CLAVISTER®

CONNECT. PROTECT

Annual Report 2016

Clavister Holding AB

Contents .

Unless otherwise specified, all amounts are reported in thousands of kronor. Data in brackets refers to the previous year. The Swedish version shall prevail in any case of any discrepancy between the Swedish and English version.

CEO comments .

I had the privilege of joining as the CEO of Clavister in March 2017. For twenty years, Clavister has developed and provided IT security software with a particular focus on firewalls, a global market which, according to Gartner, accounted for approximately $ 11 billion USD 2016. IT security, in conjunction with an evolving digitalization, has become increasingly more important and at the World Economic Forum in Davos in 2016, cyber attacks were identified as one of the most serious threats to modern society. It is therefore extra stimulating to work for Clavister and provide systems that help to ensure everyone's daily lives.

Product Offering

Clavister provides firewalls for professional use based on proprietary software. Unlike competitors, Clavister's products are hardware independent and require no underlying operating system. It gives Clavister's products high flexibility and high performance. By 2016, the product portfolio was expanded with authentication solutions through the acquisition of PhenixID. In parallel, the work of adding a product for so-called End-point security launched during the first quarter of 2017. These additions almost doubled our addressable market. In recent years, Clavister has developed a new platform specially designed for tomorrow's security requirements and large computer volumes. The work has been done in close collaboration with Nokia and the new platform is a key component of NetGuard, which is the security solution Nokia offers its customers along with the network infrastructure.

A Market in Transition

Firewalls, which have historically been Clavister's core business, have traditionally been delivered preinstalled on hardware shipped to end customers who installed it in their own data center. Recently, we have seen increasing demand for so-called virtualized firewalls, i.e. the software is installed on standard servers at the customer, service provider or in the "cloud". Virtualization represents a paradigm shift for the industry, and Clavister is uniquely positioned through our product architecture that works on any server and without the reliance on operating systems, to provide more stable operation and less so-called footprint.

For end customers, virtualization means faster deliveries as well as simpler infrastructure, reducing both OPEX and CAPEX by up to 40% and 60%, respectively. The software is easily downloaded and installed on standard hardware after which the customer has access to a license key that activates the product. By eliminating the hardware, Clavister's hardware not only reduces costs, but also related costs for e.g. Installation and testing, warehousing, delivery and warranty / support, which gives us a better cost structure.

Johan Öhman, CEO

CEO comments .

In 2016, the General Data Protection Regulation (GDPR) was introduced, which is new compulsory legislation at EU level which supersedes the Swedish Personal Information Act (PUL). GDPR will come into force on 25th May 2018 and will increase responsibility for companies and organizations that handle personal data. Penalties for breaches of GDPR are up to 4% of turnover, up to EUR 20 million. We have not yet seen any effect of the new legislation, but it is expected to further increase the demand for first-class security solutions.

Customers

In 2016, we encountered some technical problems with our delivery to Canon IT Solutions, which is a major and important customer for us. The problems were related to local characters and IT systems and can be referred to as "cultural" in the first place. It has taken a long time to find a fully operational solution and as a result, delivery volumes have been adversely affected. Despite the challenges, we have maintained a good relationship with Canon ITS.

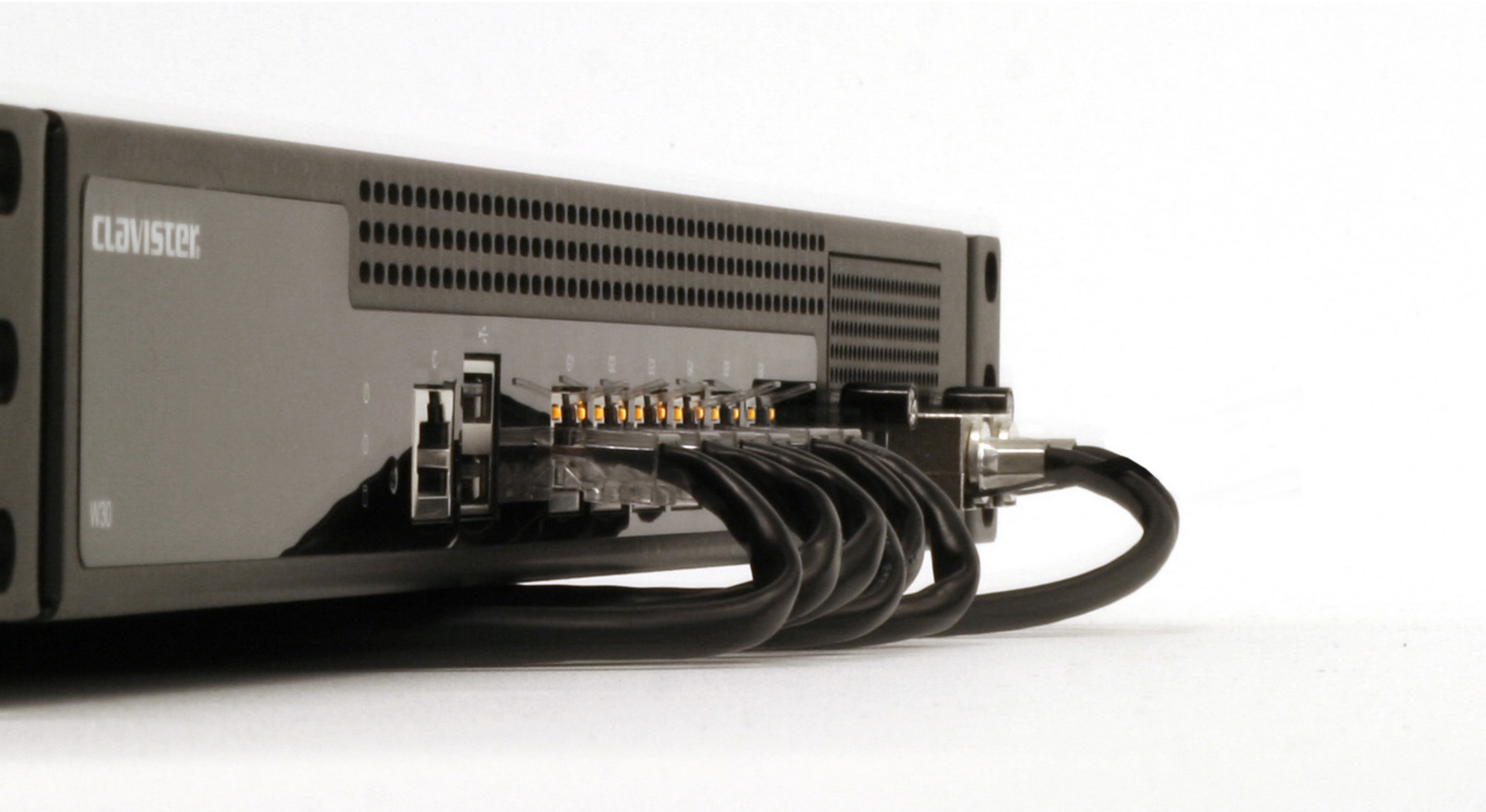
The collaboration with Nokia has been going on for a long time and we had hoped for a commercial launch in the past year, but as often as in complex business things take longer than expected. It was therefore with great joy that we could communicate in March that we receive the first sharp order where Clavister's software will protect a Western European so-called Tier-one operator network in a jurisdiction.

In 2016, Clavister established operations in Tunisia with the aim of addressing West Africa in particular. The investment is led from our Stockholm office and we have identified a number of interesting business opportunities that we hope will be materialized in 2017.

2017

I look forward to leading Clavister into the future and a guiding star will be a focus where we will not only review how we work internally but also our external activities, including our partners and the markets we address. Clavister is a company with unique technology, right in time, we have incredibly committed, knowledgeable and loyal employees as well as a number of potent customer agreements that create good prospects for the future.

Johan Öhman, CEO



Market .

The Global Threat

The need for cyber security continues to grow to an unprecedented extent. From being originally a relatively isolated phenomenon, cybercrime today has grown to be one of the greatest threats to society. Previously the threats came primarily from a few activist groups and individual hackers, now there are completely different players dominating the international cyber scene.

Organized Crime

Organized crime today lies behind a large proportion of cybercrime. A typical example is the nowadays infamous ransomware threat, where corporate and private computers are infected with software that makes information and documents completely inaccessible to its owners until a ransom fee has been paid. According to a survey of Osterman Research from June 2016, about 50% of all respondents had been exposed to a ransomware attack over the past twelve-month period, but only 4% believed that their existing security solution could protect against future attacks. According to the FBI, over $ 200 million was paid out in ransom amounts only during the first quarter of 2016, which for the full year 2016 would amount to ransom amounts in the order of one billion dollars.

Political Attacks

Another clear trend in recent years has been the increasing occurrence of cyberattacks with political motive. Nobody has been able to avoid the debate about suspected foreign influence on the US presidential election, which could be seen as the ultimate symbol of how extremely vulnerable democratic society has become. The US presidential election is nevertheless just the tip of an iceberg in terms of suspected or known cyberattacks with either state targets or state-controlled attackers. James Clapper, former Director of National Intelligence in the United States, has previously declared that cybercrime is the biggest threat to national security, before terrorism, spying and weapons of mass destruction. Even NATO went so far that in 2016, it was decided to set up a special cyber command as its own defense branch, along with the traditional army, air force and navy. NATO's Secretary General Jens Stoltenberg has clarified that serious cyberattacks may need to be answered by NATO even with conventional weapons.

The examples of cyberattacks in the recent past can be listed where important social functions have been the target. A cyberattack on a regional energy network in Ukraine closed down power stations and left over 200,000 subscribers powerless during a cold December period. An attack in February 2016 against the Central Bank of Bangladesh and the international SWIFT system resulted in more than $ 80 million in pure losses, and nearly $ 900 million in transactions that could not be implemented as planned. Even the US central bank is a constant target for cyberattacks and has reported over 50 system violations in recent years.

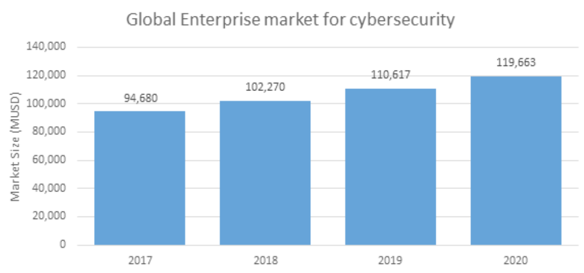
Global Cyber Security Market

Cyberattacks and cyber defense are a constant race to arms, where methods and technologies are evolving continuously and at a furious rate. A modern cyber defense is no longer about individual firewalls or other standalone products, but about a complex and integrated environment with a host of different defense mechanisms that everyone needs to interact to handle the increasingly advanced attacks.

Obviously, this race to arms drives the underlying cyber security market with significant growth. Cybersecurity Ventures believes that the global cyber security and related services market accumulated from 2017 to 2021 will exceed a whole billion dollars (a thousand million). Only this year, 2017, the entire cyber security market is expected to host more than $ 120 billion, and projected annual growth of 12 to 15 percent.

The Enterprise Market

Gartner presents equivalent figures in its forecasts across the security market, limited to the Enterprise segment alone. Gartner believes that the market will turn around $ 95 billion in 2017, to grow to about $ 120 billion by 2020, see Chart 1. North America is the largest geographic market, with about 42% of all forecasted sales and annual growth of approximately 9%. Following that, Western Europe follows at about 27% of the market and annual growth of about 7%, followed by the developed part of the Asia Pacific region (excluding China) with about 15% share of the market and annual growth of about 6%. China specifically accounts for about 4% of the market and has higher annual growth of about 14%.

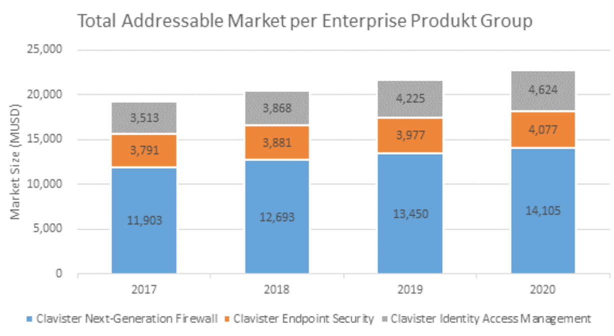


Figur 1. The Global Market for cyber security in the Enterprise sector, years 2017-2020 (MUSD). Source: Gartner.

Market .

Adressable Market based on Product Portfolio

Clavister is able to address approximately 20% of the enterprise market with the current product portfolio, equivalent to about $ 19 billion for 2017 and about $ 23 billion for the year 2020. The largest share of it is the market for "firewall and VPN products" worth about $ 12 billion in 2017, in which Clavister addresses the product line Clavister Next-Generation Firewalls. After that, the "Endpoint Protection" follows at about $ 3.8 billion in 2017, which Clavister addresses with the recently launched (March 2017) Clavister Endpoint Security Client. The Identity Access Management (IAM) market is estimated at approximately $ 3.5 billion by 2017, and is addressed from Clavister's side by the products added to the product portfolio through the acquisition of PhenixID. See Figure 2.



Figur 2. Addressable Market for Clavister's Product Portfolio in the Enterprise sector 2017 - 2020 (MUSD). Source: Gartner.

Geographical focus and sales efforts

As part of the growth strategy, Clavister chooses to streamline sales efforts through a gradually increasing focus on fewer geographic markets.

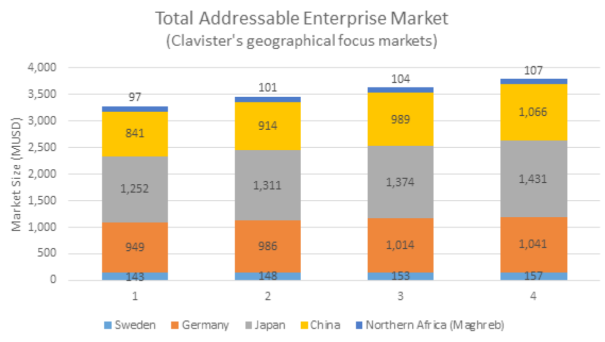
In addition to the natural home market, Sweden, where further investments will take place to gain market share, Germany will remain an important market for the company. In addition to the fact that Germany is Europe's single largest cyber security market, Clavister has been an established base for distributors and retailers for several years. The company's assessment is that this base is a good foundation for growth in Europe.

In Asia, of course, focus is on Japan, given last year's contractual success with key players like Canon IT Solutions, Mirait and NTT-BP. These customers, as well as additional partners, have good conditions for contributing to strong sales growth in Asia. Even in China, where the subsidiary Clavister Technology (ASIA) Ltd, is continuing to operate as an important market.

The relatively new venture on the North African market will continue as planned. Initial customer orders have already been obtained and a larger base of business opportunities is under development.

These five geographic markets make up an addressable market for Clavister of about $ 3.3 billion for 2017 and grow to just over 3.8 billion dollars in 2020. See Figure 3 for a more detailed listing of the respective market size and growth.

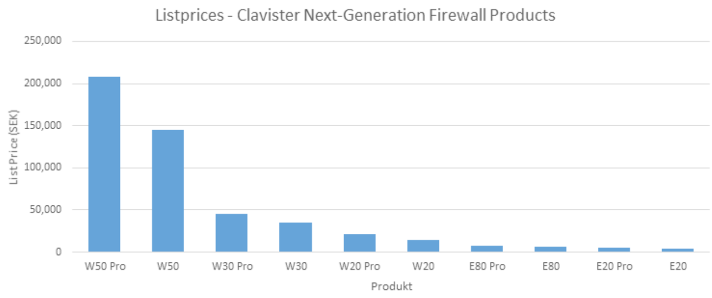
In addition to the geographical focus, structural improvements are also made, not least through a newly established and dedicated sales organization that deals with sales support, marketing and promotional activities as well as contract sales.



Figur 3. Addressable Market for Clavister's Enterprise portfolio in Clavister's geographical focus markets (MUSD). Source: Gartner.

Business Model and Pricing

The business segment of the Enterprise sector, and specifically for the Clavister Next-Generation Firewalls product range, is structured as a traditional product business with initial sales revenue, as well as annual support revenues typically amounting to approximately 40% of the initial sales amount. Figure 4 shows a selection of Clavister's Next Generation Firewall products and respective product list prices. From this list price, the sales channel (distributors and dealers) receives a total of 40-45% discount, which is industry standard.



Figur 4. List prices of Clavister's Next-Generation Firewall products (SEK).

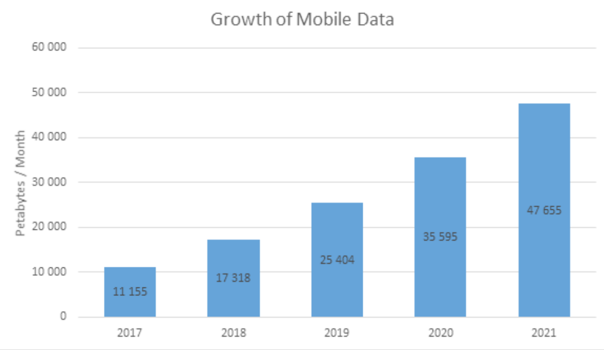
For the Clavister Endpoint Security and Identity Access Management product areas, a business model is applied where the software is licensed per individual user and year.

Market .

Telecom Market

The need for security solutions for telecom networks in general, and mobile operator networks in particular, has changed drastically over the last few years. In the telecom industry, "5th industrial revolution" is talked about, where brand new market conditions are currently emerging. Forecasts predict many billions of connected "Internet of Things" in the near future, users are streaming real-time video from their mobile phones and new virtual reality services emerge in the wake of summer's Pokémon Go hysteria. Connected and self-propelled cars attract major industrial interest, placing high demands on accessibility and security in mobile networks.

In order to handle these new services and user behavior at all times, and as a consequence, the low-end data traffic growth predicted in the networks (see Figure 5), mobile operators are forced to make significant changes in how networks are built. Earlier, mobile networks were built with heavy investments in specialty hardware, targeted for specific functions and with little or no ability to change the structure according to changing needs. Today, operators instead choose to focus on software focused solutions, focusing on virtualization, scalability, elasticity and flexibility. As the hardware cost of deploying virtualized solutions is significantly lower than for traditional specialty hardware, operators have greater opportunities to reinvest investments over time, as capacity requirements increase and more harmonized with revenue streams. According to SNS Research, mobile operators' investments in this area will amount to over $ 18 billion over the next four years, equivalent to annual growth of 46%. By 2020, 80% of all mobile network investments are expected to be virtualized technology. Gartner forecasts that mobile operators' CAPEX is expected to be reduced by 40% and OPEX by 60% thanks to virtualized solutions.



Figur 5. Expected increase in data traffic in the mobile networks. Source: Ericsson Mobility Report.

Increased need for Security Solutions
At the same pace that these new types of mobile network grow, the needs and demands of security solutions adapted to modern technology are also increasing. According to a study conducted by 451 Research, half of all companies consider the lack of security to be the biggest obstacle to a wider rollout of "Internet of Things". During the trade show Mobile World Congress in Barcelona this year, Nokia's CEO Rajeev Suri also pointed out security as one of the most important challenges for mobile operators in the near future.

