

INTERIM REPORT

OCTOBER - DECEMBER 2017

Fourth Quarter 2017

- Revenues amounted to 34.4 (27.1) MSEK, an organic increase of 27% compared with the same quarter last year.
- Gross profit amounted to 26.6 (20.3) MSEK, an increase of 31%.
- Gross margin amounted to 77 (75) %.
- EBIT amounted to -18.7 (-20.4) MSEK.
- Result after financial items for the period amounted to -21.1 (-21.7) MSEK.
- Cash by the end of the period was 26.5 (75.3) MSEK. In addition, Clavister has treasury shares at a value of 7.9 MSEK at the end of the quarter, which, sums up to a total of 34.4 MSEK.
- Earnings per share amounted to -0.73 (-0.24) SEK.

Important Events from the Fourth Quarter and After

- On the 18th of December Clavister entered into a debt financing agreement amounting to 20 MEURO by the European Investment Bank. Thanks to this Clavister has funding in place for the future investments in innovation and business growth capabilities, in line with the long-term business plan.
- During the quarter Clavister has further strengthened its management team as well as its Board of Directors.
- On the 27th of October Clavister announced its partnership with Enea, by which both parties will strengthen their offering for virtualized security cloud solutions, predominantly towards the communication and service provider segment.
- Annual customer survey was carried out during Q4 and 94% of the respondents stated that they would recommend Clavister and Clavister's security solutions to business.
- On the 11th of January 2018 Clavister's fourteenth mobile telecom operator order with virtualized cloud security was announced, this time for an African operator and following the four won during Q4.
- On the 12th of January Clavister received an order from Danieli, a global industrial consultant operating in the metallurgical sector, initially amounting to 1.7 MSEK. The ambition is to further increase and expand this initial order over the years to come.

	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
Summary in figures (TSEK)				
Operating revenues	34 415	27 063	100 206	78 117
Gross profit	26 607	20 336	77 524	53 467
Gross margin	77%	75%	77%	68%
Operating profit	-18 713	-20 419	-76 945	-72 509
Operating margin	-54%	-75%	-77%	-93%

Comments by John Vestberg, President and CEO

I am proud to announce that Clavister's revenues during our fourth quarter amounted to a record high level of 34.4 MSEK, which represent an organic year-on-year business increase of 27%.

Our strong last quarter in turn resulted in full year revenues that amounted to more than 100 MSEK, an all-time high level for us. Not only is 100 million a symbolic level, it also shows Clavister's ability to replicate and grow its business. Despite major organizational changes during 2017 and the extensive work related to the long-term funding, the Clavister team still managed to execute according to the established strategy and the business plan, which we now can see the positive results of.

The collaboration with our telecom partners continues to develop according to plan. During the quarter, existing mobile operator customers have expanded on their capacity, and entirely new customers have been added to the portfolio. We have a strong offering for the telecom market and expect to see continued growth in line with the disruptive technology shift that has now started.

Not only did our consolidated revenues rise during the fourth quarter, but also our gross margin for the quarter improved, 77% (75%), thanks to a favourable revenue mix with an increased share of modern, virtualized security software, not the least generated from our IAM and communication service provider markets.

In parallel with this, we continue to scale our sales organization in order to realize our continued growth. Examples include the Nordics, where we have tripled the size of our sales team since mid-2017, with the clear aim of gaining a bigger market share in the Nordic region. We follow a similar road-map for our other core market regions – Germany and Japan. We continue to build on our competence, one example being the recruitment of a senior strategy officer to the executive management team with important experience from global technology leaders.

During the fourth quarter we also achieved our target to fund our long-term business plan for growth, thanks to the agreement with EIB, the European Investment Bank, in which we have received debt financing amounting to 20 MEUR. This is in addition to the financing already granted by Tagehus in Q3.

Despite our growing business, what gives me greatest pride is our customers and their satisfaction with our services and support to help them deliver business continuity. During the fourth quarter we carried out our annual customer satisfaction survey and 94% of our customers answered that they would recommend Clavister to their business peers!

Clavister now has all the pieces in place for creating an exciting 2018. I hope you will join us on our journey into the future, in which we will relentlessly continue to further innovate, replicate and scale our business.



John Vestberg, President and CEO

Revenues and Gross Profits in the Fourth Quarter

Revenues amounted to 34.4 (27.1) MSEK, an increase of 27% compared with the fourth quarter of 2016.

Gross profit for the fourth quarter amounted to 26.6 (20.3) MSEK with gross margin growing to 77 (75)%.

In the fourth quarter, revenues from enterprise sales, excluding IAM (Identity and Access Management), increased by 44%. Inclusive of IAM, this corresponds to a growth of 33%.

For the Nordic region, revenues amounted to 15.6 (11.5) MSEK, a growth of 36% year over year.

For EMEA (excluding Nordics), revenues amounted to 8.5 (6.0) MSEK, a growth of 42% year over year.

Americas, no longer representing a tier-1 geographical market for Clavister due to staff reallocation to focus markets, achieved a slight increase in revenues.

Asia achieved a slight decrease, from 6.3 to 5.9 MSEK.

Revenues from Global Key Accounts achieved a similar level 3.9 (3.9) MSEK, Enterprise customers accounted for 2.2 (2.0) MSEK out of the total, while Communication Service Provider-related global accounts amounted to 1.7 (1.9) MSEK.

Four new orders from Communication Service Providers were won during the quarter, including two significant mobile telecom operators for deployment in Europe and Asia, respectively. The remaining two wins were Proof of Concept deployments.

For the full year 2017, the amount of mobile operator customers has grown to a total of eleven (with a total of thirteen orders), now using Clavister's virtualized software built for Communication Service Providers. These orders normally start at low commercial levels, but grow over time, as demand for mobile data capacity and additional features increase.

