEK** (Q3 2016), and financial costs in conjunction with financing (Q3 2017), **result after financial items for Q3 2017 was improved by 1.1 MSEK compared to same period last year.**

Financials Q3(2017): Group Balance sheet

Balance sheet (TSEK)	2017-09-30	2016-09-30	2016-12-31 *
Assets			
Intangible assets	109 873	104 678	107 410
Tangible assets	529	1 180	964
Financial assets	80 051	66 569	66 377
Inventories	6 823	8 811	6 577
Current receivables	18 259	10 168	20 530
Cash and bank balances	31 284	15 614	75 311
Total assets	246 820	207 020	277 169
Equity and liabilities			
Equity	172 404	150 367	208 378
Untaxed reserves	0	586	0
Provisions	2 997	0	2 997
Long-term liabilities	42 130	20 119	17 270
Current liabilities	29 290	35 948	48 524
Total equity and liabilities	246 820	207 020	277 169
Pledged assets	94 333	24 149	89 363
Contingent liabilities	0	0	0

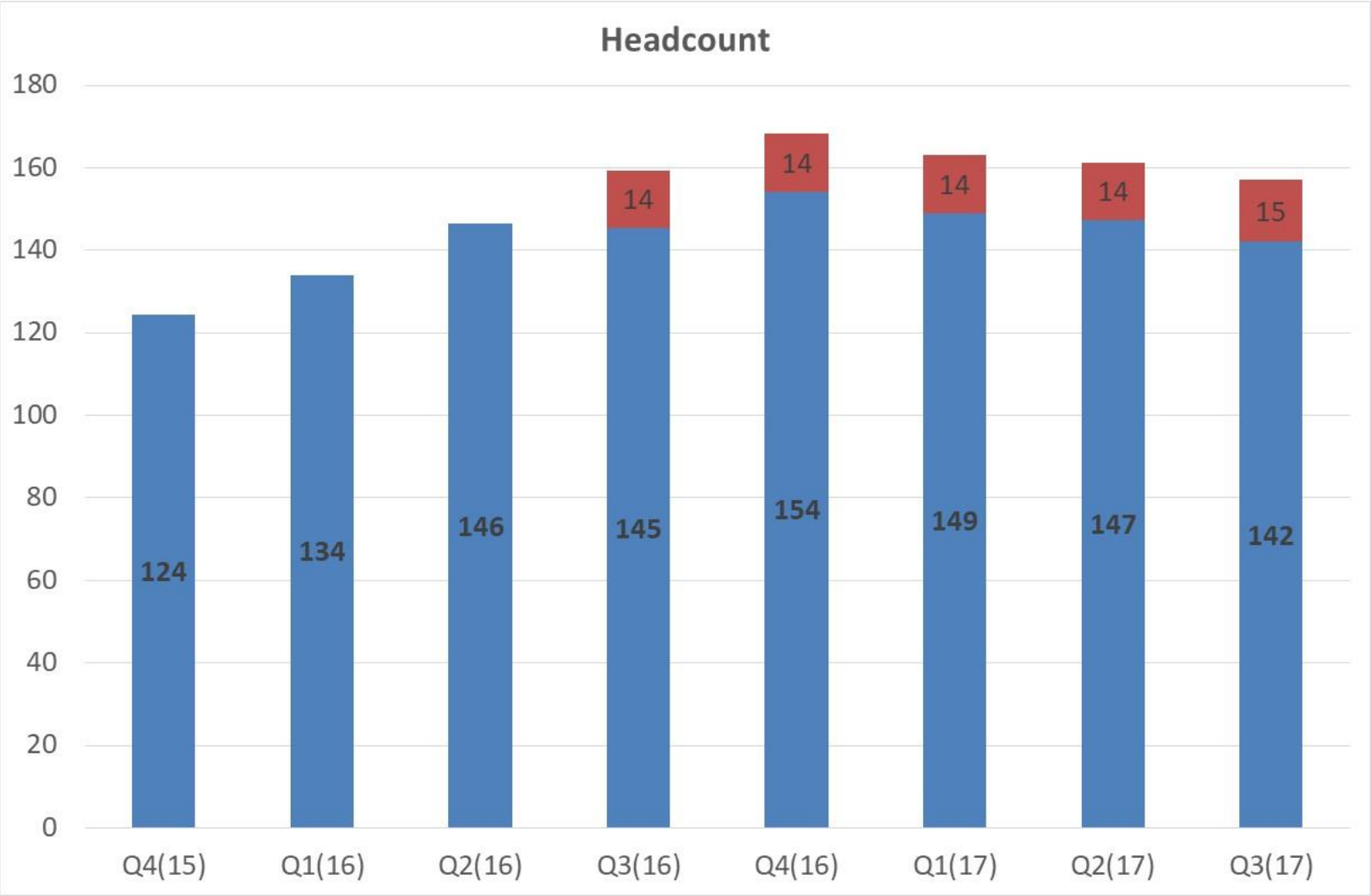
* Comparative figures are according to the adopted Annual Accounts of 2016