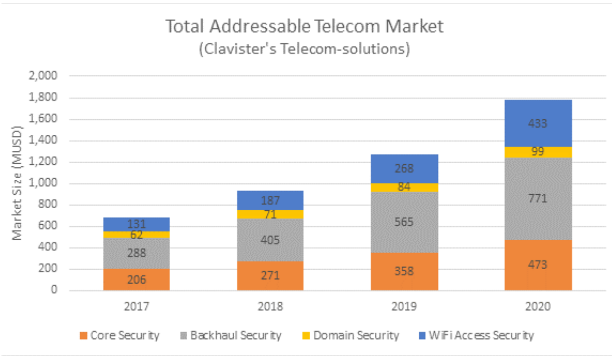
Figur 6. Nokia's VD Rajeev Suri during the Mobile World Congress of 2017.

The underlying market trends, the technological change of generations and the ever increasing need for security are all co-operating factors that make this market disruptive by nature. Many of the traditional product suppliers have both technical and business difficulties to switch to the new conditions, opening opportunities for smaller and more agile market players.

For a number of years, Clavister has chosen to invest heavily in developing exactly those software-based and virtualized solutions that address the security needs in modern mobile networks. Clavister's solutions today withstand competitive comparison on the basis of several aspects, not least price / performance, scalability and business model.

Addressable Markets for Clavister's Solutions
The overall market size of cyber security for telecom segment is, of course, significantly less than for the enterprise segment; The telecom market itself is a relatively narrow vertical, where investments in security are still at an early stage, compared with the broad enterprise segment, where security investments have long been at a more established level. However, the telecom market may be considered to be considerably more homogeneous and coherent and dominated by a few major system vendors such as Ericsson, Nokia and Huawei. This, of course, means that greater market shares can be achieved by a few partners.

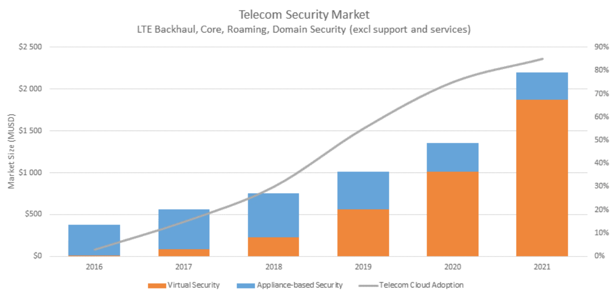
Market .



Figur 7. Adsressable Markets for Clavister's Telekom Solutions (MUSD). Source: "Bolagets egna prognoser".

Clavister's assessment, based on market analyses from, for example, Cisco and Ericsson, and partly on commercial parameters from endorsed customer contracts, is that the company's current product portfolio for the telecom market, comprising four commercial solutions, addresses a market worth at least $ 500 million in 2017 with growth to Over two billion dollars by 2020, see figure 7.

The market data above also includes hardware, which may be included in Clavister's delivery when needed, although the purely virtualized solutions have the biggest competitive advantages. In line with the above-mentioned indications of operators' investments in virtualized technology, Clavister's assessment is that virtual security versus device-based (hardware-based) security will be developed in accordance with Figure 8 below.



Figur 8. Development of Virtual Security related to appliance-based Security

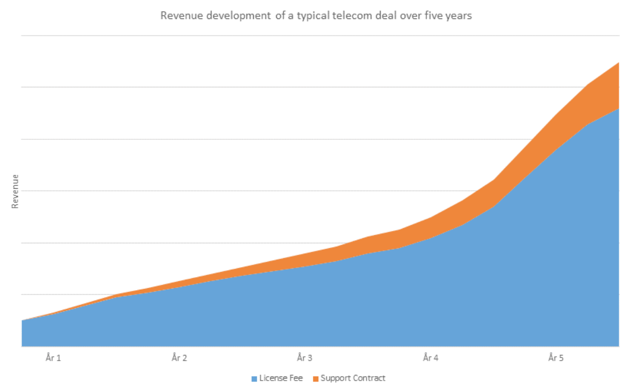
Business Model and Pricing

Most of Clavister's telecom solutions are based on a business model where the operator pays a license fee per maximum capacity in the solution, and where capacity is expressed as data per unit of time. Price before discounts is currently between 20,000 and 40,000 SEK per Gbps (Gigabit per second), depending on the solution and possible functional options. In addition, an annual support fee of 8-10% of accumulated license fee will be charged.

A typical store means a smaller initial order for a first, relatively low, capacity requirement. With current data amounts, it is reasonable to assume an initial capacity of between 20 and 100 Gbps. The deal will then scale as the operator's needs increase gradually over time. The number of geographic markets in which the operator chooses to launch the solution, the number of subscribers and the data per subscriber are all factors that co-operate with the increased need for capacity.

Many variable parameters as well as different levels of maturity and conditions in different geographical markets make it difficult to easily scale the value of a total deal with an operator, but given known forecasts for the growth of services, data traffic and number of subscribers, it is reasonable to make the assumption that one typical business grows to between 5 and 20 times the initial order value.

The chart in Figure 9 below illustrates the standard value development of a typical store over a five-year period.



Figur 9. Schematic template value development of type of business over a five-year period.

Management Report

The Board of Directors and Chief Executive Officer of Clavister Holding AB (556917-6612) hereby issue the annual report and consolidated accounts for the fiscal year 2016. The company is based in Örnsköldsvik.

Information about the Business

In the Clavister Group, development, product development and sales of cyber security solutions take place equally as physical products and virtual environments. The products are characterized by innovation, high quality and performance, but also as a wide selection in the product range. In addition to this, specialized technical services are offered. Sales are mainly under the Clavister brand but also via OEM, i.e. meaning that the software is added to the customer's own product concept.

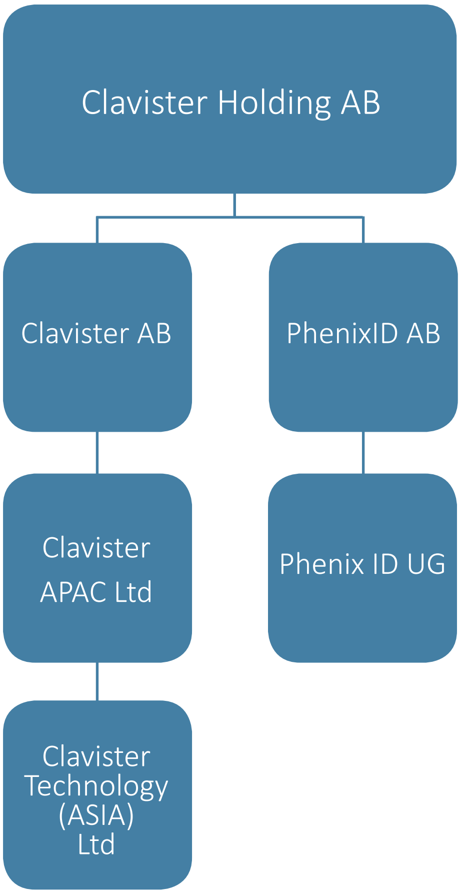
The Clavister Group was formed in 2013 by a share issue where Clavister AB's shareholders became owners of the parent company Clavister Holding AB. It was a step in transforming Clavister to be listed on Nasdaq First North, which took place in May 2014. The parent company, Clavister Holding AB, carries out a limited portion of operations such as management of the company's share and investor-oriented business. Clavister AB is the original company and started operations in Örnsköldsvik in 1997. Around the turn of the millennium, the reason for what is operationally considered to be Clavister of today was laid.

The Group consists of six companies in which Clavister Holding AB owns the subsidiary Clavister AB to 100%. Clavister AB, in turn, owns 100% of Clavister APAC Ltd. In Hong Kong, Clavister Technology (ASIA) Ltd, owned 100% by Clavister APAC Ltd. The largest part of the business in the group is made in the subsidiary Clavister AB. At the headquarters in Örnsköldsvik, there are sales, product and software development, maintenance, product management, consulting services and customer training, supply chain, logistics and warehousing, customer support, finance and other administration. The main sales office together with the marketing department is located in Stockholm.

Since the autumn of 2015, the company has also established an office in Umeå. Software development, maintenance and customer support are ongoing. The establishment in Umeå is crucial for both attracting new and succeeding in retaining existing employees.

In the subsidiary Clavister Technology (ASIA) Ltd. Sales under the Amaranten and Clavister brand are also offered, as well as technical and customer support, invoicing, finance and administration, logistics and warehousing. PhenixID AB is wholly owned by Clavister Holding AB acquired 2016.

PhenixID AB, in turn, owns the German subsidiary PhenixID UG to 100%. Development and sales are based on the office in Nacka, Stockholm. Sales are conducted from the office in Germany.



Clavister Group:

Clavister group with parent company Clavister Holding AB and 100% owned subsidiaries.

Business acquisitions

Clavister Holding AB acquired PhenixID AB in three stages, with 28.6% of the shares being acquired in March 2016, an additional 1.5% in May and the remaining share of 69.9% on 25 August. Clavister now owns 100% of the shares in PhenixID AB. The acquisition also includes the PhenixID UG dompany in Germany.

PhenixID is a major player in cyber security solutions and an important complement to Clavister's offering in the area of Identity & Access Management (IAM). In addition to expertise in the areas of IAM and 2FA (Two Factor Authentication), the PhenixID Group complements with good customer references and customer bases. PhenixID consists of 14 employees and the business is mainly conducted by Nacka in Stockholm.

Management Report .

The purchase price consisted of SEK 5.0 million in cash as well as the issue of own shares (Clavister Holding AB) worth a value of SEK 80.5 million. In connection with the acquisition, a goodwill item of SEK 51.9 million arose, the difference between the transferred compensation and the fair value of the acquired net assets.

During the four months that the subsidiary has been wholly owned until 31 December 2016, the subsidiary has contributed SEK 10.6 million to consolidated revenue and SEK +38 TSEK to consolidated earnings after financial items. If, instead, the acquisition had occurred on January 1, 2016, the management estimates that the contribution to the Group's revenues would have been SEK 28.9 million and the profit after financial items would have increased by SEK 8.5 million.

Significant Events during the Year

Contracts and Business

In January 2016, Clavister entered into a strategic partnership with Nokia Networks to develop and deliver advanced virtual security solutions for operators and mobile operators. Clavister security solutions will be integrated into Nokia NetGuard, which protects infrastructure and data in subscriber networks against cyber attacks and interception.

In February, a distribution agreement with Defis & Strategies Group in Tunisia was signed to cover the markets in West Africa. During the same month, Clavister, along with Artesyn Embedded Technologies, demonstrated next-generation Virtual Security Gateway solution for mobile network operators and cloud providers at the Mobile World Congress in Barcelona. Clavister's security program delivers high performance in virtualized environments, which significantly reduces operating costs for the operator. The solution was a result of the collaboration between Clavister and Artesyn, that was announced in autumn 2015.

Clavister launched a strategic partnership with PhenixID in March to complement the secure login and identity management MFA (Multi Factor Authentification). It is possible by means of the so called, 2FA (Two Factor Authentication). In June 2016, Clavister MFA released, combining Clavister MFA Server with the Clavister Authenticator mobile app and a SMS-based One Time Password (OTP) service. It provides reliable and robust authentication and thus secure access to corporate networks. It also protects the user's identity and ensures that the "man" is the user whom he claims to be.

In late autumn 2015, the agreement was signed with Canon IT Solutions, which in April delivered an order of 300 units of Clavister's firewall E80 for the Japanese security market. In May, the range expanded to include the medium enterprise firewall W20 and W30. Additional orders were made by E80 in June of SEK 3.3 million.

IT Partners Security, a leading distributor of IT security solutions to the Polish market, signed an agreement with Clavister in July. The partnership will increase Clavister's presence on the Polish

Management Report

IT security market, which is expected to grow by two integer digits per year from 200 million USD continuing in 2018.

In August, it was announced that cooperation with Arrow ECS is expanding primarily with focus on the Nordic market. Arrow is one of the world's largest value-adding distributors in IT solutions. Ongoing market investment in Africa resulted in a first deal in September. The order came from the Directorate-General for taxes that allowed installation of Clavister's IT security solutions to secure network and critical data to Mauritania.

D-Link and Clavister launched a joint product offering in October, where D-Link uses Clavister's software. D-Link launched a new firewall, DFL-870, aimed at SMB customers where D-Link selected Clavister as a supplier.

The customer NTT Broadband Platform Inc. (NTT-BP) announced in December that Clavister was selected as a provider of WiFi Access Gateways for its national Wi-Fi network in Japan with over 220,000 access points. NTT-BP's goal is to be able to consolidate its position as a premium provider of services to demanding users.

A new version of Clavister cOS Stream and Clavister Hawkeye was launched in December with a business model that supports automation and integration in Software Defined Networks (DNS), a requirement in cloud-based telecom environments.

In February, the company launched a new so called, Endpoint Protection Security Solution to Protect Desktop and Laptops, Point of Sale Systems, IoT Products, etc. against known and unknown threats, including Ransomware and so called Phishing.

Recently, in March, the company received the first order from Nokia Networks. The order was an initial delivery for the protection of a Western European so-called "Tier-one operator network" for a European jurisdiction. Nokia has a clear focus on network security and Clavister's virtual security solution is an integral part of Nokia's NetGuard product offering. A successful rollout can mean a significant long-term revenue potential for Clavister.

Other Events

In February 2016, a new share issue of more than SEK 21 million was made at the issue price of SEK 53 per share in order to be able to advance investments, due to the cooperation with Nokia Networks.

The acquisition of PhenixID AB and PhenixID UG in Germany starting in March took place in three stages where Clavister now owns 100% of the shares. See also the heading Business Acquisition's.

At the Annual General Meeting held on 21 April, it was resolved to appoint Göran Carstedt and Niclas Eriksson to new Board members. Sitting Board members Peter Dahlander, Jan Ramkvist, Ilkka Hiidenheimo and Björn Norrbom were elected Chairmen of the Board. A decision was also taken on the establishment of incentive programs for the Group's employees. Most of all employees, i.e. more than two thirds, invested in the incentive program decided by the Annual General Meeting, of which the CEO and management subscribed to the maximum.

At the Extraordinary General Meeting held on 20 September, the AGM resolved to conduct a shares issue with respect to the acquisition of PhenixID AB for a maximum of 1 210 516 shares to be paid by shareholding consisting of all PhenixID shares and issue of shares and / or subscription warrants of 50 000 shares in connection with the conclusion of loan agreements. The Board was also authorized to decide on a new issue of no more than 330,000 shares.

The decision taken by Clavister AB subsidiary in December 2014 regarding the interpretation of an agreement was revoked in August, where the amount claimed was SEK 13.5 million plus interest. The transaction was not deducted from the company's balance sheet but was taken as contingent liability.

Clavister will conduct a directed new issue of 2 million shares in October, thereby adding a gross amount of SEK 83 million.

Events after the Balance Sheet Date

An Extraordinary General Meeting was held on January 17, 2017 on the issue of warrants of up to 100,000 warrants for ten employees in PhenixID AB and PhenixID UG free of charge and no more than 120,000 warrants to employees in Clavister AB and PhenixID AB at market value. The AGM also approved earlier resolutions taken to issue warrants and make the share issue together with authorization for convertible bonds.

Johan Öhman was appointed CEO and took office on 6th of March. Jim Carlsson, Clavister's former CEO, now works as Head of Strategic Sales.

Clavister Holding AB announced in March that the number of shares increased by 148 260, after the same number of warrants was eligible to subscribe for a new share of SEK 30, contributing to the company by approximately SEK 4.4 million.

Clavister extended the cooperation with Norrlandsfonden and has entered into an agreement for a new convertible debenture of SEK 10 million. In case of conversion, approximately 204,853 shares in Clavister Holding AB will be added, corresponding to a potential dilution of up to approximately 0.9%, calculated on the outstanding number of shares. If there is still a negative interest rate, no interest payment will be paid to the Norrlandsfonden.

The convertible loan of SEK 10 million received by Clavister from the Norrlandfonden in 2012 will expire in September 2017. Upon conversion 666,667 new shares will be issued in Clavister Holding AB.

Future Development

Cyber threats of various kinds are no longer just an IT problem but also a business problem. Awareness of our vulnerability is increasing and in the media we can readily read about how different variations of cyberattacks hit private individuals, companies and society.

Management Report .

As a result of the universal impact of both fixed and wireless communication technology, the demands on security, both for public authorities and organizations, banks and businesses, are also increasing because the consequences of interruptions such as lock downs, viruses, interception or overload attacks (DDoS) are so large.

In the report "2015 Global CEO Outlook" published in November 2015 by KPMG, 102 industry leaders in the technology industry were interviewed and cyber security emerged as a key issue. Information and cyber security risks are also considered to be the single biggest threat to their respective companies. The interviews continue and it is estimated that further investments to improve protection will be required in the next three yea rs.

The above-mentioned reason drives growth in the market and in combination with Clavister's business model, product portfolio and technological height are judged to be good conditions for strong growth despite fierce competition in both the enterprise and telecom segments.

The signing of the agreement with Canon ITS 2015 is a great opportunity within the enterprise segment, but the company has also become aware of what is demanded in terms of quality and precision in the Japanese market. For Canon ITS, it has sold mostly E80 products and inserted rack models on the so called W20. Regus, a significant customer for several years, runs office hotels worldwide, where office networks are secured with both the E80 and the larger W50. In the area of services, we see increased demand, and Regus provides Clavister Professional services in the field of Network Configuration and Automation.

A greater proportion of business opportunities are OEM agreements where technology is licensed to so-called Service Providers or the telecom segment. This adds network security as an important component to its own offer. Examples of this are the Clavister signed agreements with Nokia Networks and Artesyn. The increase in network traffic also increases the investment needs and operating costs of service providers, which in turn will continually impose higher demands on higher availability, security and the development of cost-effective solutions. For service providers and telecom, Clavister's offer is therefore particularly well-suited as well as financially opportune.

The single individual places ever-heightened demands on integrity and security in parallel with the demand s of the use of mobile devices and smart goods (IoT), which further exposes the individual user. The introduction of the General Data Protection Regulation (GDPR) in May 2018 places a finger on integrity and increases the requirements for managing personal data by companies, state, government and organizations, which is expected to further increase the demand for Clavister's security solutions, not least through the acquisition of PhenixID together with the latest launch of End-Point Security product in March is the assessment that market opportunities have been broadened considerably.

Management Report .

Risks and Uncertainties

Risks are a natural hazard of the business being conducted. Clavister is continuously working on identifying, assessing, evaluating and preventing risks to which the business may be exposed. Risks influence and may affect negatively if they occur Clavister's sales, earnings and financial position. The following is a description of the risks that the Board and senior executives consider to be of importance to the business.

Operational and Strategic Risks

Clavister currently has its largest turnover associated with medium-sized companies and a few large well-established customers. Dependence on the larger accounts affects not only the Group's sales but also significantly affects strategic decisions and product development plans. Clavister competes against major multinational actors, which poses a risk that customers prefer a well-known and dominant supplier in preference to a smaller one. The Group develops software where there is a risk that development time for programming and testing will be underestimated, which can lead to delayed projects and customers choosing a competitor instead. Developed software may also contain errors (bugs) that have not occurred during the testing phase and which may interfere with the customer's business or cause disturbances and delays that may lead to the termination of the relationship. Unreasonable demands for action may be required, which can both be difficult to resolve and complete in a timely manner. Customer support with opening hours 24/7 has limited resources if reported cases would increase significantly in both the number and complexity. This could mean that customers do not renew existing support agreements.

If the Group's hardware suppliers do not deliver agreed-upon volume over time, it leads to delays affecting delivery to customers, which can lead to lower sales, earnings and negative impact on the financial position. In the case of hardware suppliers, Clavister is a small customer in which developed product plans and improvement projects can be prioritized and adversely affect product quality and delivery times. The Group's product liability can also be adversely affected by insufficient quality, which in turn can lead to extensive internal management but also increased demands on customer guarantees.