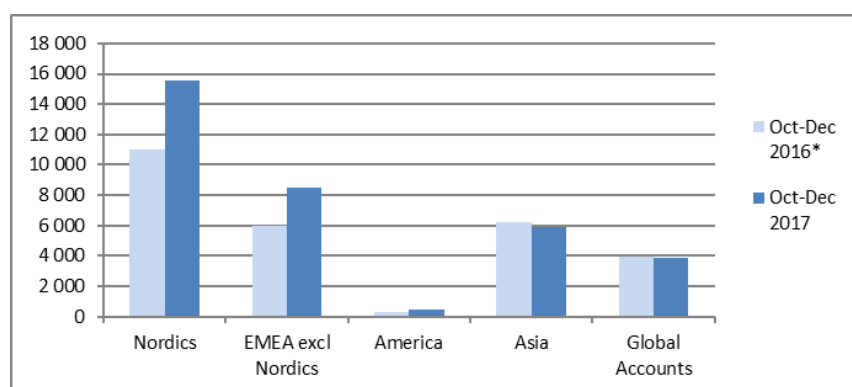


Figure 1. Revenues per Geographical Market

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

Currency exchange rates, mainly USD to SEK, have affected revenues negatively for the Group by -1.2 percentage points for the fourth quarter this year, compared to last year.

Costs in the Fourth Quarter

Total operating expenses amounted to 43.6 (40.8) MSEK, an increase of 7%, driven by variable salaries linked to sales performance and consultancy fees.

Personnel expenses increased by 10% and amounted to 30.8 (28.1) MSEK. The total number of employees in the group has decreased from 160 to 155 by the end of the quarter.

Investments, Capitalization and Amortization of Development Costs

The Group's investments in the form of capitalized expenditures on intangible fixed assets amounted to 6.1 (6.6) MSEK for the fourth quarter 2017. During the quarter, the company capitalized development costs corresponding to 60% of the company's total development costs. Investments in tangible assets consist primarily of computer equipment.

Depreciation of tangible assets amounted to 0.4 (0.2) MSEK during the fourth quarter, and amortization of intangible assets amounted to 7.4 (6.5) MSEK, mainly attributable to amortization of previous capitalizations.

Cash and Cash Equivalents, Financing and Financial Position

Cash flow from operating activities during the fourth quarter amounted to -13.0 (-21.0) MSEK.

Cash flow from investing activities amounted to -6.1 (3.9) MSEK. Description of investment activities is shown in the section on investments, capitalization and amortization above.

Cash flow from financing activities amounted to 14.3 (76.8) MSEK.

Cash and cash equivalents amounted to 26.5 (75.3) MSEK at the end of the period. The acquisition of PhenixID also included 330,000 own shares, which at the end of the quarter amounted to 7.9 MSEK, share price 23.90 SEK per share, reported as equity in the balance sheet.

Clavister signed a loan Financing Agreement of 20 MEUR, which will help the company to develop advanced cybersecurity software and hire new sales and software experts. The agreement was made possible by the European Fund for Strategic Investments (EFSI), the central pillar of the Investment Plan for Europe, launched by the EIB Group and the European Commission to boost the competitiveness of the European economy.

The larger part, 10 MEUR, of the funding provided by EIB is made available in February 2018 as new liquidity for general corporate purposes.

Impairment Testing

According to IAS 36 goodwill and other intangible assets (such as capitalized development costs and deferred tax assets) are sampled annually for devaluation irrespective of whether there are indications that the asset should be devalued or not. Goodwill is an item arising on business combinations if the purchase price exceeds the value of its assets and is seen as a record that will provide repayment through future economic benefits. As such they're difficult to identify in order to properly assess whether devaluation has both internal and external sources of information used. Value in use is that the calculated value of the asset has been calculated on the future cash flows (DCF), based on the strategic plans adopted by the Board for the next five years, as well as on external information such as market interest rate, loan margins, etc.

In the fourth quarter, an impairment test review of the Group's goodwill linked to Clavister APAC resulted in a write-down in the Group by 1.1 MSEK. Other items showed no impairment losses.

Global cybersecurity Market Overview

The cybersecurity market continues to grow substantially as cybercrime evolves and awareness of this grave threat to business continuity reaches the board room. The global cybersecurity market is forecasted to exceed 100 billion USD in 2018, with a steady annual growth during the coming years.

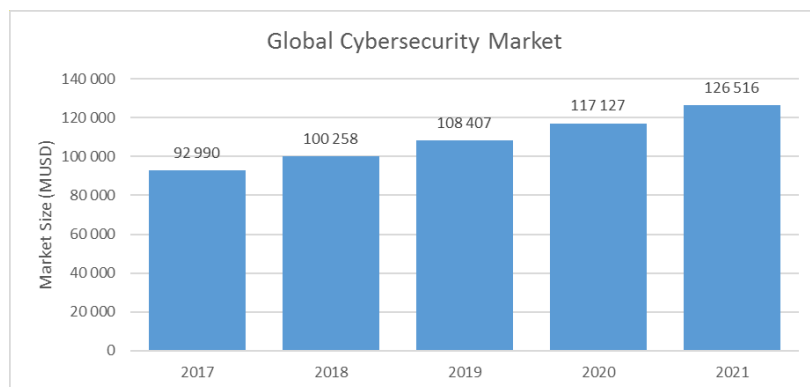


Figure 1. Global cybersecurity market 2017 – 2021. Source: Cybersecurity Ventures

Target Market Segments

Based on the innovative and highly scalable cybersecurity technology platform which Clavister has been developing and investing into over the past years, the company is today addressing mainly two market segments, the Enterprise market and the Communication Service Provider market.



These two market segments represent a total addressable market for Clavister amounting to more than 20 billion USD already by year 2018, growing to over 30 billion USD by 2022.

In addition, Clavister's technology platform is proven to be commercially viable, albeit with early customer engagements, in vertical markets including Defense / Connected Vehicles, the datacenters and the rapidly growing Internet of Things (IoT) market. These opportunities represent substantial additional growth potential for Clavister to exploit alongside its traditional Enterprise and Communication Service Providers markets.

Enterprise Market

The third quarter update from Gartner adjusts the Enterprise security market to be worth 99.3 billion USD for the year 2017, from 98 billion USD reported previous quarter. The outlook for year 2021 is maintained at 132 billion USD.

Clavister's current product portfolio, including Next-Generation Firewalls, Endpoint Security and Identity and Access Management solutions, is able to address about 20% of this market.