Financials Q3(2017): Group Cash flow

	July-Sept 2017	July-Sept 2016	Jan - Sept 2017	Jan - Sept 2016	Jan - Dec 2016 *
Cash flow analysis (TSEK)					
Profit (loss) after financial items	-18 573	-10 013	-62 581	-50 060	-71 713
Adjustments for non-cash items, etc.	5 964	5 249	15 432	13 151	9 481
Paid taxes	-282	-195	-846	-585	3 167
Cash flow from operating activities before working capital changes	-12 891	-4 959	-47 995	-37 494	-59 065
Change in W/C	-987	9 171	-6 439	6 131	6 670
Cash flow from operating activities	-13 878	4 212	-54 434	-31 363	-52 395
Cash flow from investing activities	-5 286	-4 933	-17 471	-13 774	-20 400
Cash flow from financing activities	20 830	-1 267	27 878	17 224	104 579
Cash flow	1 666	-1 988	-44 027	-27 913	31 784
Cash, beginning of period	29 618	17 602	75 311	43 527	43 527
Cash, end of period	31 284	15 614	31 284	15 614	75 311

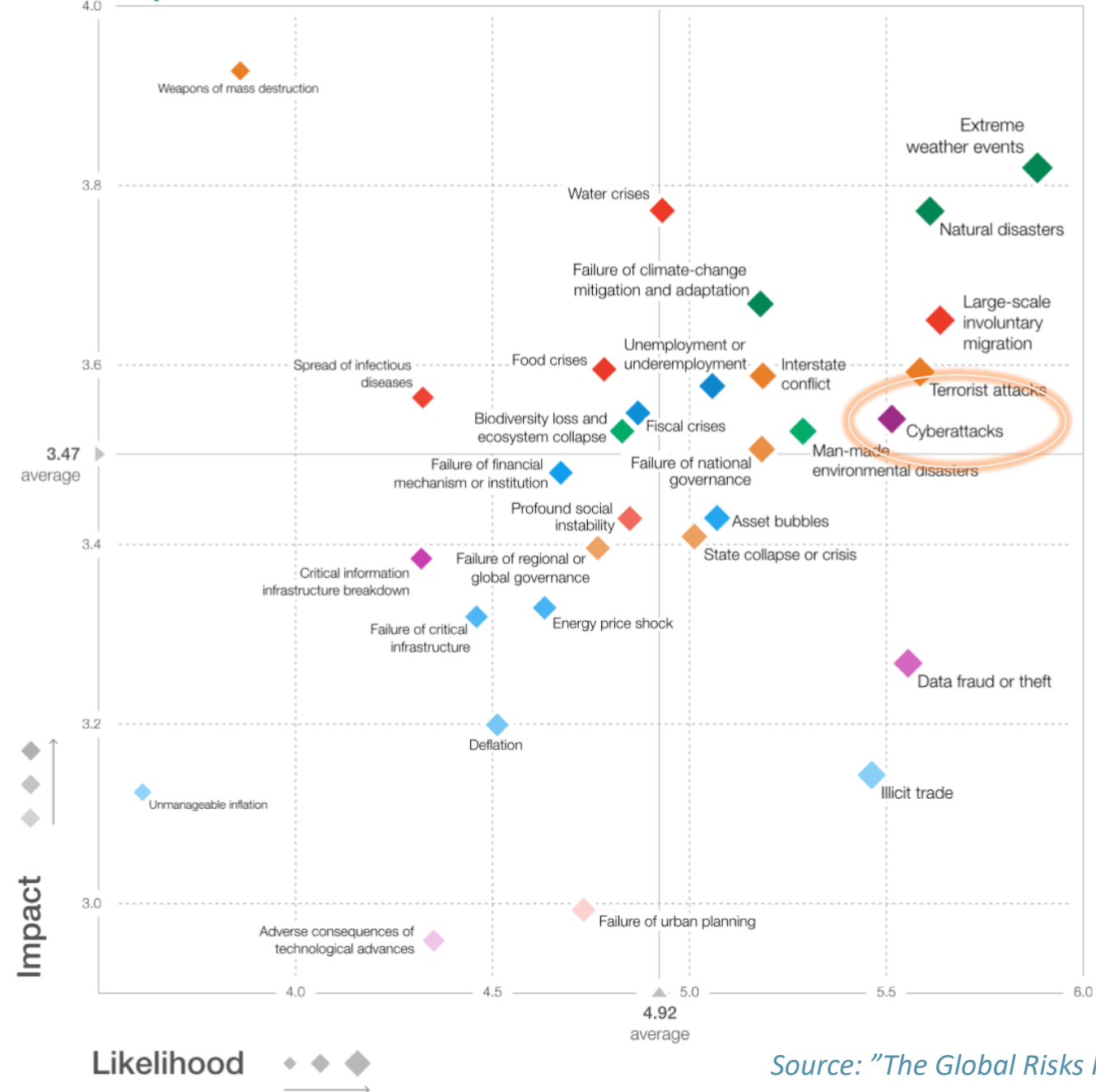
** Comparative figures are according to the adopted Annual Accounts of 2016*