The business can also be greatly affected if anybody from the board, management or other key person leaves the group. There is high competition for staff in programming, testing and development, which means that Clavister may find it difficult to recruit competent personnel. The cost of personnel also increases when demand is high. Board, management or staff can also make mistakes or deal with something incorrectly, which may adversely affect the financial position.

The Group's intangible assets are not patent-protected at present. There is a risk that Clavister uses technology that infringes on other proprietary intellectual property, threats or claims for damages as a possible consequence. The Group may also be wrongly alleged to have infringed other people's patents and therefore be brought into costly patent litigation. Any patent laws can in turn create uncertainty and harm the competitiveness.

The customer's willingness to buy is not only influenced by the general economic situation and the IT budget but also the market situation. In a deteriorating economic situation, re-prioritization and considerations take place, which may mean that investments in network security can be shifted, even though the subject is now high-level and that growth and market forces are very strong. With regard to the agreements concluded between the Group and various parties acting on an international or national market, there is always a risk that the agreements are inadequately signed, despite legal expertise and internal resources.

Financial Risk

Most of the sales are in SEK, USD and EUR and are regulated in agreements with the customer, where EUR dominates, followed by SEK. Product payments are regulated in USD. Currency fluctuations in both supplier payments and customer payments can create exchange rate losses and affect the financial position. Currency risk is also linked to interest-bearing borrowings of SEK 19.1 million. Negative currency exposure may also arise as a result of the China subsidiary, which invoices and conducts accounting in CNY. Since trading and purchasing of products in Clavister China is largely local and, in CNY, the impact on the exchange rate is limited, but results in the Group. Changed political decisions or tax situations are additional risks in China that should not be neglected.

Currency hedging takes place by means of the settlement of cash and cash equivalents. In terms of the overall spread between different currencies, sales in EUR account for about 35% of the Group's sales, followed by SEK, USD and CNY. Operating expenses are dominated by SEK by 70% and the remaining portion is divided between USD, EUR and CNY.

Interest rate risks are linked to the Group's financing by means of the convertible loan (due 17-09-30) and factoring where interest rates are controlled by the market for each currency area. Opportunities for refinancing depend on future results and other factors beyond the Group's control. The time between delivery of products until the customer makes payment, involves risks. Customers can postpone the payment or go bankrupt. Since 2014, the Group has applied factoring with respect to customer billing. All invoices are handled and handed over if they have been credited by the factoring company. Approved customers (customer invoices) are credit insured and the customer invoices are sold to the factoring company. Through the factoring agreement, the Group has a credit insurance which renders the company without harm up to 90% in cases of bankruptcy. The Group may also be adversely affected by suppliers that require advance payment, but do not fulfill their obligations regarding delivery times, or the delivery of the products completely disappears.

Management Report .

Quality Work

Clavister applies work practices based on the concept of increased quality through a sustainable working method and continuous improvement in operations in order to better meet customer needs. The quality of our products and services is a crucial success factor in meeting increased global competition.

Deviations from the agreed process are documented, timed, corrected and followed up. Revisions are conducted internally and by external operator DNV GL (The Norwegian Veritas), which annually renews the certification according to the ISO 9001 quality management system. Improvement of the management system was successfully implemented in autumn 2016 to comply with ISO 9001: 2015 requirements.

Vision, Goal Management and Results

The Vision is a fully-communicating World based on confidence and security where Clavister is the customer's obvious choice in cyber security, for the protection of his business critical business, information and reputation. Clavister's goal is satisfied customers, employees and shareholders. The strategies for achieving this end are to:

• always have the customer in focus

• show high growth,

• as well as correctly prioritizing our resources and working with continuous improvements.

Based on established strategies and the Board's approval of the budget, this year's goals are fixed. The company's overall goals are communicated and monitored on a regular basis. Overall goals are broken down at departmental, team and individual level to ensure that the company holds a defined course. The goals are documented at the time of completion, how the results are to be measured, and plans for achieving the goals. At the individual level, the goals can be a mix of both hard and soft goals, such as social ability.

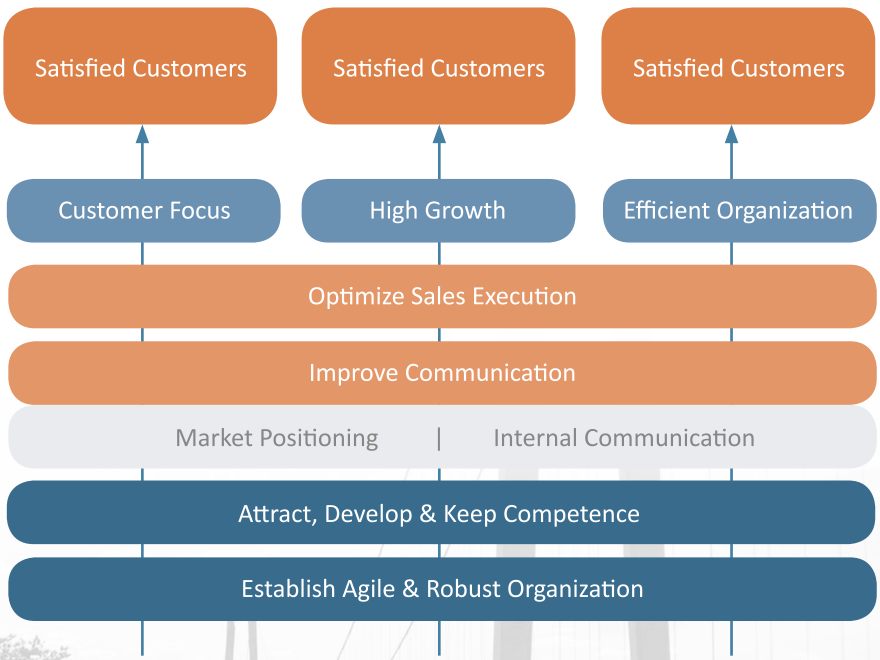
The work of effecting change was reflected in the company's overall target for 2016. Within sales, two of the goals were to establish a sales team in the African Marketplace and to prepare for the establishment of a Nordic Retail Sales Organization. The goal of Engineering to distribute software updates more frequently to the market was completed as planned to minimize lead time. Areas evaluated via surveys are customer satisfaction and employee satisfaction. Customer Support results were well above the set goals. Employees are more satisfied than ever and the Satisfaction Index was reached.

Environmental and Sustainability Effort

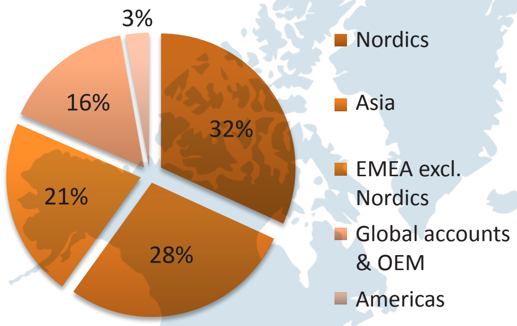
Clavister works with environmental and sustainability issues based on business ethical, social, environmental and economic considerations.

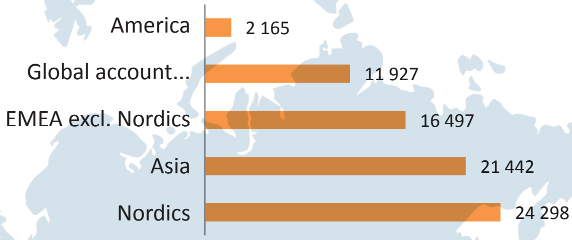
Attractive and Sustainable Workplace

The company must provide both an attractive workplace and a healthy, open and safe working environment (physical and psychological) for the employee. The working environment must be distinguished by a reasonable balance between the requirements and challenges posed. Clavister should encourage employees to maintain or develop good health and counteract trends that can lead to a work environment where stress-related illnesses or long-term sicknesses can develop. The company will ensure that no employees are discriminated against. Clavister has English as a group language and about 25 different nationalities, creating great opportunities and competitive advantages. During the year, training of the company's executives and



Management Report .





senior executives in leadership and occupational health and safety issues of physical and psychosocial nature have brought into focus of managers the importance for a good work environment work where everyone should feel included. The company has improved the results of the annual employee survey and reached the target for 2016.

Business Ethics: Aspects and Long-term Customer Relations
Legal requirements and business ethics guidelines include counteracting bribery and corruption, applying the code of conduct and handling of sensitive corporate information. Recognition and compliance with the Code of Conduct, Information Policy (and MAR *) takes place through annual reminder and confirmation from all employees. The business conduct guidelines are also updated in connection with recruitment and upon the introduction of new employees.

Customer satisfaction surveys are conducted quarterly and for customer support, the result is well above the set goals.

* EU Market Use Regulation 596/2014 / EU aims at ensuring the integrity of financial markets and enhancing investor protection and trust in markets.

Reduction of the company's direct and indirect environmental impact
A large portion of the company's products is constituted by software and licenses. With regard to hardware production, Clavister works to avoid substances that can be harmful in products and during production. Since the end of 2015 and in 2016, most of the company's hardware products are produced in Taiwan and shipped by boat instead of by air, which reduces CO2 emissions as well as the company's shipping costs. Clavister strives to avoid unnecessary travel, promotes the use of telephone and video meetings and minimizes the company's energy use. Recycling and source sorting takes place resulting in clean garbage, including batteries and electronics.

Coworkers

The number of employees on 2016-12-31 was 160 (124), of which 14 were in PhenixID and 29 (31) in Clavister Technology in China. This is an increase of 29%. The parent company Clavister Holding AB, has limited operations, and has one employee. In addition to permanent staff, Clavister also engages consultants in customer projects and sales corresponding to 10 (7) full-time positions. Clavister thus employed a total of 170 (131) persons as of 31 December 2016, this total included employees and consultants.

Clavister's success is determined by motivated, committed and result-oriented employees. Talents and skills are therefore crucial for Clavister's success and the company wants to create the conditions for the employee to achieve his ambitions and full potential but also maintain good health, all in line with the company's business needs. Within Clavister, everyone is co-responsible for their own development. All employees must have an individual development plan where the plans are a combination of concrete business needs and the individual's own ambitions.

Board of Directors' Working Methods

The board of Clavister Holding AB consists of six members. Clavister AB, Clavister APAC, Clavister Technology in China, and the PhenixID AB, since the acquisition, these are in charge of the board meetings in Clavister Holding AB. The operations are mainly carried out under Clavister AB. The Board has overall responsibility for the company's organization and management. The Board has drawn up rules of procedure that regulate the division of work and responsibilities between the Board, the Chairman and the Managing Director (CEO).

The duties of the Board include evaluation and determination of strategies, business plans, budget and financing, major busi-

Management Report .

ness changes, as well as appointing and dissolving the CEO. The Board also determines quarterly reports, year-end report and annual report.

The Chairman of the Board is responsible for continuously following the company activities and ensuring that all Board members are provided with the necessary information in order to assess and evaluate the company. The chairman shall consult the President of Strategic Affairs, chair the Board meetings and ensure that Board matters are not dealt with in contravention of the provisions of the Companies Act, the Articles of Association and instructions issued by the Board.

The Board annually sets the instructions for the CEO with guidelines for Current management, accounting and average management, as well as internal control in the company. The instruction includes also the CEO's powers and information obligations towards Board.

During 2016, the Board held 20 recorded meetings.

Revenue

The Group conducts sales according to the definition of the traditional channel strategy, i.e. via distributors and resellers as well as through the own sales organization. Sales focus on the segments of enterprise and telecom (service providers), where Clavister's product and technology are considered very well-suited not least because of the extension of mobile phone networks 4G / LTE and 5G.

The largest markets in the enterprise segment, in addition to the Nordic countries, are Europe (Germany, Netherlands, France and Italy) and Asia, where both companies operate via subsidiary Clavister Technology (ASIA) Ltd in the Chinese market and through Clavister AB. The acquisition of PhenixID has strengthened the enterprise segment through the completion of IAM (Identity & Access Management). In 2015 and 2016, Clavister moved its position in Asia and successfully established itself in Japan, through signing the Distributor Agreement with Canon IT Solutions 2015, this was a crucial milestone in the world's second largest IT security market. By the end of 2016, market investments in Africa's French-speaking parts began to generate business thanks to the agreement with Defis & Strategies Group in February 2016. Africa is considered to be a growth market partly because it is judged to be underdeveloped and partly because the need for security will be driven by economic growth environments. This in turn, attracts foreign investment as it is also felt that there is an increased risk of criminal activities. (Strategic Research and Innovation Agenda- Security).

For the whole of 2016, the Nordic region increased by 56% to SEK 24.3 million (15.6), with PhenixID's sales of SEK 10.6 million accounting for growth. The EMEA has decreased by -19% to SEK 16.5 million (20.2) for the full year, of which Germany has -25% and France has reduced its turnover by 39% year to year to SEK 1.4 million. Market openings in Northern Africa have contributed to sales of approximately SEK 1.0 million for the full year. After analyzing the development within EMEA, the company has taken measures such as recruitment of sellers to the Nordic countries and EMEA. The establishment of a sales organization is expected to increase accessibility to customers and retailers, to create better opportunities for the company to handle business opportunities. In addition, the Inside Sales organization will strengthen the sales channel with proactive processing of end customers and retailers to build the sales pipeline. It will take place through telemarketing activities, running campaigns as well as managing, processing and extending support contracts.

Billing to Asia has risen and market investments are beginning to yield results. Asia increased sales for the year to SEK 21.4 million (14.3), an increase of 50%, of which Japan's turnover for the full year was SEK 7.0 million (1.7) and China increased sales by 23% to SEK 13.0 million (10,6). By 2016, Asia accounts for 28% of the company's sales. Global accounts had increased by 23% for the year. Turnover amounted to SEK 11.9 million (9.7).

Funding

During the year, Clavister contributed gross SEK 104.2 million through two new shares emissions. An additional SEK 1.6 million can be attributed to payment for subscription options and SEK 4.4 million for subscriptions to warrant options. The SEK 4.4 million was issued in early 2017.

Interest-bearing loans of EUR 1.0 million have been taken from external financiers i.e. about SEK 9.6 million.

The acquisition of PhenixID also included a capital insurance of 330,000 shares in Clavister Holding AB. See also Own shares below.

Going concern

The Board and the CEO continuously assess the Group's liquidity and financial resources in the short and long term. The Group is expected to have continued capital needs in software development linked to ongoing development projects, including Nokia Networks, but also of additional sales resources. The assessment is that increased demand and turnover will gradually reduce the rate of consumption of liquid funds.

The Board's assessment, based on current cash, signed agreements, prospects and earnings, is that Clavister Holding AB has the necessary liquidity and cash flow for continued operations in 2017 and 2018.

Financial Standing

The Group's total assets increased by 91 percent compared to the previous year and amounted to SEK 277,2 million. Fixed assets increased by SEK 85.2 million compared with the previous

Management Report .

year to SEK 174.8 million, of which capitalized development expenses increased by SEK 15.4 million and deferred tax assets by SEK 16.5 million.

Current assets increased by SEK 47.3 million to SEK 102.4 million (55.2) of which cash and cash equivalents at the end of the period amounted to SEK 75.3 million (43.5).

The Group's shareholders' equity at the end of the year amounted to SEK 208.4 million (90.9), an increase of 129%. Profit for the period decreased, however, by SEK -55.1 million (-42.7). Equity increased as a result of targeted cash and share issues, including issue costs of SEK 182.2 million. An additional SEK 1.6 million is attributable to payment for subscription options and SEK 4.4 million for subscriptions through warrants issued in early 2017.

Regarding the shares in Clavister Holding AB as the subsidiary PhenixID AB owns, see Own shares below.

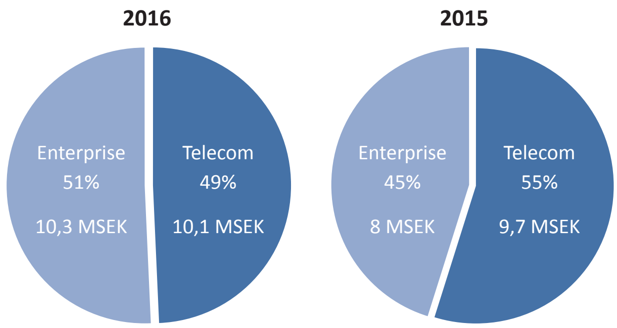
Own Shares

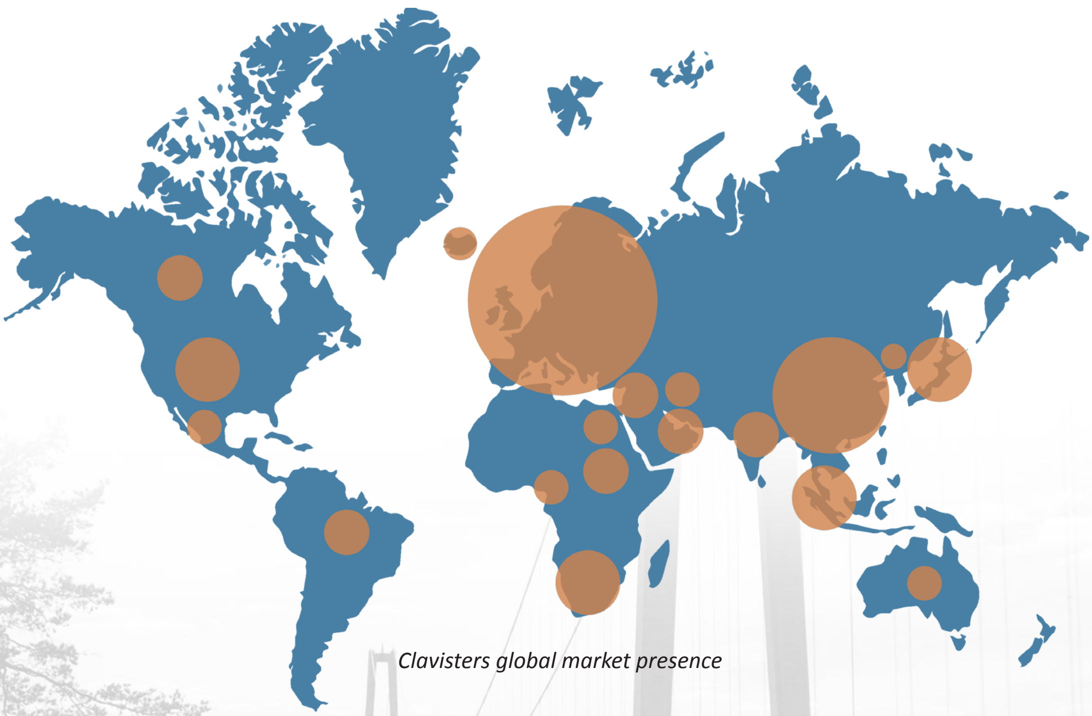
In connection with the acquisition of PhenixID, an capital insurance with 330,000 shares in Clavister Holding AB was acquired at a value of SEK 15.2 million per 2016-12-31. The shares in Clavister Holding AB owned by the subsidiary PhenixID AB in the Group have been eliminated to SEK 0 in accordance with IAS 32 on 33 regarding rules for ownership of own shares. The quota value is SEK 0.10 per share.

If a limited liability company has become a parent company and its subsidiaries hold shares in the Parent Company, the shares will be divested as soon as it can be done without loss, but no later than three years after the Group relationship arose.