The product group Next-Generation Firewalls, being Clavister's largest product area, is estimated to be worth 12.1 billion USD in 2017 and is expected to grow to 14.1 billion USD by the year 2021. The product groups Identity Access Management and Endpoint Security represent an addressable market for Clavister worth 3.6 billion USD and 4.1 billion USD, respectively.

All in all, this presents a total addressable market to Clavister at about 20 billion USD for the current year, see Figure (Source: Gartner; "Forecast: Information Security, Worldwide, 2015-2021, 3Q17 Update").

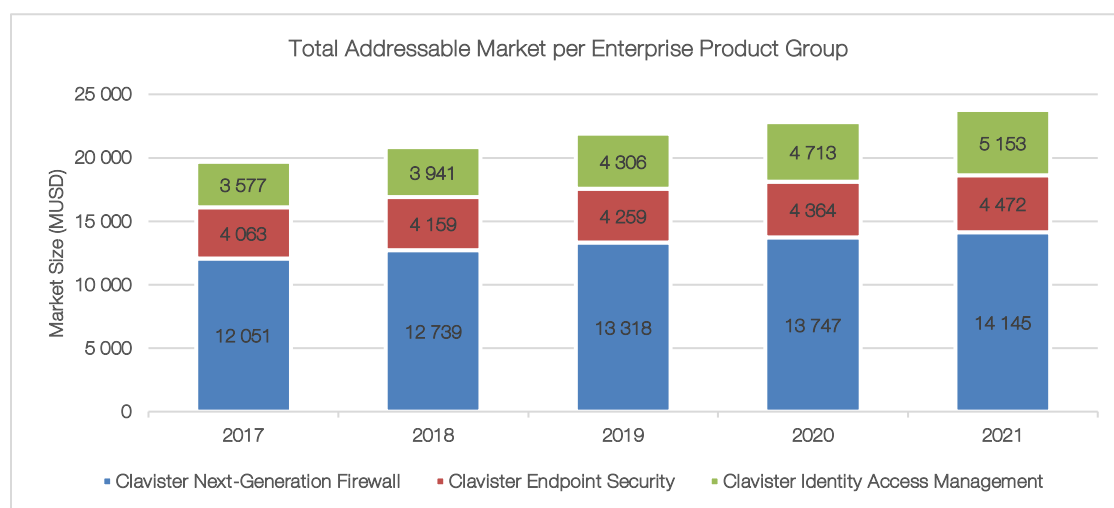


Figure 2. Total addressable market for Clavister's product portfolio in the Enterprise segment 2017 - 2021 (MUSD).

Clavister has a distribution and partner network with a global reach. However, there is a stronger focus on a few selected geographical markets (Clavister's tier-1 markets): Sweden, Germany and Japan. The total addressable market for those geographies aggregated amounts to 2.4 billion USD for 2017 and is expected to grow to circa 3.0 billion USD by 2021, see Figure 3.

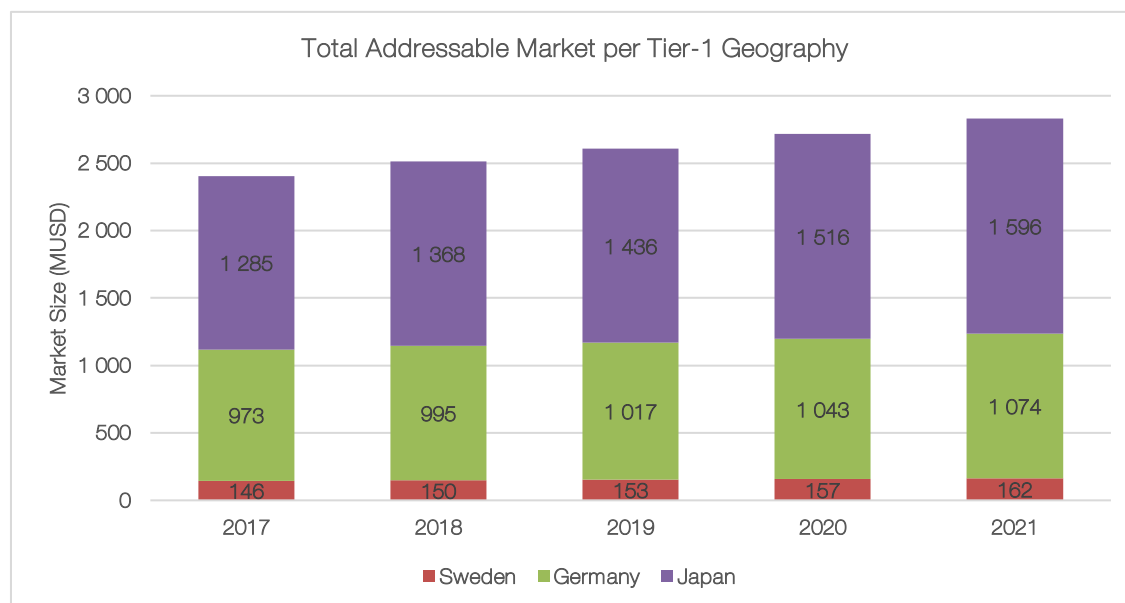


Figure 3. Total addressable market on Clavister's geographical focus markets 2017 - 2021 (MUSD).

The Communication Service Provider Market

The Fourth Industrial Revolution

Digital transformation is emerging as a key driver of a dramatic change in the way we live, work and interact. This sweeping change has been termed the Fourth Industrial Revolution. The telecom industry is playing a critical role in this revolution by providing the fundamental building blocks and technologies required. Cloud services, virtualization, mobile connectivity, autonomous vehicles, IoT (internet of things), social media, data analytics and artificial intelligence are just some examples of technologies that, combined, drive the transformation.

As a consequence, the growth of information is astonishing; according to Cisco's Visual Networking Index (2016), mobile data traffic has grown with a factor of *400 million* in the past 15 years. Forecasted by IDC, more than 44 zettabytes of data (equivalent to 44 trillion gigabytes) will flow annually through global networks in 2020.

Kathrin Buvac, Chief Strategy Officer at Nokia, suggests that "The internet of things and industrial digitization have the potential to have as big an impact on people as the incarnation of the internet itself had, possibly even bigger than that."

Security is Key

Within the context of this massive digital transformation, it is easy to understand that the financial and integrity implications are profound if security and data privacy cannot be ensured.