Financials Q3(2017): No of employees since Q4(2015)



PhenixID consolidated from end of August 2016, with 14 employees

The Global Risks Landscape.



Source: "The Global Risks Report 2017", World Economic Forum

Cybersecurity Matters.

CYBER SECURITY ECONOMY



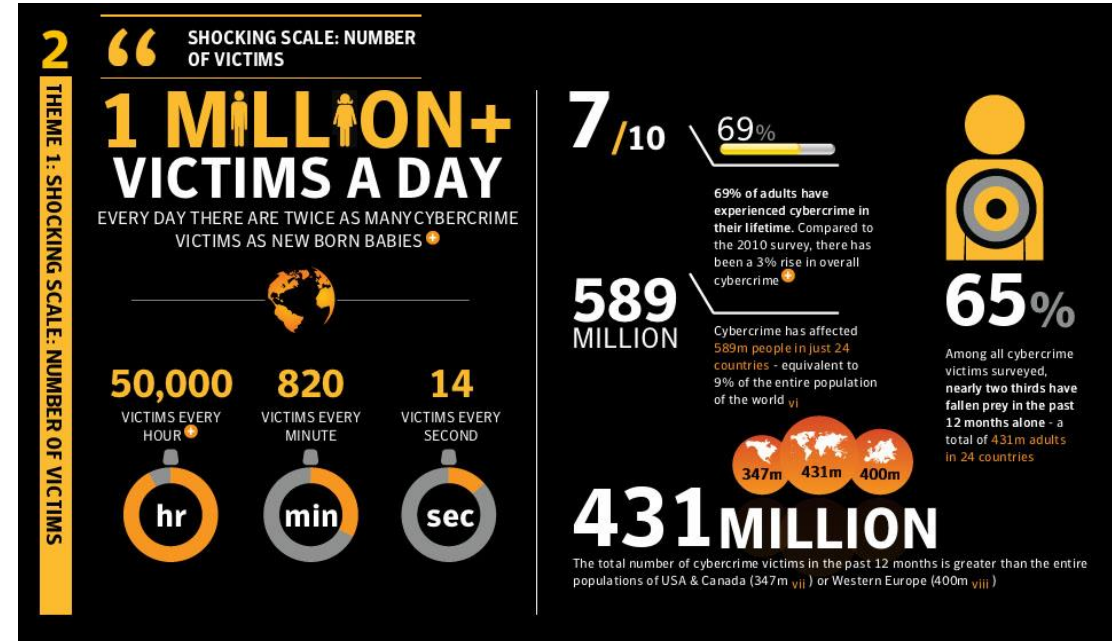
CYBERCRIME COSTS

Cybercrime damages will cost the world **\$6 trillion annually by 2021**, up from \$3 trillion in 2015. Costs include destruction of data, stolen money, and other.



SECURITY SPENDING

The world will spend **\$1 trillion cumulatively from 2017-2021** on cybersecurity products and services - to combat cybercrime.



Network security is required for different use cases and in multiple locations within a mobile operator's network. Clavister currently provides solutions for at least four different use cases, based on Clavister's security software;

- **Core Security (Gi/SGi Firewall)** – providing perimeter security between the mobile core network and the public internet. The vast majority of all data traffic sent to and from mobile phones or other mobile devices are transferred through Core Security nodes.
- **Backhaul Security (LTE Security Gateway)** – providing transport security for the backhaul; the communication between radio base stations and the mobile core network. Backhaul security is required to protect the mobile core network against cyberattacks and provides eavesdropping and data integrity protection for the subscribers. Mobile operators who have fully deployed backhaul security have all their mobile data traffic passing through backhaul security nodes.
- **Domain Security (Virtual Firewall)** – providing general-purpose separation of domains (firewalling) within a telecom network. Traffic volumes depend on the specific use case.
- **Roaming Security (GRX Firewall)** – providing security for roaming traffic (data traffic flowing between two mobile operator networks).

Clavister Telecom Virtual Security Solutions