Investments, depreciation and development costs

The company invests in software development and activates the time discrepancy. Outstanding value in the balance sheet for development work amounts to SEK 48.9 million (33.5) for 2016. The increase in capital employed is due to the extensive new positions of developers made by the company from the autumn of 2015 to the autumn of 2016 and the acquisition of PhenixID. In total, SEK 20.4 million (17.7) was capitalized during the year o/w 10,3 million (8,0) in enterprise and 10,1 million (9,7) in telecom. Amortization of intangible assets in respect of assets amounted to SEK 11.1 million (11.5) for the year. Investments in property, plant and equipment amounted to SEK 43 TSEK (1.0) for the year.





Clavisters global market presence

Management Report .

Share Ownership

The number of shareholders amounts to 5,988 and the number of registered shares per 2016-12-31 was 22,747,124, according to the Swedish Companies Registration Office. There is only one class of shares. Each share corresponds to one vote at the Annual General Meeting.

Largest Shareholders	Number of Shares	% shares
Insurance Company Avanza Pension	2 700 741	12%
Swedbank Robur	1 874 435	8%
Nordnet Pensionsförsäkring AB	971 986	4%
Swiss Life AG	849 750	4%
Banque Öhman S.A	818 676	4%
Alcur	782 917	3%
Litino AB	677 890	3%
JP Morgan Securities LLC	610 000	3%
Danica Pension	454 582	2%
AMF Aktiefond Small Companies	446 000	2%
Foyer International	412 948	2%
Prioritet Capital	400 000	2%
Other Owners	11 747 199	52%
Registered shares according to the Swedish Companies Registration Office 2016-12-31	22 747 124	100%

Shareholding for Board and senior executives

Board	Number of Shares
Björn Norrbom	7 000
Ilkka Hiidenheimo	284 253
Jan Ramkvist	23 750
Niclas Eriksson*	700 000
Göran Carstedt	0
Peter Dahlander*	579 894
	1 594 897

Senior Executives	Number of Shares
Jim Carlsson*	282 316
John Vestberg	112 039
Anders Gottnersson	0
Maria Edblad-Jansson	23 750
Nikolas Georgii	15 898
Niklas Wall	4 000
Henrik Olsén	16 750
Erik Engström	7 600
Stephan Schmidt	10 500
Peter Laurén*	677 890
Wang Kee	0
	1 150 743

* Indirect ownership through own company, or capital insurance.

Management Report .

Multi year review

Koncernen	2016	2015	2014	2013	2012
Net sales	77 813	64 191	62 263	52 842	72 023
Net sales increase (%)	21%	3%	18%	-27%	17%
Gross profit	53 466	44 773	50 003	33 793	51 056
Gross margin (%)	68%	70%	80%	64%	71%
Net profit (loss) before tax	-71 712	-55 655	-46 041	-51 642	-51 976
Balance sheet total	277 169	144 693	100 980	120 316	70 384
Equity ratio	75%	63%	67%	59%	25%
Number of employees	160	124	113	105	115
Parent company					
Net sales	4 200	3 400	1 440	0	
Balance sheet total	517 102	320 764	251 427	219 521	
Equity ratio	97%	97%	99%	97%	
Number of employees	1	1	0,5	0	

The comparative figures for 2012-2014 have not been recalculated in the transition to IFRS. If these years should be recalculated according to IFRS the results and key ratios had primarily improved as a consequence of non-performing goodwill amortization. For 2013 and 2014, BFNAR 2012 is used: 1 (K3) and for 2012, Bokföringsnämndens recommendations will apply except for BFNAR 2012: 1. As regards intangible assets, the Swedish Financial Accounting Standards Council's (Redovisningsrådet) recommendation RR 15 Intangible assets and RR 17 Impairments were applied. The consolidated accounts were prepared in accordance with the acquisition method and applied the Swedish Financial Accounting Standards Council's recommendation 1:00.

Proposal for profit distribution

At the disposal of the Annual General Meeting in the Parent Company, the following funds (kronor)	
Overpriced Funding	499 715 011
Balanced result	566 057
Profit for the year	-524 894
	499 756 174
Disposed so that:	
Shareholders are distributed (0 kronor per share)	0
New account transferred	499 756 174
	499 756 174

Consolidated Income Statement

Consolidated Income Statement

TSEK	Note	2016	Recalculated* 2015
Net Sales	4	77 813	64 191
Other operating income		304	28
Cost of goods sold		-24 651	-19 446
Gross profit		**53 466**	**44 773**
Work performed by the company for its own use and capitalized	14	20 407	17 716
Employee benefit expenses	6,7	-89 751	-71 233
Other external expenses	5,8	-41 583	-30 767
Other operating expenses		-312	-289
Depreciation	9	-12 127	-12 250
Impairments	10	-2 607	0
Operating Profit		**-72 508**	**-52 050**
Financial Income	11	6 222	9
Financial Costs	11	-5 426	-3 614
Net profit (loss) for the year		**-71 712**	**-55 655**
Tax on Profit for the Year	12	16 516	12 946
Net profit (loss) for the year		**-55 197**	**-42 708**
Profit for the Year attributable to:			
Parent Company Owner		-55 197	-42 708
Holdings without controlling influence		0	0
Earnings per Share	13		
Earnings per share before dilution		-2,67	-2,45
Earnings per share after dilution		-2,48	-2,29

Consolidated statement of comprehensive income

TSEK	Note	2016	2015
Profit for the year		-55 197	-42 708
Other comprehensive income			
Transactions that can be reclassified on the income statement later			
Recalculation difference		108	120
Other comprehensive income for the year, net after tax		**108**	**120**
Total comprehensive income for the year		**-55 089**	**-42 588**
Total comprehensive income attributable to:			
Parent company owners		-55 089	-42 588
Holdings without controlling influence		0	0

* See Note 1 for details of conversion due to an error

Consolidated Balance Sheet .

Consolidated Balance Sheet

TSEK	Note	2016-12-31	Recalculated* 2015-12-31	2015-01-01
ASSETS				
Fixed assets				
Goodwill	14	53 669	4 401	4 401
Capitalized expenditure for development	14	48 941	33 545	27 371
Program rights	14	133	204	0
Other intangible assets	14	4 667	0	0
Tangible fixed assets	15	964	1 565	2 256
Other long-term receivables	16	472	379	1 020
Deferred tax asset	12	65 906	49 436	36 448
Total assets		**174 752**	**89 530**	**71 496**
Current assets				
Inventory		6 577	5 593	5 551
Trade receivables	16	13 668	3 211	9 050
Other receivables	16	3 831	1 051	2 274
Prepayments and accrued income	16,17	3 032	1 781	956
Cash and bank balances	16,18	75 311	43 527	11 655
Total current assets		**102 418**	**55 163**	**29 485**
TOTAL ASSETS		**277 169**	**144 693**	**100 981**

TSEK	Note	2016-12-31	Recalculated* 2015-12-31	2015-01-01
EQUITY AND LIABILITIES				
Equity	20			
Share capital		2 275	1 854	1 632
Other contributed capital		486 765	314 648	249 183
Reserves		228	120	0
Retained earnings including profit for the year		-280 890	-225 693	-182 985
Shareholders equity attributable to the parent company's shareholders		208 378	90 929	67 830
Total equity		**208 378**	**90 929**	**67 830**

* See Note 1 for details of conversion, due to an error

Consolidated Balance Sheet

Liabilities				
Long-term liabilities				
Convertible debentures	16	9 428	8 780	8 205
Other debts	16	7 842	9 277	647
Deferred tax liabilities	12	2 997	0	0
Total long-term liabilities		**20 267**	**18 057**	**8 852**
Current liabilities				
Interest-bearing liabilities	16	11 313	1 092	1 743
Advance payments from customers		1 483	2 324	4 022
Accounts payables	16	10 220	5 096	4 056
Current tax liability	12	2 879	312	742
Other liabilities	16	5 922	15 749	1 470
Accrued expenses and deferred income	16,21	16 706	11 134	12 264
Total short-term liabilities		**48 523**	**35 708**	**24 298**
Total liabilities		**68 791**	**53 764**	**33 150**
TOTAL EQUITY AND LIABILITIES		**277 169**	**144 693**	**100 981**

* See Note 1 for details of conversion due to an error
For information about pledged assets and contingent liabilities, see Note 23 o 24

The Group's statement of changes in equity

The Group's report on changes in equity

TSEK	Share capital	Other contributed capital	Reserves	Accum. Profit (loss) incl. Profit (loss) for the year	**Shareholders equity attributable to the parent company's shareholders**	**Total equity**
Opening balance equity 2015-01-01	1 632	249 183	0	-182 985	67 830	67 830
Adjustment for transition to IFRS	0	0		0	0	0
Adjusted equity 2015-01-01	**1 632**	**249 183**	**0**	**-182 985**	**67 830**	**67 830**
Adjustment for transition to IFRS	0	0	0	668	668	668
Adjustment due to an error, Note 1	0	0	0	2 414	2 414	2 414
Net profit (loss) of the year	0	0	0	-45 790	-45 790	-45 790
Other profit of the year	0	0	120	0	120	120
Total income for the year	**0**	**0**	**120**	**-42 708**	**-42 588**	**-42 588**
Non-cash issue	35	5 347	0	0	5 382	5 382
Cash issue	187	60 518	0	0	60 705	60 705
Issue expenses	0	-400	0	0	-400	-400
Total transactions with shareholders	**222**	**65 465**	**0**	**0**	**65 687**	**65 687**
Closing equity 2015-12-31	**1 854**	**314 648**	**120**	**-225 693**	**90 929**	**90 929**
Opening equity 2016-01-01	1 854	314 648	120	-225 693	90 929	90 929
Net profit (loss) for the year	0	0	0	-55 197	-55 197	-55 197
Other comprehensive income of the year	0	0	108	0	108	108
Total income for the year	**0**	**0**	**108**	**-55 197**	**-55 089**	**-55 089**
Holding of own shares Clavister Holding AB	0	-16 500	0	0	-16 500	-16 500
Share issue in progress	0	4 448	0	0	4 448	4 448
Payment of warrants	0	1 942	0	0	1 942	1 942
Share issue	421	189 747	0	0	190 168	190 168
Issue expenses	0	-7 520	0	0	-7 520	-7 520
Total transactions with owners	**421**	**172 117**	**0**	**0**	**172 538**	**172 538**
Closing equity 2016-12-31	**2 275**	**486 765**	**228**	**-280 890**	**208 378**	**208 378**

The Group’s cash flow statement .

The Group's cash flow statement

TSEK	Note	2016	2015
Cash flow from current operations	22		
Profit before tax		-71 712	-55 655
Adjustment for items not included in the cash flow	22	9 480	12 917
Paid income tax		3 167	-471
Cash flow from operating activities before changes in working capital		**-59 065**	**-43 209**
Cash flow from changes in working capital			
Changes in inventories		-984	-42
Changes in operating receivables		9 081	6 236
Changes in operating liabilities		-1 428	5 091
Cash flow from current operations		**-52 397**	**-31 925**
Investment business			
Acquisition of subsidiaries, net liquidity impact		10 579	0
Acquisition of property, plant and equipment		-43	-1
Acquisition of capitalized development work		-20 407	-17 926
Acquisition of financial fixed assets		0	641
Sale of financial fixed assets		28	0
Cash flow from investing activities		**-9 842**	**-17 286**
Financing			
Borrowings		7 578	16 451
Amortization of loans		-5 616	0
Amortization of financial leasing debt		0	-1 074
Share issue		99 557	66 087
Issue expenses		-7 520	-400
Cash flow from financing activities		**94 000**	**81 064**
Cash flow for the year		**31 761**	**31 854**
Cash and cash equivalents at the beginning of the year		43 527	11 655
Exchange rate difference in cash		22	19
Cash and cash equivalents at year-end	18	**75 311**	**43 527**

Consolidated Notes .

Note 1 Significant accounting principles

Annual Report and Consolidated Financial Statements comprise Swedish parent company Clavister Holding AB with organization number 556917-6612 and its subsidiaries. Clavister Group's ("Clavister") main business is development, production and sales of Network security solutions in the area of cybersecurity. Clavister's solutions are based on developed, innovative software with powerful performance. Customers are found world wide throughout the range from public to private sector.

The parent company is a holding company registered in Sweden and based in Örnsköldsvik. The address of the headquarters is Sjögatan 6 J, 891 60 Örnskoldsvik. On April 6, 2017, the Board approved this annual report and consolidated financial statements which will be submitted for adoption at Annual General Meeting April 27, 2017.

Applied regulations

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accoutning Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by European Union (EU). The Group also applies the Annual Accounts Act (1995: 1554) and the recommendation of the Council for Financial Reporting RFR 1 "Supplementary Accounting Rules for Groups".

The following accounting principles, unless otherwise stated, have been applied consistently to all periods presented in Consolidated financial statements. The Group's accounting principles have been applied consistently by the Group's companies. This is the Group's first annual report in accordance with the IFRS regulations. The transition to IFRS is described in more detail in Note 29 Transition to IFRS.

Correction of errors in accounting for capitalized development costs

In March 2016, the subsidiary Clavister AB made a review of depreciation of the capitalized development costs and discovered that depreciations were made on products that were not yet ready for use in 2016-12-31. During 2015, depreciation has failed amounting to 2 413 797 kr. The error has been corrected by reversing all affected items.

Balance Sheet (extract)	2015-12-31	Increase/	2015-12-31
Capitalized expenditures for deveopment	31 132	2 414	33 546
Accumulated profit and loss	-227 987	2 414	-225 573
Profit and Loss (extract)	-14 664	2 414	-12 250
Depreciations	-45 122	2 414	-42 708
Net profit (loss)			
Profit of the year attributable to			
Shareholder of the parent company	-45 122	2 414	-42 708
Holding w/o controlling influence	0	0	0
Statement of the comprehensive income			
Net profit (loss)	-45 122	2 414	-42 708
Other total income for the year	120	0	120
Summary total income of the year	**-45 002**	**2 414**	**-42 588**
Total income attributable to:			
Parent company owner	-45 022	2 414	-42 608
Holding without controlling influence	0	0	0
Net profit per share before dilution	-2,73	0,14	-2,59
Net profit per share after dilution	-2,55	0,13	-2,42

The adjustment do have an impact on depreciations Note 14 amounting to 2 413 TSEK

Consolidated Notes .

Currency

Functional currency is the currency in the primary economic environments the companies conduct. Parent company's functional currency are Swedish kronor which also constitute the reporting currency for the parent company and the group. The financial statements are presented in Swedish kronor. All amounts are presented, unless otherwise stated, in thousands of kronor (TSEK).

Classification

Fixed assets and long-term liabilities consist essentially of amounts expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and current liabilities consist essentially of amounts expected to be paid within twelve months from the balance sheet date.

Consolidated accounts

Subsidiaries

Subsidiaries are companies under Clavister Holding AB's controlling influence. Decisive influence means directly or indirectly, the right to design a company's financial and operational strategies with a view to obtaining financial benefits. Subsidiaries are reported according to the acquisition method.

The method means that the acquisition of a subsidiary is considered a transaction lasting the group indirectly acquires the subsidiary's assets and takes over its liabilities. The acquisition analysis determines the fair value on the acquisition date of acquired identifiable assets and liabilities assumed and any non-controlling interest.

Transaction costs, excluding transaction costs attributable to equity instruments or debt instrumentsthat arise are reported directly in the profit for the year. In the case of business combinations where transferred compensation exceeds the fair value of acquired assets and assumed liabilities reported separately, the difference is reported as goodwill. When the difference is negative, called acquisition at a low price, this is recorded on profit for the year.

When acquisitions occur in stages, goodwill is determined on the day when controlling influence arises. Previous holdings are valued to actual value and the change in value are reported in profit for the year.

Value and change in value are reported in the profit for the year. Acquisitions from non-controlling interests are reported as a transaction within equity, i.e. between the parent company's owner (in retained earnings) and non-controlling interest. Therefore, goodwill does not arise in these transactions. The change in non-controlling interest is based on its proportion share of net assets. Subsidiaries' financial statements are included in the consolidated accounts as of the acquisition date until the date on which the controlling influence ceases.

Intra-group receivables and liabilities, income or expenses and unrealized gains or losses arising from the Group related transactions between companies as well as related gains are eliminated fully.

Segments reporting

A business segment is a part of the Group which operates from which it can generate revenue and incur costs and for which there is independent financial information available. Clavisters develops products for the business segment of enterprise for medium and large customers as well as for telecom operators (and other service providers) based on Core and Stream platforms. Based on the segments, a resource allocation of the Group's development work is made. Product platforms have unique advantages where Stream has better adapted functionality and performance for telecom while Core generally suits the enterprise segment. The segment of the enterprise accounts for the most significant part of the sales. Through close business cooperation, the company has been able to adapt the telecom solutions, which, together with increased data traffic in the telecom networks, is expected to generate dividends in increased growth and development for the Group.

Foreign currency translation

Transactions in foreigh currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate prevailing on the balance sheet date. Exchange rate differences arising from the translation are reported in the profit for the year. Exchange gains and losses on operating receivables and operating liabilities are recognized in operating profit, while exchange gains and losses on financial receivables and liabilities are reported as financial items.

Translation of foreign operations
Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and undervalues, are translated from the functional currency of the foreign operation to the Group's reporting currency, Swedish kronor, at the exchange rate prevailing on the balance sheet date. Income and expenses in a foreign operation are converted into Swedish kronor at an average exchange rate that approximates the exchange rates prevailing at each transaction date. Translation differences arising from foreign currency translation of foreign operations are reported in other comprehensive income and accumulated in a separate component of equity, referred to as translation reserve. Upon disposal of a foreign operation, the accumulated translation differences attributable to the business are realized, reclassifying them from other comprehensive income to the profit for the year.

Revenue
The Group reports an income when its amount can be measured reliably and it is likely that future economic benefits will accrue to the company provided that specific criteria have been met for each of the Group's operations. Revenue includes the fair value of what has been or will be obtained for goods and services sold in the Group's ongoing operations. Revenues are reported excluding VAT, returns and discounts and after elimination of intra-group sales. Intra-company sales are extremely limited, but certain product sales are on an irregular basis from Clavister AB to the subsidiary Clavister Technology (ASIA) Ltd.

License- and support revenue
The Group's license revenues are reported in full on delivery. Clavister has no future commitments except telephone support below a certain time. Reservation for support costs has been calculated and reserved for the amount of support included in the sales sum.

HW-revenue
Hardware income consists of revenue from the sale of hardware and revenue is reported in full when the significant benefits and risks associated with ownership of the goods have been transferred from the company to the buyer.

Services rendered
Revenue from current account assignments is recognized as revenue as the work is performed. If it is unlikely that payment will be received for amounts already reported as revenue, the amount is unlikely to be received as an expense.

Financial income
Financial income consists of interest income and any capital gains on financial assets. Interest income is reported in accordance with the "effective interest rate method". The effective interest rate is the interest rate that discount the estimated future payments and payments over a financial instrument's expected maturity to the net asset value of the financial asset or liability. The calculation includes all fees paid or received by the contracting parties that are part of the effective interest rate, transaction costs and all other upper and lower rates.

Exchange rate gains and exchange rate losses are reported in net amount.

Remuneration to employees
Short term remuneration
Employee benefits relate to all types of remuneration that the Group provides to employees. The Group's remuneration includes salary, paid holiday, vacation pay, paid absence and bonus. Accounting takes place in line with the vesting.