Rajeev Suri, CEO of Nokia, in his keynote speech at the 2017 edition of the Mobile World Congress in Barcelona went as far as to state that network security is the second most important topic for the telecom industry (after carrier mergers and acquisitions).

The telecom market is clearly at an inflexion point, where the combination of disruptive technology such as virtualization, projected massive data growth and a high awareness of the need for security opens a disruptive

window of opportunity for companies like Clavister. With a unique business model and already contracted partnerships with some of the world's most renowned telecom suppliers, we believe that Clavister has a strong possibility to capitalize on this opportunity.

Business Model

The business model Clavister applies for this particular segment is based on an indirect sales model, in which a system integrator assumes the full responsibility towards the end customer, i.e. the mobile operator. Clavister has currently contracted a number of systems integrators, where Nokia, Ericsson and Mirait are some of the more renowned. Additionally, other global system integrators, originally from the Enterprise space, are starting to gain traction in the telecom segment as well, thereby expanding on Clavister's potential prospect base.

Nokia, one of the market leaders regarding LTE/4G infrastructure, for example, has chosen to license and sell Clavister software under its own brand, Nokia NetGuard Virtual Firewall. The solution has – by leveraging on Nokia's extensive sales organization – the potential reach globally to nearly all mobile operators.

Mirait, being another example, is a significant supplier to some of the largest companies in Japan, including the regional, major mobile operators.

The typical delivery from Clavister to the system vendors consists of security software, related software for administration, required licenses and technical support and upgrades. The software is primarily licensed per peak traffic throughput, which means that Clavister's revenue potential increases as the volume of data increases in the operators' networks. Mobile operators are typically ordering small-capacity licenses initially, and placing subsequent purchase orders as capacity requirements increase. Initial feedback from several operator customers is that they anticipate a capacity increase of 80 - 100% year over year for the first five years of deployment.

Additional technical features are licensed separately and provide an upsell opportunity for Clavister. Those feature licenses follow the same peak traffic throughput model which means that the upsell revenue scales with throughput as well.

Technical support and upgrades are provided at an annual support charge, which is a percentage of the aggregated license cost.

Clavister's Solutions

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

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

- **Roaming Security (GRX Firewall)** – providing security for roaming traffic (data traffic flowing between two mobile operator networks).

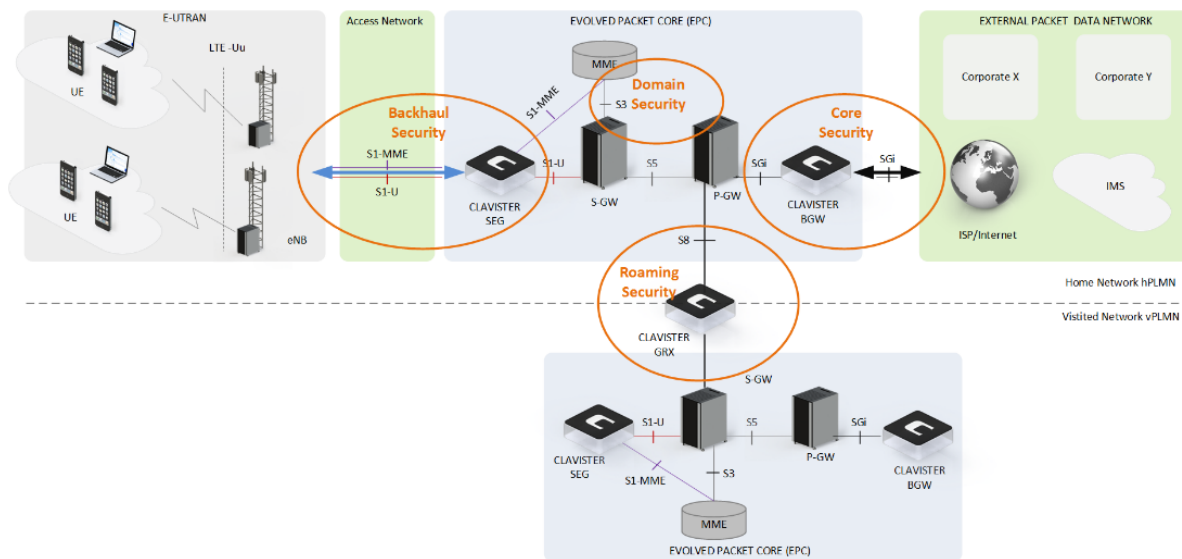
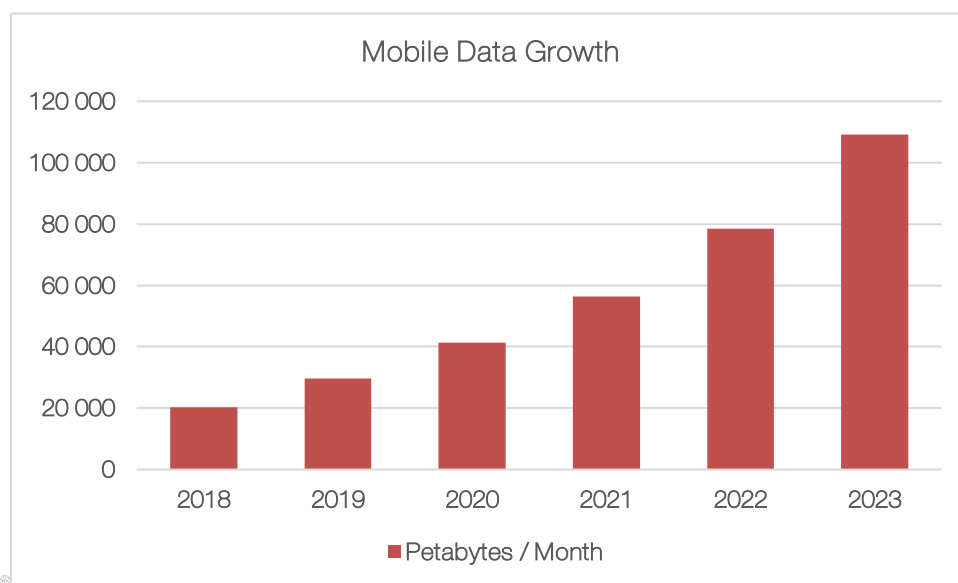


Figure 4. Multiple telecom security solutions based on Clavister's security software.