Pension
Clavister's pension commitments only include defined contribution plans. A defined contribution plan is a pension plan according to which the group pays fixed fees to a separate legal entity. The Group has no legal or informal obligations to pay additional fees if this legal entity does not have sufficient assets to pay all employee benefits related to the employment of employees during current or previous periods. The Group has no additional risk. The Group's obligations regarding contributions to defined contribution plans are reported as an expense in the profit for the year as they are earned by the employees performing services for the Group over a period.

Remuneration for termination
A cost of remuneration in connection with staff redundancies is reported only if the company is demonstrably committed, without realistic possibility of withdrawal, of a formal detailed plan to terminate an employment before the normal date. When compensation is offered as an offer to encourage voluntary retirement, a cost is reported if it is likely that the offer will be accepted and the number of employees who will accept the offer reliably can be estimated.

Consolidated Notes .

Leasing

Financial leasing

The Group leases certain tangible assets and equipment. Leasing of fixed assets where the Group essentially holds the financial risks and benefits associated with ownership are classified as financial leases.

Assets hired under financial leases are reported as non-current assets in the balance sheet and initially valued at the lower of the real value of the leasing asset and the present value of the minimum lease payments at the conclusion of the agreement. The obligation to pay future leasing fees is reported as long-term and current liabilities. Non-current assets held under finance leases are written off during the shorter period of the useful life of the asset and the lease term, while leasing payments are reported as interest and amortization of liabilities.

Operational leasing

Leases where a significant part of the risks and benefits of ownership are retained by the lessor is classified as operational leasing. Payments made during the lease term (after deduction of any incentives from the lessor) are expensed on a straight-line basis over the lease period.

Financial costs

Financial expenses consist mainly of interest, as well as accrued capitalized costs, which provide loan financing via external financial institution.

Interest expense on loans is reported using the “effective interest rate method”.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized in the profit for the year except when the underlying transaction is reported in other comprehensive income or in equity, and the associated tax effect is reported in other comprehensive income or in equity.

Current tax is tax payable or received in respect of the current year, applying the tax rates that are decided or actually determined by the balance sheet date. Current tax also includes adjustment of current tax attributable to previous periods.

Deferred tax is reported in its entirety, according to the balance sheet method, on all temporary differences arising between the taxable value of assets and liabilities and its reported values. Temporary differences are not taken into account in consolidated goodwill. Furthermore, temporary differences are not attributable to participations in subsidiaries that are not expected to be reversed in the foreseeable future. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realized or regulated. Deferred tax is calculated using the tax rates and tax rules that were decided or announced at the balance sheet date and are expected to apply when the deferred tax asset concerned is realized or the deferred tax liability is adjusted.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are reported only to the extent that they are likely to be utilized. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilized.

Earnings per share

Earnings per share before dilution are calculated by dividing net earnings attributable to the parent company’s shareholders by weighted average number of outstanding shares during the year.

Earnings per share after dilution are calculated by dividing net earnings attributable to the parent company’s shareholders, adjusted where appropriate, by the weighted average number of ordinary shares and potential common shares that may give rise to dilution effect. Dilution effect of potential common shares is reported only if a conversion to ordinary shares would result in a reduction in earnings per share after dilution.

Intangible assets

Goodwill

Goodwill is valued at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested for impairment at least annually.

Other intangible assets

<u>Acquired software</u>

Standard software programs are expensed. Expenses for software developed or extensively adapted for the Group are capitalized as intangible assets if they have likely economic benefits that after one year exceed the cost.

<u>Capitalized expenses for development work</u>
Costs during the development phase of products are capitalized as intangible assets when, in the opinion of the management, they are likely to result in future economic benefits for the Group, the activation criteria are met and the costs during the development phase can be measured reliably. Internally developed assets are reported at cost less accumulated amortization and any accumulated impairment losses. All other costs that do not meet the activation criteria will be charged to the result when they arise.

<u>Customer relations</u>
Customer relationships acquired by the Group refer to customer-related assets and contractual and / or technology-related assets such as trademarks and customer relationships and are reported at cost less accumulated amortization and any accumulated impairment losses.

Depreciation principles
Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, unless such useful lives are indeterminate. Goodwill is tested for impairment annually, and as soon as indications arise indicating that the asset in question has decreased in value. Intangible assets with determinable useful lives are derecognised from the time they are available for use.

The estimated useful lives are:

- Balanced expenses for development work 3-5 years

- Acquired software 3 years

- Customer Relationships 5 years

The useful lives are reassessed at least annually.

Tangible fixed assets
Property, plant and equipment are reported in the Group at cost less accumulated amortization and any write-downs. The acquisition value includes the purchase price and expenses directly attributable to the asset to put it in place and in order to be utilized in accordance with the purpose of the acquisition.

The carrying amount of an asset is derecognised from the balance sheet scrapping or disposal or when no future financial benefits are expected from use or disposal / disposal of the asset. Gains or losses arising from the scrapping or disposal of an asset consist of the difference between the selling price and the asset's carrying amount less direct selling expenses. Profit and loss is reported as other operating income / expense.

Additional expenses
Additional expenses are added to acquisition value only if it is likely that the future financial benefits associated with the asset will be included in the Group and the acquisition value can be calculated reliably. All other additional expenses are reported as expenses in the period they arise. Repairs are expensed on an ongoing basis.

Depreciation principles
Depreciation takes place on a straight-line basis over the estimated useful life of the asset. The estimated useful lives are:

- Equipment 3 years

- Computers 3 years

Using depreciation methods, residual values and useful lives are reconsidered at the end of each year.

Impairment of non-financial assets
Assets that have an indefinite useful life, such as goodwill, are not derecognised but are tested annually for any impairment loss. Assets written off are assessed for impairment whenever events or changes in conditions indicate that the carrying amount is not recoverable.

An impairment loss is made by the amount at which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. When assessing impairment requirements, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). When a write-down requirement has been identified for a cash-generating unit (group of units), the write-down amount is primarily allocated to goodwill. Thereafter, a proportionate write-down of other assets included in the unit (group of units) is made.

Previously reported write-downs are reversed if the recoverable amount is estimated to exceed the carrying amount. However, reversal does not occur with an amount greater than the reported value of what would have been if a write-down had not been reported in previous periods. However, impairment of goodwill is never reversed.

Financial instruments

A financial instrument is reported in the balance sheet when the Group becomes a party to the instrument's contractual terms. Accounts receivables are reported when the invoice has been sent. Debt is reported when the counterparty has performed and the contractual obligation is payable, even if the invoice has not yet been received. Accounts payables are reported when the invoice has been received.

A financial asset is derecognised from the balance sheet when the rights in the agreement are realized, due or the Group loses control of them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise terminated. The same applies to part of a financial debt.

A financial asset and a financial liability are offset and reported with a net amount in the balance sheet only when there is a legal right to settle the amounts and that there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the liability.

Acquisitions and disposals of financial assets are reported on the business day. The business day is the day the company undertakes to acquire or sell the asset.

Classification and valuation

Financial instruments are initially recognized at acquisition value corresponding to the fair value of the instrument plus transaction costs for all financial instruments except for those belonging to the financial asset / liability category, which are reported at fair value through profit or loss, which are reported at fair value excluding transaction costs. A financial instrument is classified at initial recognition, inter alia, on the purpose for which the instrument was acquired. The classification determines how the financial instrument is valued after the first reporting date. The Group holds financial instruments in the following categories:

- Loans and receivables
- Other financial liabilities

Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted on an active market. These assets are valued at accrued acquisition value. Accrued acquisition value is determined based on the effective interest calculated on acquisition date. Accounts receivable are reported to the amount that is expected to occur, i.e. After deduction of doubtful claims.

Other financial liabilities

Loans and other financial liabilities are included in this category. Liabilities are valued at accrued acquisition value.

Impairment of financial assets

The Group assesses at the end of each reporting period if there is objective proof that there is a need for impairment for a financial asset or group of financial assets. A financial asset or group of financial assets has a write-down requirement and is written down only if there is objective proof of a write-down requirement due to one or more events occurring after the asset was first recognized (a "loss event") and that this event (Or events) have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The criteria used by the Group to determine whether there is objective evidence of impairment need are significant financial difficulties in the issuer or debtor, a breach of contract, such as non-payment or late payment of interest or capital amount, or the likelihood of the borrower being bankruptcy or other financial reconstruction.

For the category loan receivables and accounts receivable, the write-down is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future loan losses that have not occurred) discounted to the original effective interest rate of the financial asset. The reported value of the asset is written down and the write-down amount is reported in the Group's income.

If the impairment loss decreases in a subsequent period and the decrease can be objectively attributable to an event that occurred after the impairment loss was recognized, the reversal of the previously reported impairment loss is reported in the consolidated income.

Inventories

Inventories are valued at the lower of cost and net realizable value. Acquisition value is calculated according to the so-called first-in first-out principle and includes expenses incurred in the acquisition of inventories and transporting them to their current location and condition. For manufactured goods, the acquisition value includes a reasonable proportion of indirect costs based at a normal capacity. Net realizable value is defined as selling price reduced for cost of completion and sales costs.

Consolidated Notes .

Liquidity
Liquid funds consist of cash and immediately available balances with banks and similar institutions and short-term liquid investments with a maturity of less than three months, which are exposed to only an insignificant risk of value fluctuations.

Cash Flow
Cash and bank balances consist of cash and bank balances, as well as short-term other liquid investments with three months or less maturity and exposed to an insignificant risk of value fluctuations. Cash flow from operating activities is calculated using the indirect method.

Contingent
A contingent liability is recognized when there is a possible commitment arising from events occurring and whose occurrence is confirmed only by one or more uncertain future events or when there is an obligation not reported as a liability or provision due to the fact that an outflow is unlikely of resources will be required.

Note 2 New or changes of IFRS not yet applied

A number of new or amended IFRS rules will come into effect in the coming financial year and have not been applied in advance for the preparation of these financial reports. Below are described IFRSs that are expected to have an impact or may have an impact on the Group's financial statements. In addition to the IFRS described below, other news that IASB has approved as of 31 December 2016 is expected to have no impact on the Group's financial reports.

IFRS 9 Financial Instruments
IFRS 9 comprises accounting for financial assets and liabilities and replaces IAS 39 Financial Instruments: Accounting and Valuation. The standard enters into force on January 1, 2018. Like IAS 39, financial assets are classified in various categories, some of which are valued at accrued acquisition value and other at fair value. However, IFRS 9 introduces other categories than those contained in IAS 39. IFRS 9 also introduces a new model for impairment of financial assets. The purpose of the new model is that credit losses should be reported earlier. For financial liabilities, IFRS 9 complies broadly with IAS 39. However, for liabilities reported at fair value, the part of the fair value change attributable to own credit risk is reported in other comprehensive income instead of in the result, unless this results in inconsistency in the accounting. IFRS 9 also introduces partially amended criteria for hedge accounting. The changes may lead to more financial hedging strategies meeting the requirements for hedge accounting under IFRS 9 than IAS 39.

The Group has converted to IFRS in the fourth quarter of 2016. As a result, the company has not completed the evaluation of the effect the standard will have in 2016, but will be reported in the quarterly report for the first quarter of 2017. Although the Group has not yet detailed Evaluation of the debt instruments currently classified as available-for-sale financial assets, they appear to comply with the conditions for valuation at fair value over other comprehensive income based on the company's business model for these assets. Therefore, the reporting of these assets will not change.

The Group's financial debt statement will also not change as the new requirements only affect the presentation of financial liabilities recognized at fair value through profit or loss and the Group has no liabilities of that kind.

The new hedge accounting rules in IFRS 9 are more consistent with the company's risk management in practice. In general, it will be easier to apply hedge accounting as the standard introduces a more principle-based approach to hedge accounting. The new standard also introduces increased disclosure requirements and changes in the presentation. The new model for calculating credit loss reserves is based on expected loan losses, which may lead to prior recognition of credit losses.

IFRS 15 Income from agreements with customers
IFRS 15 replaces all previously published standards and interpretations that deal with revenues. The standard introduces a combined model for revenue recognition according to which an income is reported when a product or service is transferred to a customer. This can happen over time or at a time. The income consists of the amount that the company expects to receive as compensation for goods or services transferred.

IFRS 15 will enter into force on January 1, 2018. The standard will apply retroactively. There are two permitted approaches, full retroactive application in accordance with IAS 8 with simplification rules or limited retroactive application.

At the transition to IFRS 15, the Group estimates that a change will occur regarding the fulfillment of the commitment in the sales process. Therefore, a review and assessment of the contract and identification of when different commitments are required, after which the revenue can then be reported. Compared with the current principles, the Group's revenue and expenditure account is primarily expected to change with respect to the agreements regarding support and service that extend over time. The change is expected to affect the IT industry more than other industries. As a consequence of the conversion of the Group into IFRS fourth quarter 2016, the company has not fully completed the evaluation of the effect the standard will have in 2016, but will be reported in the quarterly report in the first quarter 2017.

The Group converted to IFRS in the third quarter report for 2016. During the year, the Group has begun the investigation and evaluation of the effects of the standard. The Group intends to apply IFRS 15 with full retroactivity.

IFRS 16 Leases
IFRS 16 replaces IAS 17 from January 1, 2019. According to the new standard, the lessee must as a starting point report the leased asset in the balance sheet. Depreciation of the asset is reported in the income statement. The leasing fee is to be divided into interest payments and amortization.

The Group will begin work in 2017 to evaluate the effects the new standard will have on the Group's earnings and financial position.

Note 3 Essential estimates and assessments

The preparation of the financial statements in accordance with IFRS requires that management make assessments and estimates as well as make assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. The actual outcome may deviate from these estimates.

Estimates and assumptions are evaluated on an ongoing basis. Changes in estimates are recognized in the period when the change is made if the change has only affected this period or during the period the change is made and future periods of change affect both the current period and future periods.

The following assumptions about the future and other significant sources of uncertainty in estimates at the balance sheet date could pose a significant risk of a significant adjustment of the reported values of assets and liabilities in the next financial year:

<u>Valuation of capitalized development costs</u>
The Board of Directors and Management have assumed that book capitalized capitalized development costs have economic benefits. An impairment test has been made confirming that the estimated recoverable amount exceeds the carrying amount.

<u>Impairment test of goodwill</u>
In case of impairment testing of goodwill, a number of significant assumptions and assessments must be taken into account in order to calculate the cash-generating unit's value in use. These assumptions and assessments relate to expected future discounted cash flows. Forecasts for future cash flows are based on the best estimates of future revenues and operating expenses, based on historical development, general market conditions, development and forecasts for the industry and other available information. The assumptions are being developed by the management and reviewed by the Board. The impairment test for the year resulted in impairment of goodwill of TSEK 2,607 for the subsidiary Clavister APAC Ltd. For more information on the impairment test of goodwill, see Note 14 Intangible assets.

<u>Shares in group companies</u>
The Board of Directors and Corporate Governance have assumed that book shares in Group companies have financial benefits. An impairment test has been made confirming that the estimated recoverable amount exceeds the carrying amount.

<u>Deferred tax asset / tax liability for loss carryforwards</u>
The Board of Directors and Management have assumed that deferred tax assets are included in the value of the loss carryforwards that are expected to be utilized against taxable income over the next 5 years. Forecasts of the Group's earnings development have been prepared for this period. The loss carryforwards mainly arose in the subsidiary Clavister AB. At December 31, 2016, these loss carryforwards amounted to SEK 300.1 (225.9) million to a carrying amount of SEK 65.9 million (49.4). The tax effect has been calculated according to the current Swedish tax rate.

Note 4 Operating segments

A business segment is part of a business enterprise from which they can earn revenues and incur costs whose results are regularly reviewed by the company's decision makers as a basis for decision-making, allocation of resources to the segment, and assessment of its results and for which there is independent Financial information.

The group is organized in the business and telecom business units, based on Clavister's proprietary platforms cOS Core and cOS Stream linked to the majority of revenues. According to IFRS 8, an operating segment is expected to have similar economic characteristics and similar to each other in terms of the products or the nature of the services. IFRS is the regulatory framework that has been applied in the segment report.

The enterprise segment
Enterprise and cOS Core are products that are well-proven for next generation firewalls. The customer solutions are suitable for both government (municipality (education), county council, government-government state) for retail, but also for the manufacturing, transport and infrastructure sectors. Other suitable sectors for Core are Bank and Finance and Sk. Service Providers. Examples of products based on the Core platform are Clavister's E20, E80, W50 and also the virtual product cOS Core.

The telecom segment
The telecom market, for products based on the cOS Stream platform, is the next generation high performance operating system for network security. The segment is characterized by virtual solutions with higher capacity targeted at operators, where telecom, service and network operators are particularly suitable customers. In the technology shift, operators now undergo SDN / NFV (Network Functions Virtualization) / (Software Developed Network) in order to optimize efficiency and increase revenues, a strategy is needed to maintain the level of security in the network, and fit the company's virtualized cOS Stream products.

Any group-wide items are reported separately in the segment report, and mainly concern Group Management and other joint functions as well as other items that are not suitable for reporting in the enterprise or telecom segments.

Sales in the enterprise segment represent 97% of the Group's sales and for telecom 3%. The majority of investments have been made in intangible and financial assets.

Income from Nordic customers accounts for 18% of the Group's total revenue for 2016.

The Group has revenue from a larger customer, the total revenue from that customer .The revenue amounts to TSEK 8,723 (8,023), ie 11% respectively 12% of total sales. These revenues derive in its entirety to the Enterprise segment.

Group 2016

Revenue	Enterprise	Telecom	Group-wide	Elimination	Total Group
External revenue	75 714	2 099	0	0	77 813
Internal revenue	0	0	5 387	-5 387	0
Other income	304	0	0	0	304
Total Revenue	**76 018**	**2 099**	**5 387**	**-5 387**	**78 117**
Operating profit (loss)	-36 201	-36 308	0	0	-72 509
Financial items	494	302	0	0	796
Tax on profit of the year	10 240	6 276	0	0	16 516
Net profit (loss)	**-25 467**	**-29 730**	**0**	**0**	**-55 197**
Other information					
Operational assets	121 324	155 845	0	0	277 169
Operational liabilities	23 070	14 140	0	0	37 210
Investments	21 446	10 061	0	0	31 507
Depreciations and amortizations	14 734	0	0	0	14 734
Goodwill	53 669	0	0	0	53 669

The Group's different income categories consist of products and services. In 2016, the proportion of products represented 46% (50%) of sales and services amounts to 54% (50%). The distribution is approximately the same between the different segments.

Consolidated Notes .

The Group 2015

Revenue	Enterprise	Telecom	Group-wide	Elimination	Total Group
External Sales	64 056	135	0	0	64 191
Internal Sales	0	0	3 400	-3 400	0
Other income	28	0	0	0	28
Total Revenue	**64 084**	**135**	**3 400**	**-3 400**	**64 219**
Operating profit (loss)	-23 943	-28 106	0	0	-52 049
Financial items	-1 658	-1 947	0	0	-3 605
Tax on profit of the year	5 955	6 991	0	0	12 946
Net profit (loss)	**-19 646**	**-23 062**	**0**	**0**	**-42 708**
Other information					
Operational assets	65 426	79 267	0	0	144 693
Operational liabilities	15 923	18 692	0	0	34 615
Investments	8 208	9 718	0	0	17 926
Depreciations and amortizations	12 250	0	0	0	12 250
Goodwill	4 401	0	0	0	4 401

* Operational assets are assets which does not generate any interest income.
** Operating liabilities are non-interest-bearing liabilitites.

The Group has revenues from a major customer, total revenues from this customer group amount to TSEK 8,723 (8,023), ie 11% and 12% of total sales. These revenues derive in its entirety to the Enterprise segment.