Total Addressable Market

The three main parameters governing the size of the addressable market for Clavister within the telecom segment are the growth of mobile data traffic, the rate of which virtualized telecom networks are being deployed and the price per peak throughput being accepted by the mobile operators.

According to Ericsson Mobility Report 2017, mobile data is forecasted to over 20 Exabytes (20 billion Gigabytes) per month by 2018, growing to 109 Exabytes (109 billion Gigabytes) per month by 2023.



Mobile data usage is, on average, uniform over the days in the month, and part of the daily traffic is concentrated in the *Busy Hour* (the theoretical hour in which most of the data is being used). Following assumptions set out by CelPlan, one third of the daily mobile traffic is consumed in the Busy Hour. The network capacity required to cope with the data traffic in the Busy Hour is known as *Peak Throughput*. When

dimensioning the network nodes in a mobile network, the Peak Throughput is hence the key governing parameter.

For 2018, the Peak Throughput on a global basis, based on above assumptions, would amount to 515 Tbps (Terabit per Second), growing to 1 855 Tbps by year 2022.

Due to the emerging nature of virtualized telecom networks, the rate of which they are being deployed is still a parameter which is somewhat uncertain. However, SNS Research estimates that, by 2020, nearly 80% of all new EPC (mobile core) investments will be virtualized. Indications from early Clavister customers point towards the same rate.

Again, as this market is emerging, pricing levels are yet to be normalized. Also, price levels from Clavister differ between the solutions, as they include different feature-sets. As an example, for Core Security, Clavister is deploying an average gross price (before discounts) at 4,000 Euros per Gbps (Gigabit per Second). A nominal price erosion is assumed.

The table below illustrates a scenario for the total addressable market for the Core Security solution. The scenario indicates that the addressable market, before discounts to partners, is worth approximately 100 million EUR in 2018, growing to 2.6 billion EUR by 2022.

Total Addressable Market - Virtualized Core Security	2018	2019	2020	2021	2022
Monthly Mobile Data (PB / Month) ¹⁾	19 857	28 679	39 615	53 096	71 566
Peak Throughput (Tbps) ²⁾	515	744	1 027	1 377	1 855
Virtualization Adoption ³⁾	5%	25%	50%	80%	95%
Virtualized Mobile Core Throughput (Tbps)	26	186	514	1 101	1 763
Incremental Virtualized Mobile Core Throughput (Tbps)	26	160	328	588	661
Average Gross Price, Virtualized Core Security, per Gbps (EUR) ⁴⁾	4 000	4 000	4 000	4 000	4 000
Total Addressable Market - Virtualized Core Security (Based on Gross Prices) (MEUR)	103	641	1 311	2 351	2 646

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

Pricing for the Backhaul Security solution is somewhat higher, due to more advanced features included. Following the same assumptions on virtualized adoption rate, the table below illustrates a total addressable market for the Backhaul Security solution, growing from 111 million EUR in 2018 to 2.8 billion EUR by 2022, before discounts to partners.

Total Addressable Market - Virtualized Backhaul Security	2018	2019	2020	2021	2022
Monthly Mobile Data (PB / Month) ¹⁾	19 857	28 679	39 615	53 096	71 566
Peak Throughput (Tbps) ²⁾	515	744	1 027	1 377	1 855
Virtualization Adoption ³⁾	5%	25%	50%	80%	95%
Virtualized Mobile Core Throughput (Tbps)	26	186	514	1 101	1 763
Incremental Virtualized Mobile Core Throughput (Tbps)	26	160	328	588	661
Average Gross Price, Virtualized Backhaul Security, per Gbps (EUR) ⁴⁾	4 300	4 300	4 300	4 300	4 300
Total Addressable Market - Virtualized Backhaul Security (Based on Gross Prices) (MEUR)	111	689	1 409	2 527	2 844

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

The two other solutions currently provided by Clavister, Domain Security and Roaming Security, do not have the same direct correlation to total mobile data. For simplicity, the addressable market for those solutions are estimated to 20% and 10% of Core Security, respectively.

Because of the progressive nature of the telecom market, it is relevant to understand the aggregated market size over some years. *Figure* below provides a high-level understanding of the total addressable market for Clavister's current four security solutions, aggregated over a period of five years.

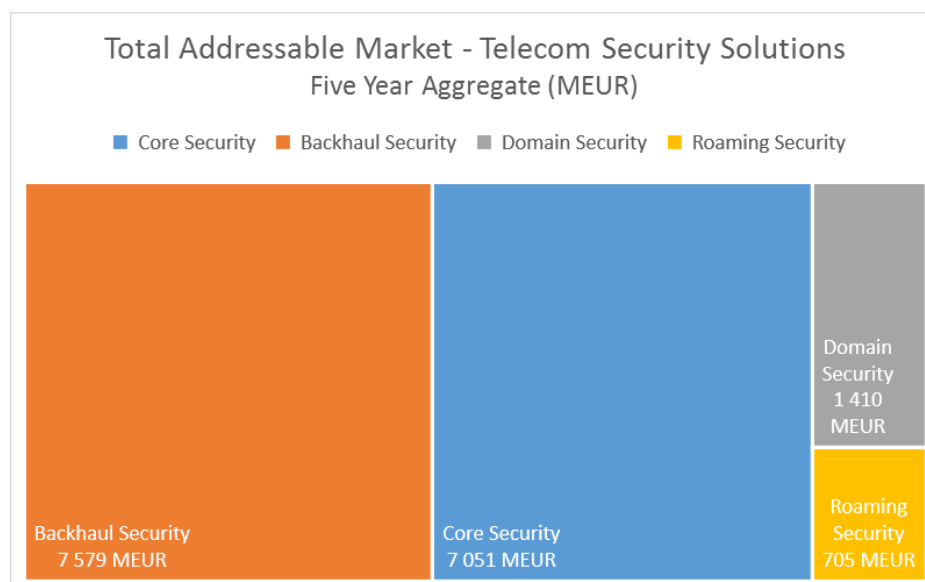


Figure 5. Total Addressable Market for Clavister's telecom security solutions. Five-year aggregate.

About Clavister

Clavister is a Swedish company that develops, produces and sells network security solutions in the area of cybersecurity to customers in the Telecom, Enterprise and IAM (Identification, Authentication & Management) market. The company was founded in 1997 and has its headquarters in Örnsköldsvik. Clavister's solutions are based on proprietary and innovative software with powerful performance. Proprietary software will also provide a good gross margin and hence price competitiveness, especially in business applications, where licensing can be used.

For further information about Clavister visit www.clavister.com.

Personnel and Organization

In the end of the fourth quarter the number of employees in the group amounted to 155 (160). PhenixID added one employee, and Clavister China decreased by six employees. The number of employees corresponds to the number of full-time positions. In addition to permanent staff, Clavister also engages consultants in customer projects and sales corresponding to 11 (9) full-time positions.

Employees are the Group's most important asset, and the strategy is to continue working for a good and stimulating work environment with challenging tasks and development opportunities. This, along with various support programmes for maintaining good health, are crucial factors in continuing to attract, recruit and retain qualified employees. It is Clavister's intention to be recognised as one of Sweden's top employers in the ICT sector.

Parent Company

The parent company Clavister Holding AB has a limited business.

Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting 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”.

New Revenue Recognition Standard IFRS 15

The preparations for the new revenue recognition standard, IFRS 15, are in progress. IFRS 15 will be implemented from January 2018 and the initial analysis indicates a need for changes in the company's transactions systems and revenue recognition. The changes identified will result in delayed revenue recognition of the company's support and maintenance services, which to a greater extent will be deferred over the contract period. The assessment regarding current revenue accounting for sales of hardware and software licenses is they will not be affected.

Disputes and Litigation

There are no litigation cases or legal proceedings on-going at present.

Transactions with Related Parties

No significant transactions between related parties and Clavister have occurred in the group or the parent company during the reporting period.

Risks and Uncertainties

The company refers to the Annual Report 2016 and the website www.clavister.com/investor-relations/financial-documents/ where a more extensive summary is made of the risks and uncertainties in the business that could significantly affect the results and share performance. The Company does not believe that during the reporting period any material changes to the risks and uncertainties have been made, compared with those featured in the annual report. Risks are a natural part of the activities. Clavister works continuously to identify, assess, evaluate and prevent the risks that the business is exposed. To risks occur, they can affect Clavister's sales, earnings and financial position. In brief, operational risks where market or operational risks such as competition, product development and technical difficulties, product liability and guarantees, the risks to employees and key personnel, declining economic conditions, political events, intangible assets that are not patented and legal risks are included. Interest rates, credit and liquidity risks as well as tax risks, are described under the financial risks. Regarding currency risk, the majority of the sales are either in SEK, USD, EUR regulated by agreements with the customer. The currency EUR dominates, followed by SEK. Currency fluctuations both in terms of supplier payments and customer payments can create losses or gains and impact the financial position.

The company in China invoices and reports in the Chinese currency CNY (Yuan). As trade and purchase of products in Clavister China for the most part take place locally and in CNY, the exchange rate impact on earnings is limited, but impacts the profits of the Group.

Hedging occurs by offsetting payments received with disbursements in the same currency. In terms of the overall distribution between different currencies with respect to sales in EUR for around half of group sales, followed by SEK CNY and USD with a third each. The cost is dominated by SEK to around two thirds, and the remainder is distributed between the USD, EUR and CNY.

Financial Information

Clavister intends to distribute financial reports on the dates below.

- | | |
|---|------------------|
| • Annual general meeting (incl. Annual Report 2017) | April 24, 2018 |
| • Interim report January-March 2018 | May 16, 2018 |
| • Interim report April-June 2018 | August 22, 2018 |
| • Interim report July-September 2018 | October 25, 2018 |

Financial reports, press releases, and information are available from the date of publication on Clavister's website www.clavister.com. Material in accordance with the Swedish company Act will be made available at the company and on the company's home page no later than three (3) weeks before the annual general meeting.

The Board of Directors and company management make estimates and assumptions that affect the company's results and financial position. The assumptions are continually evaluated and are based on past experience, and expectations of future events that are expected to be reasonable under prevailing circumstances. Actual results may differ from these estimates. The areas where estimates and assumptions could result in significant risk of adjustments to the carrying values of the results and financial position in future reporting periods are primarily, estimates of sales and market conditions, the useful lives of the Group's intangible assets, impairment test for goodwill and value of our shares, valuation of deferred tax assets and accounts receivable. Any forward-looking statements in this report are based on the Company's best assessment at the time of the report. Clavister makes no forecasts.

The Board of Directors, President and CEO and CFO ensure that the interim report gives a true and fair view of the Group's and the Parent Company's business, position and results and describes significant risks and uncertainties faced by the company and the companies included in the Group.

The Board of Directors propose that the results for 2017 are carried forward.

Viktor Kovács
Chairman of the Board

Bo Askvik
Board member

Sigrun Hjelmquist
Board member

Annika Andersson
Board member

Peter Dahlander
Board member

Göran Carstedt
Board member

Jan Ramkvist
Board member

John Vestberg
President and CEO

This earnings and quarterly report has not been subject to special review by the Company's auditor.

Condensed Consolidated Income Statement and Statement of Total Income for the Group

	Oct - Dec 2017	Oct - Dec 2016	Jan-Dec 2017	Jan-Dec 2016 *
Income statement (TSEK)				
Revenue	34 415	27 063	100 206	78 117
COGS	-7 808	-6 727	-22 682	-24 650
Gross profit	26 607	20 336	77 524	53 467
Gross margin, %	77%	75%	77%	68%
Cap. Dev. Expenses	6 133	6 633	23 604	20 406
Staff costs	-30 786	-28 138	-109 908	-89 751
Other external costs	-12 863	-12 637	-44 930	-41 896
Depreciation and impairment loss	-444	-159	-869	-629
Amortization and impairment loss	-7 360	-6 454	-22 366	-14 106
EBIT	-18 713	-20 419	-76 945	-72 509
Financial items	-2 378	-1 234	-6 731	796
Result after financial items	-21 091	-21 653	-83 676	-71 713
Taxes	4 175	16 578	17 797	16 516
Net profit - loss	-16 916	-5 075	-65 879	-55 197
 <i>Average number of shares (before dilutive effect)</i>	 23 228 717	 21 141 866	 23 154 587	 20 642 541
<i>Average number of shares (after dilutive effect)</i>	27 741 329	22 682 394	27 566 412	22 015 009
<i>Result per share, SEK</i>	-0,73	-0,24	-2,85	-2,67
<i>Result per share (after dilutive effect), SEK</i>	-0,61	-0,22	-2,39	-2,48
 Net profit relating to				
Shareholders of the Parent Company	-16 916	-5 075	-65 879	-55 197
 <i>Total results of the Group:</i>				
Net profit (loss) end of the period	-16 916	-5 075	-65 879	-55 197
Other profit	115	-799	-90	108
Net profit (loss)	-16 801	-5 874	-65 969	-55 089