Geographical distribution of net sales

	2016	2015
Sweden	24 294	12 857
Rest of Europe	24 481	27 823
Asia	21 442	16 105
Rest of the world	7 596	7 407
	77 813	**64 191**

Note 5 Accountant Fee

Ernst & Young	2016	2015
Audit assignments	725	175
Auditary operation beyond the auditary assignment	142	278
Tax advice	45	25
Other Services	47	125
Recorded value	**959**	**603**

SKY CPA & Co, Hong Kong	2016	2015
Audit assignments	15	13
Recorded value	**15**	**13**

Shaanxi Pumeihengzhen Accountants Firm Ltd, Kina	2016	2015
Audit assignments	5	5
Recorded value	**5**	**5**

Not 6 Employees and personnel expenses

	2016		2015	
Average nbr of employee	**Average nbr employee**	**o/w men in %**	**Average nbr employee**	**o/w men in %**
Subsidiary Sweden	129	92%	92	89%
Subsidiary China	29	76%	31	84%
Subsidiary Germany	1	0%	0	0%
Summary subsidiaries	159	89%	123	88%
Parent company	1	100%	1	100%
Summary Group	160	0%	124	88%

	2016		2015	
Gender distribution, board and senior executives	**Number on closing-day**	**o/w men in %**	**Number on closing-day**	**o/w men in %**
Board members	6	100%	5	100%
CEO and senior executives	10	90%	9	89%
Summary Group	**16**	**94%**	**14**	**93%**

Personnel costs	2016	2015
Parent company		
Board and senior executives		
Salaries and other remunuerations	824	737
Social fees	289	214
Retirement fees	120	0
Summary	1 233	951

Other employees		
Salaries and other remunuerations	0	0
Social fees	0	0
Retirement fees (defined)	0	0
Summary	0	0
Subsidiaries		
Board and senior executives		
Salaries and other remunuerations	10 012	9 999
Social fees	3 806	2 638
Retirement fees (defined)	1 621	1 703
Summary	15 439	14 340
Other employees		
Salaries and other remunuerations	51 326	40 436
Social fees	15 222	10 732
Pension fees (defined)	3 721	2 673
Summary	70 269	53 841
Other personnel costs	2 810	2 101
Summary Personnel costs	89 751	71 233

2016	Basesalary, board fees	Variable pay	Retirment fees	Other remuneration	Total
Chairmen of the Board					
Björn Norrbom	214	0	0	0	214
Board member					
Peter Dahlander	811	0	120	0	930
Peter Johansson, ex-	305	0	0	0	305
Jan Ramkvist	126	0	0	0	126
Ilka Hiidenheimo	186	0	0	0	186
Niclas Eriksson	110	0	0	0	110
Göran Carstedt	97	0	0	0	97
CEO, Managing Director					
Jim Carlsson, ex-	1 380	88	237	0	1 705
Johan Öhman	0	0	0	0	0
Other Senior executives	8 090	467	1 417	0	9 975
o/w fr subsidiaries	*8 090*	*467*	*1 417*	*0*	*9 975*
Summary	**11 319**	**555**	**1 774**	**0**	**13 649**

2015	Basesalary, board fees	Variable pay	Retirment fees	Other remuneration	Total
Chairmen of the Board					
Björn Norrbom	131	0	0	0	131
Board member					
Peter Dahlander	737	0	0	0	737
Peter Johansson	1 613	0	273	0	1 886
Jan Ramkvist	153	0	0	0	153
Ilka Hiidenheimo	88	0	0	0	88
Torbjörn Nilsson, fd	99	0	0	0	99
Lars Stanghed, fd	66	0	0	0	66
Hadar Cars, fd	66	0	0	0	66
CEO, Managing Director					
Jim Carlsson	1 313	157	284	0	1 754
Other Senior executives (8)	6 751	165	1 146	0	8 062
o/w fr subsidiaries	*6 751*	*165*	*1 146*	*0*	8 062
Summary	**11 016**	**322**	**1 703**	**0**	**13 041**

Variable compensation refers to compensation calculated on set targets depending on sales requirements.

Remunerations and terms for senior executives

Remuneration to the President and other senior executives consists of basic salary, variable remuneration and pension benefits. Other senior executives refer to those persons who together with the CEO constitute Group Management. The CEO / Managing Director has a term of notice of six months, while other senior executives have notice of termination under the Act on Employment

Severance pay

Remuneration to the CEO consists of basic salary and pension. For the CEO, occupational pension has been paid, equivalent to 6.5% (%) of pensionable salary, up to 7.5 price base amounts and 28.5% (%) between 7.5-20 price base amounts, plus 13.5% On the amount above. In case of termination by the company, the CEO receives a severance payment corresponding to six months. In 2015, an active board member had a company car in addition to basic salary and retirement and also a severance pay of 12 months, linked to employment (non-board assignment). There are no severance pay for the rest of the Board.

Note 7 Share-based compensation

The Group's subsidiary, Clavister AB, granted key persons in 2011 the opportunity to subscribe for 9,285,000 warrants. Each option entitled to subscription of one share in the subsidiary Clavister AB at the price of SEK 1.25. The Group has subsequently signed a supplementary agreement with the warrant holders regarding a right for Clavister Holding AB to acquire any subscribed shares in Clavister AB where twenty (20) shares in Clavister AB will be replaced with one (1) share in Clavister Holding equivalent to an exercise price of SEK 25 per share. Conversion has been made below for comparison; 9,285,000 warrants in Clavister AB will then be 464,250 warrants in Clavister Holding AB.

All warrants expired on December 31, 2015 have been exercised for subscription of shares in Clavister Holding.

In 2015, two additional warrant programs were issued to the Board and key persons, the subscription price at the time of issue is SEK 30, which expire on 2016-12-31, respectively, by 2017-12-31. A third option program was issued in 2015, this is linked to the loan financing made in June 2015 and resolved in 2015, the number of warrants was 147 897, the subscription price was nominal value, 0.10 kronor.

In 2016 an additional employee stock option plan was issued, subscription price at redemption is SEK 72,00 which expires 2019-06-30. A further warrant program was issued in 2016, which is linked to the loan financing made in October 2016, the subscription price is SEK 0,10, which expires 2026. Of the warrants that expired on 2016-12-31, 148 260 were utilized for subscription of shares in Clavister Holding. These subscribed shares are paid in full and issued 2017-02-15, decisions regarding authorization have been taken at the Extraordinary General Meeting 2017-01-17.

If the outstanding warrants are exercised and the subscribed shares are issued, the Group will issue another 873,861 shares corresponding to approximately 3,8% of the total registered shares 22,747,124.

Number of outstanding warrants	2016-12-31	2015-12-31
Warrants 2015-12-31	0	0
Warrants 2016-12-31	0	173 250
Warrants 2017-12-31	175 000	175 000
Warrants 2019-06-30	530 800	0
Warrants 2026	19 801	0
Summary	725 601	348 250

Number of outstanding warrants	2016-12-31	2015-12-31
Jan Ramkvist, board member	0	26 250
Björn Norrbom, chairman of the board	100 000	100 000
Peter Dahlander, board member	25 000	0
Ilka Hiidenheimo, board member	50 000	50 000
Senoir executives, excl. CEO (10, 8)	265 000	103 000
Financial institute	19 801	0
Other	265 800	69 000
Summary	725 601	348 250

	2016		2015	
	Nbr of warrants	Weighted average selling prices	Nbr of warrants	Weighted average selling prices
At the beginning of the period	348 250	30	1 327 049	27
Assigned	550 601	69	348 250	30
Redeemed	-169 260	0	-1 327 049	27
Expired	-3 990	30	0	0
Outstanding at the end of the period	725 601	60	348 250	30
Redeemable at end of period	0	0	0	0

For stock options redeemed during the period, the average share price per solvency date has been SEK 30 (27). The range for the exercise price for share options outstanding at the end of the period amounts to SEK 0,10- 72 (30 SEK- 30 SEK).

The Black-Scholes valuation model has been used to determine the weighted average fair value of options granted during the period. The fair value of allotted options has been fixed at SEK 2.95 (4.93) per option. Key inputs in the model were a share price of SEK 44.10 (26) on the grant date, the above exercise price, 28% volatility (27%), the expected maturity of the options for 3 years (2) and annual risk-free interest rate of 3%). When calculating the volatility of 28%, the company has assumed the assumptions made at previous valuation, took into account the stabilization of the price movement that occurred in 2016, which gives a relatively low volatility.

Payment of the options has been made in accordance with the calculated price of Black & Scholes why it has not affected the accounting at any cost.

Note 8 Leasing

Operational leasing

The operational lease includes leases for real estate, test equipment and cars for which a significant part of the risks and benefits of ownership are retained by the lessor. The lease costs for operating leases for the year amounted to TSEK 4,789 (TSEK 3,344). Future payment commitments as at 31 December break down according to:

Future leasing-fees	**2016-12-31**	**2015-12-31**
Within 1 year	4 917	3 684
Between 1-5 years	17 796	5 368
More than 5 yeras	2 802	0
Summary	**25 515**	**9 052**

Financial leasing

Equipment that the Group leases through financial leasing consists of test equipment.

Equipment	**2016-12-31**	**2015-12-31**
Purchase value	2 624	2 624
Accumulated depreciation	-1 837	-1 312
Carrying amount	**787**	**1 312**

	2016-12-31		**2015-12-31**		**2015-01-01**	
Future leasing-fees	**Nominal**	**Present value**	**Nominal**	**Present value**	**Nominal**	**Present value**
Within 1 year	0	0	802	692	1 466	1 118
Between 1-5 years	0	0	0	0	733	647
More than 5 yeras	0	0	0	0	0	0
Summary	**0**	**0**	**802**	**692**	**2 199**	**1 766**

Liabilities relating to finance leases are included in interest-bearing liabilities in the consolidated balance sheet.

Note 9 Depreciations

	2016	**2015**
Capitalized development	11 112	11 542
Program rights	71	6
Equipment	611	702
Other intangible assets	333	0
Total	**12 127**	**12 250**

Note 10 Write downs

	2016	2015
Goodwill	2 607	0
Total	**2 607**	**0**

This year's impairment is attributable to subsidiary Clavister APAC Ltd and is further described in Note 3.

Note 11 Financial income and expenses

Financial income	**2016**	**2015**
Net profit (loss) from share in associated companies	522	0
Gain upon disposal of associated companies	5 498	0
Interest income	202	9
Total	**6 222**	**9**

Financial expenses	**2016**	**2015**
Interest expenses	3 480	2 859
Other financial expenses	1 168	755
Net exchange rate fluctuations	779	0
Total	**5 426**	**3 614**

Other financial expenses consists of costs relating to loan financing, consisting of attorneys fees, pik-interest and other borrowing costs.

Note 12 Corporate taxes

Profit and Loss

Current tax expense	**2016**	**2015**
Tax expenses for the year	-471	42
	-471	42
Deferred tax		
Deferred tax relating to temporary differences	283	0
Deferred tax on loss carryforwards	-16 328	-12 988
	-16 045	-12 988
Tax recorded in profit and loss statement	**-16 516**	**-12 946**

Reconciliation of effective tax rate	**2016**	**2015**
Net profit before tax	**-71 712**	**-55 655**
Tax according to the applicable tax rate for the parent company (22%)	-15 777	-12 244
Tax effect of:		
Non-taxable income	-1 454	-668
Non-deductible expenses	716	103
Unutilized loss carryforwards for which deferred tax assets have not been recorded	-2	0
Previous non recorded carryforwards utilized to reduce current tax expenses	0	-138
Accounting leasing in Group	0	0
Tax recorded	**-16 516**	**-12 946**
Effective tax rate (%)	23,0%	23,3%

The table below specifies the temporary differences of the tax impact:

Deferred tax asset	**2016**	**2015**
Deferred tax asset on lost carry forward	66 032	49 704
Convertible debenture	-126	-268
Deferred tax on untaxed reserves	-717	0
Intangible non-current assets	-2 279	0
Carrying amount*	**62 910**	**49 436**

Specification of changes in deferred tax asset:

	2016	**2015**
Opening carrying amount	49 436	36 448
Change of temporary differences	-575	0
Effect of acquisitions	-2 279	0
Additional tax receivables relating to loss carryforwards	16 328	12 988
Closing carrying amount deferred tax asset*	**62 910**	**49 436**

*Deferred tax assets above refer to the net of recorded deferred tax assets and deferred tax liabilities in the balance sheet.

Note 13 Earnings per share

Earnings per share before dilution are calculated by dividing the result attributable to the parent company's shareholders with a weighted average number of outstanding ordinary shares during the period.

Earnings per share	2016	2015
Net profit (loss) for the year attributable to the parent company's shareholders	-55 197	-42 708
Average number of ordinary outstanding shares	20 642 542	17 429 805
Earnings per share before dilution	**-2,67**	**-2,45**

For the calculation of earnings per share after dilution, the weighted average number of outstanding common shares is adjusted for the dilution effect of all potential common shares. The parent company has two categories of potential common shares with dilution effect: convertible debentures and share options. The convertible debentures are assumed to have been converted into ordinary shares and net gains are adjusted to eliminate interest expenses less tax effect. For stock options, a calculation is made of the number of shares that could have been purchased at fair value (calculated as the average market price of the parent company's shares) for an amount equal to the monetary value of the subscription rights attached to outstanding stock options. The number of shares calculated as above is compared with the number of shares that would have been issued on the assumption that the stock options are exercised.

Earnings per share after dilution	2016	2015
Net profit (loss) attributable to the parent company's shareholders	-55 197	-42 708
Interest expense for convertible debentures (after tax)	506	449
Net profit	**-54 691**	**-42 259**
Average number of ordinary shares outstanding (thousands)	20 642 542	17 429 805
Adjustments:		
Assumed conversion of convertible debentures (thousands)	666 667	666 667
Warrants (thousands)	705 800	348 250
Average number of ordinary shares outstanding after dilution effects (thousands)	22 015 009	18 444 722
Net profit per share after dilution	**-2,48**	**-2,29**

Effect of the limitation rule (begränsningsregeln)

Consolidated Notes .

Note 14 Intangible assets

Cost of acquisition	Goodwill	Capitalized development expenditures	Program rights	Other intangible assets	Total
As of 31 of January 2015	**6 685**	**118 655**	**1 030**	**0**	**126 370**
Addition – internally generated	0	17 716	0	0	17 716
Separat förvärv	0	0	210	0	210
Acquisition of subsidiary	0	0	0	0	0
As of 31 of December 2015	**6 685**	**136 371**	**1 240**	**0**	**144 296**
Addition – internally generated	0	20 407	0	0	20 407
Acquisition of subsidiary	51 875	6 100	0	5 000	62 975
As of 31 of December 2016	**58 560**	**162 878**	**1 240**	**5 000**	**227 678**
Depreciation and amortization					
As of 31 of January 2015	**-2 284**	**-91 284**	**-1 030**	**0**	**-94 598**
Depreciations	0	-13 956	-6	0	-13 962
Adjustments due to error	0	2 414	0	0	2 414
Write-offs	0	0	0	0	0
As of 31 of December 2015	**-2 284**	**-102 826**	**-1 036**	**0**	**-106 146**
Depreciations	0	-11 112	-71	-333	-11 516
Write-offs	-2 607	0	0	0	-2 607
As of 31 of December 2016	**-4 891**	**-113 937**	**-1 107**	**-333**	**-120 268**
Carrying amount					
As of 31 of December 2016	**53 669**	**48 941**	**133**	**4 667**	**107 409**
As of 31 of December 2015	**4 401**	**33 545**	**204**	**0**	**38 150**

Impairmenttest

The Group's goodwill has a reported value of TSEK 53,669 (4,401) and has arisen from two different acquisitions. Goodwill is tested for impairment at the lowest levels where there are separate identifiable cash flows (cash-generating units), which for the Group comprised a review of Clavister Tehnology (ASIA) Ltd and PhenixID AB.

The impairment test consists of assessing whether the unit's recoverable amount is higher than its carrying amount. The recoverable amount has been calculated on the basis of the unit's value in use, which represents the present value of the entity's expected future cash flows, regardless of any future business expansion and restructuring. The calculation of value in use is based on:

1) Estimated WACC (weighted average cost of capital) before tax has been 14.7% (16.3) for the review of Clavister Technology (ASIA) Ltd and for PhenixID AB testing 13.2% (acquisition in August 2016).
2) A forecast of cash flows for the next 5 years (2017 to 2021) has been calculated for Clavister Technology (ASIA) Ltd and PhenixID AB. The forecast is based on previous experiences and own assessments. The most important variable is revenue growth (Clavister Technology (ASIA) Ltd about 20% per annum and PhenixID AB about 10% per annum), which is based on the management's assessment as below.
3) An extrapolation of cash flows after 2020 with a growth of 2 percent for both Clavister Technology (ASIA) Ltd and PhenixID AB sk. Terminal value.

The discounted cash flow model includes forecasting future cash flows from the business including estimates of revenue volumes and production costs. The important assumptions that generate expected cash flows over the next five years are made by market assessments for the growth of the market for cyber security, the Group's delivery capability, ie successfully meeting customer demand with the product portfolio and planned product and development work within the business areas the group chose to market within. The values have been assessed on these variables in essence. The calculations show a write-down requirement associated with Clavister Technology (ASIA) Ltd of TSEK 2,607, whereby adjustment of the goodwill value was made with this amount. No impairment loss has been identified linked to PhenixID AB. Not raising the discount rate by 1% would also lead to any impairment need, other parameters equal.

Note 15 Tangible assets

Equipment	2016-12-31	2015-12-31
Opening balance	**5 903**	**6 174**
Purchase for the year	43	1
Sales / withdrawals	-487	-292
Translation difference	23	20
Closing cumulative balance	**5 482**	**5 903**
Opening depreciations	**-4 338**	**-3 919**
Sales / withdrawals	467	292
Reclassifications	-17	0
Depreciations of the year	-611	-702
Translation difference	-18	-10
Closing cumulative depreciations	**-4 518**	**-4 338**
Carrying amount	**964**	**1 565**

Note 16 Financial instruments

Valuation of financial assets and liabilities as of 31th of December 2016

Finacial assets	Loans and Accounts receivables	Other financial debt	Total carrying amount	Current amount
Other long-term receivables	472		472	472
Accounts receivables	13 668		13 668	13 668
Other short-term receivables	3 831		3 831	3 831
Accrued income and prepaid expenses	3 032		3 032	3 032
Cash and bank balances	75 311		75 311	75 311
	96 313	**0**	**96 313**	**96 313**
Financial debts				
Convertible debentures		9 428	9 428	9 428
Other long-term receivables		7 842	7 842	7 842
Räntebärande skulder		11 313	11 313	11 313
Accounts payable		10 220	10 220	10 220
Other liabilities		7 405	7 405	7 405
Acccrued expenses		6 688	6 688	6 688
	0	**52 897**	**52 897**	**52 897**

Financial assets and liabilities as of 31th of December 2015

Finacial assets	Loans and Accounts receivables	Other financial debt	Total carrying amount	Current amount
Other long-term receivables	379		379	379
Accounts receivables	3 211		3 211	3 211
Other short-term receivables	1 051		1 051	1 051
Accrued income and prepaid expenses	1 781		1 781	1 781
Cash and bank balances	43 527		43 527	43 527
	49 949	**0**	**49 949**	**49 949**
Financial debts				
Convertible debentures		8 780	8 780	8 780
Other long-term receivables		8 585	8 585	8 585
Financial lease liability		692	692	692
Interest-bearing liabilities		7 916	7 916	7 916
Accounts payable		5 096	5 096	5 096
Other liabilities		18 072	18 072	18 072
Acccrued expenses		3 972	3 972	3 972
	0	**53 114**	**53 114**	**53 114**

Financial assets and liabilities as of 1st of January 2015

Finacial assets	**Loans and Accounts receivables**	**Other financial debt**	**Total carrying amount**	**Current amount**
Other long-term receivables	1 020		1 020	1 020
Accounts receivables	9 050		9 050	9 050
Other short-term receivables	2 274		2 274	2 274
Accrued income and prepaid expenses	956		956	956
Cash and bank balances	11 655		11 655	11 655
	24 955	**0**	**24 955**	**24 955**
Finacial debts				
Convertible debentures		8 205	8 205	8 205
Financial lease liability		1 765	1 765	1 765
Interest-bearing liabilities		625	625	625
Accounts payable		4 056	4 056	4 056
Other liabilities		5 493	5 493	5 493
Acccrued expenses		5 562	5 562	5 562
	0	**25 706**	**25 706**	**25 706**

Note 17 Prepaid expenses and accrued income

	2016-12-31	**2015-12-31**	**2015-01-01**
Prepaid rent for premises	1 278	877	579
Prepaid insurance fees	144	117	100
Receivable supplier regarding product cost	0	560	0
Prepaid expenses testing	522	0	0
Prepaid expenses licens-fee IP-infusion	822	0	0
Other items	266	227	277
Carrying amount	**3 032**	**1 781**	**956**

Note 18 Cash and bank balances

	2016-12-31	**2015-12-31**	**2015-01-01**
Cash and bank balances	75 311	43 527	11 655
Carrying amount	**75 311**	**43 527**	**11 655**

Note 19 Group company

Parent company, Clavister Holding AB, holdings in direct and indirect subsidiaries included in the consolidated accounts are shown in the table below.