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

Condensed Consolidated Balance Sheet for the Group

Balance sheet (TSEK)	2017-12-31	2016-12-31 *
Assets		
Intangible assets	108 645	107 410
Tangible assets	1 634	964
Financial assets	83 074	66 377
Inventories	8 056	6 577
Current receivables *	74 938	20 530
Cash and bank balances	26 492	75 311
Total assets	302 839	277 169
Equity and liabilities		
Equity *	210 288	208 378
Provisions	1 791	2 997
Long-term liabilities	56 445	17 270
Current liabilities	34 315	48 524
Total equity and liabilities	302 839	277 169
Pledged assets	147 457	89 363
Contingent liabilities	0	0

* The lenders, EIB and Tagehus, have been given warrants as part of their respective funding agreements. The interest have been accrued over the loan period.

During the current quarter, the interest cost from these loans amounted to 1.3 MSEK, while the equity rose by 53 MSEK.

Condensed Consolidated Cash Flow Statements for the Group

	Oct-Dec 2017	Oct-Dec 2016	Jan - Dec 2017	Jan - Dec 2016 *
Cash flow analysis (TSEK)				
Profit (loss) after financial items	-21 093	-21 652	-83 674	-71 712
Adjustments for non-cash items, etc.	7 805	-3 671	23 237	9 480
Paid taxes	-282	3 752	-1 128	3 167
Cash flow from operating activities before working capital changes	-13 570	-21 571	-61 565	-59 065
Change in W/C	596	560	-5 843	6 691
Cash flow from operating activities	-12 974	-21 011	-67 408	-52 374
Cash flow from investing activities	-6 133	3 932	-23 604	-9 842
Cash flow from financing activities	14 315	76 776	42 193	94 000
Cash flow	-4 792	59 697	-48 819	31 784
Cash, beginning of period	31 284	15 614	75 311	43 527
Cash, end of period	26 492	75 311	26 492	75 311

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

Condensed Consolidated Changes in Equity for the Group

Equity (TSEK)	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016 *
Equity, beginning of period	172 404	150 367	208 378	90 929
Cash issue	0	97 973	4 448	125 078
Non-cash issue	0	48 590	0	65 090
Issue expenses	0	-7 306	0	-7 520
Non-registered issue	272	-58 871	6 147	6 390
Share-based compensation	54 413	0	54 413	0
Holdings of own shares	0	-16 500	0	-16 500
Equity component at convertible loan	0	0	2 870	0
Other total income for the period	115	-799	-90	108
Result for the period	-16 916	-5 076	-65 878	-55 197
Equity, end of period	210 288	208 378	210 288	208 378

Consolidated Key Data and Figures for the Group

Key data and figures	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
Operating revenues (TSEK)	34 415	27 063	100 206	78 117
Gross profit (TSEK)	26 607	20 336	77 524	53 467
Gross margin (%)	77%	75%	77%	68%
Operating profit (TSEK)	-18 713	-20 419	-76 945	-72 509
Net profit (loss) (TSEK)	-16 916	-5 075	-65 879	-55 197
Earnings per share (SEK) before dilution	-0,73	-0,24	-2,85	-2,67
Earnings per share (SEK) after dilution	-0,61	-0,22	-2,39	-2,48
Price per earnings (SEK)	N/A	N/A	-8,40	-17,24
Equity per share	8,92	9,16	8,92	9,16
Number of shares before dilution at the end of the period	23 562 050	22 747 124	23 562 050	22 747 124
Number of shares after dilution at the end of the period	30 845 172	24 287 652	30 845 172	24 139 392
Average number of shares before dilution	23 228 717	21 141 867	23 154 587	20 642 541
Average number of shares after dilution	27 741 329	22 674 489	27 566 412	22 015 009
Number of employees at the end of period	155	160	155	160
Average number of employees	156	160	149	142
Number of employees and external resources at end of period	163	170	163	170
Equity/assets ratio (%)	69%	75%	69%	75%
Quick ratio (%)	296%	198%	296%	198%
Net debt (-), Net cash (+) (TSEK)	-77 601	46 828	-77 601	46 828

Segment Reporting

A business segment is a part of the Group which operates independently and can generate revenue and incur costs and for which there is separate and individual financial information available. Clavister develops products for the business segment 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.

The capitalized development costs have been used as a reference when allocating operating assets and operating liabilities. For 2016, the balanced development costs are divided by 64% for enterprise and 36% respectively for the telecom segment. By 2017, they are divided by 62% for enterprise and 38% for telecom.

For more information and description about the operating segments, see Annual report 2016,

<http://www.clavister.com/>.