Company	Operation	Share 2016	Share 2015
Clavister Holding AB	Parent company, Investment company	Parent	Parent
Clavister AB	Sales and development	100%	100%
Clavister APAC Ltd	Holding company	100%	100%
Clavister Technology (ASIA) Ltd	Sales	100%	100%
PhenixID AB	Sales	100%	0%
PhenixID UG	Sales	100%	0%

Clavister Holding AB acquired PhenixID AB during the year, which in turn owns the subsidiary PhenixID UG.

There are limits for the Group's ability to access the capitalized development costs that the subsidiary Clavister AB has invested in a funded development fund, amounting to TSEK 18,640 as at 31/12 2016.

The fund will be dissolved at the same rate as the company makes depreciation, impairment or disposal of the asset. For one part capitalized development costs where depreciation is commenced during the current year, remaining capitalized development costs are expected to start depreciation in 2017.

Development costs; depreciation is expected to commence in 2017. Development costs are written off under one three year period.

Note 20 Equity

Share capital
As at 31 December 2016, the registered share capital comprised 22 747 124 shares (18 537 960) with a quota value of 0.10 SEK (0.10 kr). Holders of shares are entitled to dividends determined by hand and the shareholding entitles voting rights at the annual general meeting with one vote per share. All shares have the same right to Clavister's remaining net assets. All shares are fully paid and no shares are reserved for transfer.

In connection with the acquisition of PhenixID, a capital insurance of 330,000 shares in Clavister Holding AB was acquired at a value of SEK 15.2 million per 2016-12-31. This value has not been recognized as an asset but is recognized as a deduction item in equity in the Group.

Other contributed capital
Other contributed capital consists of capital contributed by Clavister's owner.

Reserves
The reserve consists entirely of exchange rate differences when translating foreign operations.

Translation reserve
As the concierge is a first-time applicant, the requirements for the accumulation of translation differences that existed at the time of transition to IFRS need not be followed. If a first-time applicant uses this exception, the cumulative translation differences for all foreign operations are estimated to be zero at the time of transition to IFRS.

Note 21 Accrued expenses and prepaid income

	2016-12-31	2015-12-31	2015-01-01
Accrued salaries and vacationpay	5 275	3 551	3 414
Accrued social fees	3 078	2 361	2 288
Accrued interests	142	518	0
Accrued maintenance costs	1 665	1 250	1 000
Accrued provisions	588	591	666
Accrued royalty costs	669	444	694
Accrued consultancy fees	365	0	1 865
Accrued PIK (Payment in Kind) fee to lender	1 587	1 050	0
Accrual regarding products	0	0	391
Accrual prepaid income	1 027	0	0
Accrued board fee	738	307	175
Accrued cost Remium	66	0	36
Accrued accounting fee	409	315	310
Accrued marketing costs	246	356	260
Other items	852	393	1 165
Carrying forward	**16 706**	**11 134**	**12 264**

Note 22 Cash flow analysis

Adjustments for non-cash items	**2016**	**2015**
Depreciations	12 127	12 251
Capital gain	-5 983	0
Write-offs	2 607	0
Unrealized differences in exchange rate	80	91
Estimated interest on convertible debentures	649	575
Carrying forward	**9 480**	**12 917**

Note 23 Secured collateral

	2016-12-31	2015-12-31	2015-01-01
Floating charge	25 038	19 270	8 600
Pledged accounts receivable and other receivables	1 414	1 906	2 886
Cash and bank balances	62 910	21 144	350
Summary	**89 363**	**42 320**	**11 836**

Note 24 Contingent liability

	2016-12-31	2015-12-31	2015-01-01
Subpoena from customer regarding contractual interpretation	0	13 470	13 470
Summary	**0**	**13 470**	**13 470**

Regarding the subpoena, further information in Management report and under the section "Estimates and assessments" in additional information.

Note 25 Acquisitions

Acquisitions 2016

On March 8, 2016, Clavister acquired 28.6% of PhenixID. Two months later, May 10, an additional 1.5% and 25 August were acquired, the remaining part of 69.9%. Clavister now owns 100% of the shares and votes in PhenixID. PhenixID is a leader in advanced cyber security solutions that will provide key expertise in the area of Identity & Access Management (IAM) and customer references to Clavister's offer.

The purchase price consists partly of SEK 5.0 million in cash compensation and partly by issue of 1,540 516 own shares (Clavister Holding AB) to a value of SEK 80.5 million. As PhenixID switches from being an associated company to becoming a group company with the last acquisition, the first two acquisitions are valued at the last acquisition, which results in a reported consolidated profit of SEK 6.0 million and partly leads to The purchase price / acquisition price is increased by MSEK 6.0, which means that the total amount is thus SEK 91.5 million. In connection with the acquisition, goodwill amounted to MSEK 51.9, which consists of the difference between the transferred compensation and the fair value of the acquired net assets. The resulting goodwill consists partly of synergy effects, earnings improvement potential and market positioning, as well as intangible assets such as capitalized development costs and customer and order stock. Goodwill is not expected to be tax deductible. In connection with the acquisition, a cash balance of SEK 15.6 million was added, as well as a capital insurance with 330,000 shares in Clavister Holding AB with a value of 2016-12-31 of approximately 15.2 MSEK. The acquisition has thus had a positive impact on the Group's cash flow.

Acquired net assets at date of purchase:

	Actaul value determined at purchase
Intangible assets	11 100
Tangible assets	50
Capital insurance	16 500
Accounts receivable and other receivables	7 139
Cash and bank balances	15 579
Deferred tax liability	-2 442
Accounts payable and other operating debt	-8 281
Identified net assets	**39 645**
Goodwill	51 875
Total purchase price	**91 520**

The acquisitions impact on group cash flow	
Purchase in cash	5 000
Departs:	
Cash balances	-15 579
Net cash flow received	**-10 579**

During the approximately 4 months to 31 December 2016, the subsidiary contributed SEK 10.6 million to the Group's revenues and 38 TSEK to the Group's earnings after financial items. If the acquisition had occurred on January 1, 2016, management estimates that the Group's revenue would have been MSEK 28.9 and the profit after financial items would have been 8.5 MSEK.

Note 26 Transactions with related parties

Subsidiary	Sales of goods / services	Purchase of goods / services	Other	Receivable on closing day	Debt on closing day
2016	3 850	3 850	0	8 254	0
2015	3 400	3 400	0	54 302	0
	7 250	**7 250**	**0**	**62 556**	**0**

The Group has few transactions between each other, no transactions with the Board members except for the Board's Board fees. For information on remuneration to senior executives, see Note 6 Employees and staff costs.

Note 27 Financial risks

The Group is exposed through its operations for various types of financial risks; Credit risk, market risks (currency risk, interest rate risk and other price risk) and liquidity risk. The Group's overall risk management focuses on unpredictability in the financial markets and strives to minimize potential adverse effects on the Group's financial results.

Credit risk

Credit risk is the risk that the Group's counterparty in a financial instrument can not fulfill its obligation, thereby causing the Group a financial loss. The Group has a limited concentration of credit risks.

Credit risk in accounts receivable

Most of the turnover is carried out in the subsidiary Clavister AB where there are guidelines to ensure that sales of products and services are made to customers with approved credit background. The credit rating is valued by an external actor based on estimated sales or credit limits and is within the framework of a signed framework agreement. If the customer is approved by the factoring company, the invoice is purchased and the liquid equivalent to 90% of the invoice value is paid to Clavister AB in the currency in which the invoice is invoiced. Credit limit can be withdrawn by the supplier if the customer invoice has expired longer than 30 days. A credit insurance is linked to the customer invoice through the company's factoring agreement. The factoring agreement makes the Group harmless to 90% in case of bankruptcy (non-payment). When the customer pays the factoring company, the remaining 10% will be paid. The customer's payment terms vary between prepayment, 30 and 60 days depending on the credit background. For the subsidiary PhenixID, where about 90% of sales are made to Nordic customers and to the remaining part of Northern Europe, credit risk is considered very low as customers are stable and recurring and the relationship has been going on for a long time. Loan losses amount to 51 TSEK in 2016.

The age analysis for unrecognized receivables on the balance sheet date is given below.

	2016-12-31	2015-12-31	2015-01-01
Unpaid accounts receivable	12 375	2 614	3 244
Accrued accounts receivable 1-30 days	280	281	1 969
Accrued accounts receivable 31-90 days	727	12	3 074
Expired accounts receivable> 90 days	286	304	763
Carrying amount	**13 668**	**3 211**	**9 050**

Reservation has been made during the year for bad debts. These provisions have been made after individual testing of doubtful accounts receivable.

Reservation of accounts receivable	**2016-12-31**	**2015-12-31**
Opening carrying amount	196	251
Reversal of previously made reservations	0	-223
Adjustment due to currency change	16	-9
This year's reservations	77	177
Closing carrying amount	**289**	**196**

The credit quality of non-matured or impaired receivables is considered to be good.

Credit risk due to prepayment providers

The subsidiary Clavister AB prepays suppliers for the purchase of hardware, sk. appliances. Suppliers are Asian (Taiwan) and payment is made in USD. Advance payment can be made in cases where the supplier relationship is relatively new and for major orders. PhenixID does not make any prepayments as sales consist solely of software.

Consolidated Notes

Market risks

Market risk is the risk of the actual value of or future cash flows from a financial instrument will vary due to changes in market prices. Market risks are classified by IFRS into three types; currency risk, interest rate risk and other price risks. The market risks that affect the Group are mainly due to currency risks.

Currency risk

Currency risk is the risk that fair value or future cash flows from a financial instrument vary due to changes in foreign exchange rates. The main exposure is attributable to the Group's sales and product purchases and royalties in foreign currencies. This exposure is called transaction exposure. Currency risks are also included in the translation of foreign operations' assets and liabilities to the parent company's functional currency SEK, so-called translation exposure. Translation exposure occurs through the company's subsidiary Clavister APAC and Clavister Technology (ASIA) when the conversion of assets and liabilities is from USD and CNY (Chinese yuan) to SEK. For Clavister Technology (ASIA) Ltd. The absolute part of both sales and purchases of products in China takes place, so transaction exposure can be considered to be limited.

Transaction Exposure

Currency risk related to changes in expected and contracted payment flows is expected to affect the Group. Risk arises when payment for made sales takes place in foreign currency, such as USD and EUR, and costs for personnel efforts are mainly in Swedish currency. However, the Group's financial transaction exposure is limited by the sale in the SEK, USD and EUR currencies, regulated in agreements with customers. With regard to imports of appliances (products), they are mainly in USD and also part of the royalties that can be netted against the company's cash flow / customer payments in USD. Loans, interest and amortization are mainly in EUR, with the loan volume per 2016-12-31 being 19,055 TSEK. The Group's overall objective of financial risks is to minimize them by utilizing revenue and payout flows, and to hedge the same on larger regular and predictable flows.

	2016		2015	
Foreign exchange exposure (%)	**Operational income**	**Operational costs**	**Operational income**	**Operational costs**
SEK	29%	70%	29%	70%
EUR	35%	10%	44%	11%
USD	19%	12%	11%	10%
CNY	17%	8%	17%	9%

EUR	**Exchange in EUR**	**Impact on net profit (loss) before tax**
2016 (vs 2015)	5,3%	603
2015 (vs 2014)	-1,5%	-215

USD	**Exchange in USD**	**Impact on net profit (loss) before tax**
2016 (vs 2015)	0,9%	-28
2015 (vs 2014)	1,2%	-65

CNY	**Exchange in CNY**	**Impact on net profit (loss) before tax**
2016 (vs 2015)	2,5%	8
2015 (vs 2014)	6,1%	63

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows from a financial instrument vary due to changes in market interest rates. An important factor affecting interest rate risk is the fixed interest rate period. The Group is not exposed to interest rate risk relating to the Group's foreign loans totaling SEK 19,055 thousand since the interest rate linked to the loans in EUR is regulated (fixed) until the maturity date of the loan 2018-05-31 and 2019-09-30. The convertible debenture loan of SEK 10,000,000 is considered to be a limited interest rate risk and, in 2016, did not result in any interest payments as the interest rate linked to STIBOR 90 currently negative. The convertible loan expires 2017-09-30.

Given interest-bearing liabilities at the balance sheet date, an interest rate increase of 2 percentage points on the balance sheet date will have an effect on net interest income for the full year before tax of 202 TSEK.

The table below specifies the terms and repayment dates for each interest-bearing debt:

	Currency	Due	Interest	Carrying amount 2016-12-31	Carrying amount 2015-12-31
Convertible debentures	SEK	30/9-17	Variable	9 428	8 780
Debt to credit institutions	SEK	30/4-17	Variable	100	400
Debt to external financiers	EUR	31/5-18	Fixed	10 829	16 101
Debt to external financiers	EUR	30/9-19	Fixed	8 227	0
Summary				**28 584**	**25 281**

Pricerisk

The company's purchase of products constitutes a minor part of the actual product cost. The development cost of the software consisting of personnel costs (which is also activated in accordance with IAS38) is absolutely dominant. Price lists against customers are updated where the customer is notified three months in advance. As a result, both increased prices and currency fluctuations may affect product purchasing costs and royalties. The cost of royalty is paid in EURO.

Liquidity risk

Liquidity risk is the risk of the Group having difficulty fulfilling its obligations related to financial liabilities. The company's loans in EUR linked to external financiers have settled amortization and interest rate where repayment is due according to the defined installment plan. For the convertible loan, the conversion rate according to agreement is set at SEK 15 per share to compare to Clavister Holding AB's closing price per 2016-12-31 of 46.10 SEK. Since the difference between share price and conversion rate is significant, the liquidity risk, ie, that the conversion rate can not be converted at the due date 2017-09-30 is considered less likely, which means that the loan does not have to be repaid.

The Group's contractual and undiscounted interest payments and repayments of financial liabilities are shown in the table below. Amounts in foreign currency have been translated to SEK at the closing date. Financial instruments with variable interest rates have been calculated using the interest rate on the balance sheet date. Liabilities have been included in the period when repayment may be required at the earliest.

Term analysis	<1 year	1-5 years	>5 years	Total
		2016-12-31		
Interest-bearing liabilities	20 441	8 143	0	28 584
Liabilities to leasing companies	0	0	0	0
Accounts payable	10 220	0	0	10 220
Other current liabilities	26 990	0	0	26 990
	57 651	**8 143**	**0**	**65 794**

Term analysis	<1 year	1-5 years	>5 years	Total
		2015-12-31		
Interest-bearing liabilities	7 224	11 233	0	18 457
Liabilities to leasing companies	692	0	0	692
Accounts payable	5 096	0	0	5 096
Other current liabilities	29 519	0	0	29 519
	42 531	**11 233**	**0**	**53 764**

Term analysis	<1 year	1-5 years	>5 years	Total
		2015-01-01		
Interest-bearing liabilities	625	8 852	0	9 477
Liabilities to leasing companies	426	692	0	1 118
Accounts payable	4 056	0	0	4 056
Other current liabilities	18 499	0	0	18 499
	23 606	**9 544**	**0**	**33 150**

Refinancing risk

Refinancing risk refers to the risk that liquid funds are not available and that funding can only be obtained partially or not at all, or at an increased cost. If the Group could not obtain, or alternatively, only receive such funding on unfavorable terms, it could have a material adverse effect on the company's operations, results and financial position. One of the Group's largest assets is the software development that is capitalized and reported as intangible asset in the consolidated balance sheet. Since the Group has agreements where acceleration in sales can quickly accelerate through so-called OEM (original equipment manufactory), ie. when a customer purchase licenses packaged with the customer's hardware to be resold under the customer's own brand to third parties, signed OEM agreements can also be an example of a project financing solution that can be done through prepayment from a customer linked to joint customer projects. Other options may include borrowing, convertible loans or by issuing new shares, decided by the General meeting.

Capital management

Liquidity is hedged partly through the acquisition of interest-bearing liabilities and partly through warrants and new issues of shares. In October, the company implemented a directed new issue of gross 83 MSEK. There was no change in the Group's capital management during the year. External capital requirements are set against the Group regarding the level of debt and possibly new borrowing.

Note 28 Events after balance closing

Extraordinary General Meeting was held on January 17, 2017 on the issue of warrants of up to 100,000 warrants for ten employees in PhenixID AB and PhenixID UG free of charge and no more than 120,000 warrants to employees in Clavister AB and PhenixID AB at market value. The AGM also approved previous resolutions regarding issue of warrants and share issues, along with authorization for convertible bonds. Johan Öhman was appointed CEO and took office on 6 March. Jim Carlsson, Clavister's former CEO, now works as Head of Strategic Sales. Clavister Holding AB announced in March that the number of shares increased by 148 260, after the same number of warrants entitled to subscribe for a new share of SEK 30, bringing the company approximately 4.4 MSEK.

Consolidated Notes .

Note 29 Transmission to IFRS

As of January 1, 2016, Clavister Holding AB establishes its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). The date of the Clavister Group's transition to IFRS is January 1, 2015. The Group has even consolidated financial statements in accordance with the Annual Accounts Act and BFNAR 2012: 1 (K3) through the fiscal year 2015. The transition to IFRS is reported in accordance with IFRS 1, "First International Financial Reporting Standards applied".

The effect of the change of accounting principle is recognized directly in equity. Previously published financial information for the fiscal year 2015, prepared in accordance with the Annual Accounts Act and BFNAR 2012: 1 (K3), have been recalculated with IFRS. Financial information relating to previous financial years than 2015 has not been recalculated. The main rule is that all applicable IFRS and IAS standards, which have come into force and endorsed by the EU, shall be applied retrospectively. However, IFRS 1 contains transitional provisions that give companies certain options.

Business combinations made before January 1, 2015 have not been recalculated and translation differences attributable to foreign operations have been set aside at 1 January 2015. Other voluntary and compulsory exceptions from retrospective application of IFRS have not been applied by the Group.

The accounting principles contained in Note 1 have been applied when the consolidated accounts were prepared as of December 31, 2016 and for the comparative information presented as of December 31, 2015, and when preparing the report on the period's financial position as of January 1, 2015. Estimates made according to IFRS as of January 1, 2015 complies with estimates made in accordance with previously applied accounting principles.

Effects on result and position

The following summary shows the effects of the above applications on the consolidated income statement for 2015 and the balance sheet as at 1 January 2015 and 31 December 2015. The transition from previous accounting principles has also resulted in a different structure and classification of the bills than before. The transition to IFRS has not had any effect on the Group's cash flow.

Group Balance Sheet as of 31 January 2015

Amount in TSEK

	Note	According to previous principles	IFRS adjustments	As per IFRS
ASSETS				
Fixed assets				
Goodwill		3 732	668	4 400
Other intangible assets		31 335		31 335
Tangible fixed assets		1 565		1 565
Other long-term receivables		379		379
Deferred tax asset		49 436		49 436
Total fixed assets		**86 448**	**668**	**87 116**
Current assets				
Inventory		5 593		5 593
Accounts receivable		3 211		3 211
Other receivables		1 051		1 051
Prepayments and accrued income		1 781		1 781
Cash and bank balances		43 527		43 527
Total current assets		**55 163**	**0**	**55 163**
Total assets		**141 611**	**668**	**142 279**
EQUITY AND LIABILITIES				
Equity				
Reliable to the parent company's owner		87 847	**668**	88 515
Reliable to non-controlling holdings		0		0
Total equity		**87 847**	**668**	**88 515**
Long-term liabilities				
Convertible debenture		8 780		8 780
Other debts		9 277		9 277
Deferred tax liabilities		0		0
Long-term provisions		0		0
Total liabilities		**18 057**	**0**	**18 057**
Current liabilities				
Interest-bearing liabilities		400		400
Debt to leasing company		692		692
Prepayment from customers		2 324		2 324
Accounts payable		5 096		5 096
Current tax liability		312		312
other liabilities		15 749		15 749
Short-term provisions		0		0
Accrued expenses and deferred income		11 134		11 134
Total short-term liabilities		**35 708**	**0**	**35 708**
Total liabilities		**53 764**	**0**	**53 764**
TOTAL EQUITY AND LIABILITIES		**141 611**	**668**	**142 279**

Consolidated statement of comprehensive income Jan 1 - Dec 31, 2015

Amount in TSEK

Profit and Loss Statement	Note	According to previous principles	IFRS adjustments	As per IFRS
Net sales		64 191		64 191
Other operating income		28		28
Cost of goods sold		-19 446		-19 446
Gross profit		**44 773**	**0**	**44 773**
Work performed by the company for its own use and		17 716		17 716
Personnel costs		-71 233		-71 233
Other external expenses		-30 767		-30 767
Depreciations	A	-15 333	668	-14 665
Other operating expenses		-289		-289
Operating profit		**-55 132**	**668**	**-54 464**
Financial income		9		9
Financial costs		-3 614		-3 614
Profit after financial items		**-58 737**	**668**	**-58 069**
Tax on profit of the year		12 946		12 946
Net profit (loss) of the year		**-45 790**	**668**	**-45 122**
Profit of the year attributable to:				
Parent company owner		**-45 790**	**668**	**-45 122**
Holdings without controlling influence		**0**	**0**	**0**

Consolidated statement of comprehensive income

Amount in TSEK

	Note	According to previous principles	IFRS adjustments	As per IFRS
Net profit (loss) of the year		-45 790	668	-45 122
Other comprehensive income				
Items that are not reclassified to the income statement				
Translation difference		0		120
		0	0	120
Other comprehensive income for the year, net after tax		**0**	**0**	**120**
Total comprehensive income for the year		**-45 790**	**668**	**-45 002**
Total comprehensive income attributable to:				
Parent company owner		-45 790	668	-45 002
Holdings without controlling influence				

Notes

A. Goodwill

According to previous accounting principles, goodwill has been written over the estimated useful life. According to IFRS, goodwil is written-off but instead an annual impairment test is carried out. In connection with the transition to IFRS, goodwill amortization has been reported Amounting to TSEK 668 returned in 2015. No deferred tax has been reported

Consolidated Notes .

Consolidated balance sheet as of 1 January 2015

Amount in TSEK

	Note	According to previous principles	IFRS adjustments	As per IFRS
ASSETS				
Fixed assets				
Other intangible assets		27 371		27 371
Tangible assets		2 256		2 256
Other ling-term receivables		1 020		1 020
Deferred tax asset		36 448		36 448
Fixed assets		**71 496**	**0**	**71 496**
Current assets				
Inventory		5 551		5 551
Accounts receivables		9 050		9 050
Other receivables		2 274		2 274
Prepayments and accrued income		956		956
Cash and bank balances		11 655		11 655
Total current assets		**29 485**	**0**	**29 485**
TOTAL ASSETS		**100 981**	**0**	**100 981**
EQUITY AND LIABILITIES				
Equity				
Parent company owner		67 830		67 830
Holdings without controlling influence		0		0
Total equity		**67 830**	**0**	**67 830**
Long-term liabilities				
Convertible debentures		8 205		8 205
Other debts		647		647
Deferred tax liabilities		0		0
Long-term provisions		0		0
Total long-term liabilities		**8 852**	**0**	**8 852**
current liabilities				
Interest-bearing liabilities		625		625
Debt to leasing company		1 118		1 118
Advance payments from customers		4 022		4 022
Accounts payables		4 056		4 056
Current tax liability		742		742
Other liabilities		1 470		1 470
Short term provisions		0		0
Accrued expenses and deferred income		12 264		12 264
Total short-term liabilities		**24 298**	**0**	**24 298**
Total liabilities		**33 150**	**0**	**33 150**
TOTAL LIABILITIES AND EQUITY		**100 981**	**0**	**100 981**

Parent company income statement

Parent company income statement

TSEK	Note	2016	2015
Net Sales	3	4 200	3 400
Other operating income	4,5	-2 362	-1 310
Employee benefit expenses	6	-1 239	-951
Operating profit		**599**	**1 139**
Other interest income and similar items	7	32	1
Interest expenses and similar income items	7	-649	-584
Profit before appropriations and taxes		**-18**	**556**
Submitted group contributions	17	-650	
Tax on profit for the year	8	143	10
Net profit (loss) for the year		**-525**	**566**

Parent Company's statement of comprehensive income

TSEK	Note	2016	2015
Net profit (loss) for the year		-525	566
Other total result		0	0
Total comprehensive income for the year		**-525**	**566**

Parent company balance sheet .

Parent company balance sheet

TSEK	Note	2016-12-31	2015-12-31
ASSETS			
Fixed assets			
Financial assets			
Shares in Group companies	9	447 955	244 945
Receivables from Group companies	10	8 254	54 302
Deferred tax asset	8	0	0
Total assets		**456 210**	**299 247**
Current assets			
Receivables			
Other receivables		392	1
Cash and bank balances		60 500	21 515
Total current assets		**60 892**	**21 517**
TOTAL ASSETS		**517 102**	**320 764**

TSEK	Note	2016-12-31	2015-12-31
EQUITY AND LIABILITIES			
EQUITY AND LIABILITIES	11		
Restricted equity			
Share Equity		2 275	1 854
		2 275	1 854
Unrestricted equity			
Share premium reservePrice		499 900	308 773
Accumulated		381	-185
Net profit (loss) for the year		-525	566
		499 756	309 154
Total equity		**502 031**	**311 008**
Liabilities			
Long-term liabilities			
Convertible debentures	13,8	9 428	8 780
Deferred tax liability	12	126	268
Current liabilities			
Trade payables		4 522	149
Current tax debt	8	13	13
Other debts		56	140
Accrued expenses and prepaid income	14	926	406
Total liabilities		**15 071**	**9 756**
TOTAL EQUITY AND LIABILITIES		**517 102**	**320 764**

For information about collateral and contingent liabilities, see Note 15 and 16

Parent company's report on changes in equity

Parent company's report on changes in equity

TSEK	Restricted Equity Share Capital	Unrestricted equity Share Premium Reserve	Accum. Profit(loss)	Net profit (loss) for the year	**Total equity**
Opening equity 2015-01-01	**1 632**	**249 005**	**0**	**-185**	**250 452**
Adjustment for transition to RFR 2	0	0	0	0	0
Adjusted equity 2015-01-01	**1 632**	**249 005**	**0**	**-185**	**250 452**
Adjustment of result last year	**0**	**0**	-185	185	0
Net profit (loss) for the year	0	0	0	566	566
Other comprehensive income for the year	0	0	0	0	0
Total income for the year	**0**	**0**	**0**	**566**	**566**
Dividend	0	0	0	0	0
Share-issue	222	60 168	0	0	60 390
Issue expenses	0	-400	0	0	-400
Total transactions with owners	**222**	**59 768**	**0**	**0**	**59 990**
Closing equity 2015-12-31	**1 854**	**308 773**	**-185**	**566**	**311 008**
Opening equity 2016-01-01	1 854	308 773	-185	566	311 008
Adjustment of result last year	0	0	566	-566	0
Net profit (loss) for the year	0	0	0	-525	-525
Other comprehensive income for the year	0	0	0	0	0
Total income for the year	**0**	**0**	**0**	**-525**	**-525**
Share issue in progress	0	4 448	0	0	4 448
Payment for warrants	0	1 562	0	0	1 562
Share-issue	421	192 637	0	0	193 057
Issue expenses	0	-7 520	0	0	-7 520
Total transactions with owners	**421**	**191 127**	**0**	**0**	**191 548**
Closing equity 2016-12-31	**2 275**	**499 900**	**381**	**-525**	**502 031**

Parent Company’s statement on cash flows

Parent Company's statement on cash flows

TSEK	Note	2016	2015
Cash flow from operating activities			
Profit (loss) before tax		-18	556
Cash flow from operating activities before changes in working capital		**-18**	**556**
Cash flow from changes in working capital			
Changes in operating receivables		-391	30
Changes in operating liabilities		4 810	-280
Cash flow from current operations		**4 401**	**306**
Investing activities			
Aquisition in shares subsidiary	9	-203 010	-5 382
Cash flow from investing activities		**-203 010**	**-5 382**
Financing activities			
Transferred convertible debenture from subsidiary		0	8 780
Increase convertible debenture		648	0
Issue expenses		-7 520	-400
Share issues		199 068	60 390
Reduction of claims on subsidiaries		46 047	0
Increase of claims on subsidiaries		0	-49 449
Received group contributions		-650	0
Cash flow from financing activities		**237 594**	**19 320**
Cash flow for the year		**38 985**	**14 244**
Cash and cash equivalents at the beginning of the year		21 515	7 272
Cash and cash equivalents at the end of the year		**60 500**	**21 515**

Parent Company Notes .

Note 1 Parent Company Accounting Principles

The parent company has prepared its annual report in accordance with the Annual Accounts Act (1995: 1554) and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entity".

The differences between the Group and the Parent Company's accounting principles are shown below. The following accounting policies for the Parent Company have been applied consistently to all periods presented in the parent company's financial statements, unless otherwise stated.

Changed Accounting Principles
The parent company has previously applied the Board of Directors' General Advice BFNAR 2012: 1 Annual Report and Consolidated Financial Statements (K3) and the Annual Accounts Act when preparing the annual report. As of this year as a result of the Group's transition to IFRS, the parent company ÅRL and RFR 2 apply. This primarily means that disclosure requirements have increased and that the parent company must also submit all financial statements.

Subsidiary
Shares in subsidiaries are reported in the Parent Company according to the cost method.

Financial Instruments
Due to the relationship between accounting and taxation, the rules on financial instruments are not applied on the parent company, in accordance with IAS 39 , but the parent company in accordance with the ÅRL acquisition, applies the cost method. In the parent company, financial assets are valued at cost less any write-downs and financial current assets according to the minimum value principle.

Group contributions and shareholder contributions
Group contributions are entered on the income statement as an appropriation. Shareholders' contributions are paid directly to shareholders' equity at the recipient and are capitalized in shares and participations of the donor, insofar as impairment is not required.

Note 2 Significant estimates and assessments

At the time of preparation of the financial statements, the Parent Company has made assumptions of a material nature regarding all subsidiaries' future earnings and ability to generate returns. At the time of preparation of the financial statements, the Parent Company has made assumptions of a material nature regarding all subsidiaries' future earnings and ability to generate returns. Since the parent company solely holds shares in subsidiaries, they are also affected by significant estimates and assessments made in the group companies. For information about the Group's significant estimates and assessments, see the Group's notes.3.

Note 3 Net Sales Distribution

The parent company's net sales consist entirely of invoicing between parent company and Clavister AB regarding management fee, all sales have taken place in Sweden.

Note 4 Other External Expenses

Other external expenses mainly consist of expenses for Board fees of SEK 722 TSEK (602), cost to Certified Advisor with TSEK 264 (264) and costs incurred in connection with listing SEK 857 TSEK (0).

Note 5 Fees to auditors

Fees to the auditor of the Parent Company are reported in full at the subsidiary Clavister AB and are specified in the Note for the Group.

Note 6 Employees and Staff Costs

For salaries and remuneration of employees and senior executives, as well as information on the number of employees, see note 6 for the Group.

Note 7 Financial Income and Expenses

Interest income and similar income items	2016	2015
Interest income	32	1
Total	**32**	**1**

Interest expenses and similar income transactions	2016	2015
Interest expenses	-649	-584
Total	**-649**	**-584**

Note 8 Taxes

Income Statement

Current tax	2016	2015
Tax expense for the year	0	-13
Change in deferred tax assets relating to loss carryforwards	0	0
	0	-13
Deferred tax		
Deferred tax relating to temporary differences	143	127
Deferred tax on loss carryforwards	0	-103
	143	23
Reported tax in the income statement	**143**	**10**

Deferred tax reported in other comprehensive income during the year

	0	0
Recorded tax in other comprehensive income	**0**	**0**

Reconciliation of effective tax rate	2016	2015
Profit before tax	**-668**	**556**
Tax according to the applicable tax rate for the parent company (22%)	147	-122
Tax impact of:		
Non-taxable income	7	-0
Non-deductible costs	-9	-5
Unutilized loss carryforwards for which deferred tax assets have not been reported	-2	0
Non previously audited tax loss carryforwards used to reduce current tax expense	0	138
Recorded tax	**143**	**10**
Effective tax rate (%)	-21,4%	1,8%

The following table specifies the tax effect of the temporary differences:

Deferred tax liability	2016	2015
Convertible debentures	-126	-268
Other	0	0
Recorded values	**-126**	**-268**

Specification of change in deferred tax liability:

	2016	2015
Opening carrying amount	-268	103
Change of temporary differences	143	-395
Additional tax receivables relating to loss carryforwards	0	23
Closing carrying amount Deferred tax liability	**-126**	**-268**

Note 9 Shares in Group companies

	2016-12-31	2015-12-31	2015-01-01
Opening cost	244 945	239 563	184 563
Acquisitions for the year	88 010	5 382	0
Shareholders' contribution for the year	115 000	0	55 000
Closing accumulated cost	**447 955**	**244 945**	**239 563**
Closing carrying amount	**447 955**	**244 945**	**239 563**

Impairment testing has been carried out in Clavister AB. See also Note. 14 (KC)

Company and Org. No.	Location	Share of Capital	Equity 2016-12-31	Profit 2016	Book value 2016-12-31	Book value 2015-12-31
Clavister AB (556546-1877)	Örnsköldsvik	100%	78 430	-64 679	362 455	244 945
PhenixID AB (556987-6310)	Stockholm	100%	29 252	6 218	85 500	-

Note 10 Receivables from Group companies

	Counterpart	2016-12-31	2015-12-31	2015-01-01
Opening cost	Clavister AB	54 302	4 457	0
Additional receivables	Clavister AB	0	49 844	4 457
Current receivables	Clavister AB	-46 048	0	0
Closing accumulated cost		**8 254**	**54 302**	**4 457**
Closing carrying amount		**8 254**	**54 302**	**4 457**

Parent Company Notes

Note 11 Equity

As of 31 December 2016, the share capital consists of 22,747,124 (18,537,958) pcs. Shares with a quota value of 0.10 SEK (0.10 SEK). See also information in the consolidated note 20 Equity.

Shareholders have given unconditional shareholder contributions amounting to SEK 195,000,000 (80,000,000).

Note 12 Deferred tax liability

Deferred tax	2016-12-31	2015-12-31	2015-01-01
Opening recorded amount	-268	103	89
Additional provisions	0	23	14
Deferred tax relating to temporary differences	142	-394	0
Return unused amount	0	0	0
Closing carrying amount	**-126**	**-268**	**103**

Note 13 Long-term liabilities

None of the parent company's long-term liabilities mature later than five years after the balance sheet date.

Note 14 Accrued expenses and prepaid income

	2016-12-31	2015-12-31	2015-01-01
Accrued salaries and holiday salaries	76	61	49
Accrued social security contributions	46	38	33
Accrued board fees	738	307	175
Accrued fee Remium	66	0	36
Other transactions	0	0	7
Carrying amount	**926**	**406**	**300**

Note 15 Pledged assets

	2016-12-31	2015-12-31	2015-01-01
Pledged shares in Group companies	362 455	244 945	0
Mortgaged debt on Group companies	8 254	54 302	0
Liquidity	60 480	21 504	0
Other	0	0	0
Total	**431 189**	**320 751**	**0**

Parent Company Notes .

Note 16 Contingent liabilities

	2016-12-31	2015-12-31	2015-01-01
The sponsorship in favor of Group companies	21 959	18 781	0
Total	**21 959**	**18 781**	**0**

Note 17 Transactions with related parties

Transactions with subsidiaries	**Counterpart**	**2016**	**2015**
Sales of services	Clavister AB	4 200	3 400
Purchase of goods / services		0	0
Submitted group contributions	Clavister AB	-650	0
Change settlement account	Clavister AB	-46 047	49 844
Receivables on balance sheet date	Clavister AB	8 254	54 302

For information on remuneration to senior executives see Group Note 6 Employees and personnel expenses.

Note 18 Proposal for profit distribution

(SEK)	**2016-12-31**	**2015-12-31**
The following profit is available to the AGM:		
Share premium reserve	499 715 011	308 587 992
Accumulated profit or loss	566 057	0
Net profit (loss) for the year	-524 894	566 058
	499 756 174	**309 154 050**
Disposed so that:		
To shareholders are distributed	0	0
New account transferred	499 756 174	309 154 050
	499 756 174	**309 154 050**

Styrelsens underskrifter .

Örnsköldsvik 6th of April, 2017

The consolidated accounts and the annual report have been approved for issue by the Board of Directors on April 6th, 2017. The Board of Directors and CEO hereby certify that the consolidated financial statements and the annual accounts have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, respective generally accepted accounting principles, and give a true and fair view of the consolidated and parent company's statement and results and that the management report for the Group and the Parent Company gives a true and fair view of the development of the Group's and the Parent Company's operations, balance and results, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Björn Norrbom

Peter Dahlander

Ilkka Hiidenheimo

Jan Ramkvist

Niclas Eriksson

Göran Carstedt

Johan Öhman
CEO

Our audit report has been submitted 2017-04-

Ernst & Young AB

Rikard Grundin
Authorized public accountant

Calendar & Contact Information

Quarterly Reports

January – March 2017; May 31, 2017

April – June 2017; August 29, 2017

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