Segment reporting (TSEK)	Enterprise		Communication Service Provider		Group-wide/ elimination		Total Group	
	Oct - Dec 2017	Oct - Dec 2016	Oct - Dec 2017	Oct - Dec 2016	Oct - Dec 2017	Oct - Dec 2016	Oct - Dec 2017	Oct - Dec 2016
Revenue								
External revenue	32 551	24 548	1 714	1 894	0	0	34 266	26 442
Internal revenue	0	0	0	0	0	0	0	0
Other income	149	621	0	0	0	0	149	621
Total revenue	32 700	25 169	1 714	1 894	0	0	34 415	27 063
Operating profit (loss)	-11 602	-13 068	-7 111	-7 350	0	0	-18 713	-20 418
Financial items	-1 474	-790	-904	-445	0	0	-2 378	-1 235
Tax on profit of the year	2 589	10 610	1 587	5 968	0	0	4 175	16 578
Net profit (loss)	-10 488	-3 248	-6 428	-1 827	0	0	-16 916	-5 075
Other information								
Operational assets	187 760	177 388	115 079	99 781	0	0	302 839	277 169
Operational liabilities	21 275	31 055	13 040	17 469	0	0	34 315	48 524
Investments	1 621	3 275	4 512	3 358	0	0	6 133	6 633
Depreciation and Amortizations	4 512	6 613	3 292	0	0	0	7 804	6 613
Goodwill	52 569	53 669	0	0	0	0	52 569	53 669

Shareholders and Shares

Clavister Holding shares are listed on Nasdaq First North. There is only one type of share. Each share represents one vote at the General Meeting. The number of shareholders were 6,025 shareholders at 2017-12-31. The number of registered shares 2017-12-31 were 23,562,050 according to the Swedish Companies Registration Office (Bolagsverket). The company's share capital amounts to 2,356,205 SEK.

	Number of shares 2017-12-31	% of total number
The 10 largest shareholders		
Försäkringsaktiebolaget, Avanza Pension	3 008 176	12,8%
Danica Pension	1 412 953	6,0%
Ålandsbanken ABP, Bank of Åland Ltd	1 292 217	5,5%
Fondita Nordic Micro Cap SR	1 010 000	4,3%
Nordnet Pensionsförsäkring AB	948 097	4,0%
RGG Adm-Gruppen AB	880 000	3,7%
JP Morgan Securities LLC	742 066	3,1%
Norrlandsfonden	666 666	2,8%
Fondita 2000+	543 000	2,3%
AMF Aktiefond Småbolag	531 060	2,3%
Other Shareholders	12 527 815	53,2%
Total shares registered under the Companies Registration Office	23 562 050	100,0%
Events		
Opening number of shares	22 895 384	2017-10-01
New share issues due to convertible loan prg 2017-09-30	666 666	2017-10-06
Closing number of shares	23 562 050	2017-12-31
Any future share issues during 2016-2026 due to warrants	19 801	
Any future share issues during 2019 due to warrants	530 800	
Any future share issues during 2022 due to convertibles	204 834	
Any future share issues during 2020 due to warrants	70 000	
Any future share issues during 2020 due to warrants	75 000	
Any future share issues during 2020 due to warrants	2 500 000	
Any future share issues during 2020 due to warrants	562 608	
Any future share issues during 2020 due to warrants	1 250 000	
Any future share issues during 2037 due to warrants	1 770 079	
Any future share issues during 2020 due to warrants	300 000	
Number of shares after full dilution	30 845 172	

Share Related Incentive Program and Convertible Loan

Warrants

There are four current incentive programs addressed to key employees of the Company. Pricing is based on the Black-Scholes option pricing model. Payment of the warrant options has been made in accordance with the extrapolated price according to the Black & Scholes model therefore it has not affected the accounts with any charge.

There are additional four program for warrants linked to loan financing equivalent to 4,312,608 warrants maturing 2020, 19,801 warrants maturing 2026 and 1,770,079 warrants maturing 2037.

Holders of warrants will be entitled to subscribe for one new share in the company for each warrant. The number of warrants issued amounted to a total of 7,078,288 warrants. For further info, see [Clavister.com/Investor Relations](http://Clavister.com/Investor%20Relations).

Reasons for the Warrants Program

Clavister considers it a positive undertaking to offer warrant programs to create greater commitment, loyalty and greater interest among warrant holders, which also favors the development of the company.

Warrants	Number issued	Redeemed/ Due	Open	Share Price, SEK
TO 2016-2026	19 801	0	19 801	0,1
TO 2015 - 2017-12-31	175 000	-175 000	0	30
TO 2016 - 2019-06-30	530 800	0	530 800	72
TO 2017 - 2020-02-28	70 000	0	70 000	72
TO 2017 - 2020-02-28	75 000	0	75 000	79
TO 2017 - 2020 (Serie 1)	2 500 000	0	2 500 000	20
TO 2017 - 2020 (Serie 1)	562 608	0	562 608	20
TO 2017 - 2020 (Serie 2)	1 250 000	0	1 250 000	0,1
TO 2017 - 2037 (Serie 3)	1 770 079	0	1 770 079	0,1
TO 2017 - 2020-06-30	300 000	0	300 000	30
	7 253 288	-175 000	7 078 288	

Convertible Debenture (loan)

Clavister and Norrlandsfonden entered into a partnership in which Clavister in 2012 received a convertible debenture of 10 MSEK, due in September 2017. Upon conversion, 666,666 shares in Clavister Holding AB will be added, the conversion price amounts to 15 SEK. During the fourth quarter Norrlandsfonden converted the convertible loan into shares.

Clavister extended the cooperation with Norrlandsfonden and has entered into an agreement for a new convertible debenture of 10 MSEK. In case of conversion, approximately 204,834 shares in Clavister Holding AB will be added and the conversion price amounts to 48.82 SEK. The maturity of the convertible is 5 years. The interest rate is based on STIBOR 90. If there is still a negative interest rate, no interest payment will be paid to the Norrlandsfonden.

Convertible loan	Number issued	Redeemed	Open	Share Price, SEK
Norrlandsfonden 2017-09-30	666 666	666 666	0	15
Norrlandsfonden 2022-05-31	204 834	0	204 834	48,82
	871 500	666 666	204 834	

Decisions of the Extraordinary General Meeting 2017-01-17

The decision was taken to issue a maximum of 100,000 warrants. The right to subscribe to the warrants will be extended to ten employees of PhenixID. The warrants will be issued free of charge and entitle a subscription to new shares at a price of 79 SEK. The company's remuneration cost-free warrant is 815 TSEK. It was also decided to issue a maximum of 120,000 warrants. The right to subscribe to these warrants will be extended to Clavister AB free of charge, with intention of transfer to employees of Clavister AB and PhenixID AB at a purchase price per warrant based on the warrants' market value and allow subscription in new shares at a price of 72 SEK.

At the extraordinary general meeting of 2017-01-17, the AGM resolved to authorize a convertible bond issue, deviating from shareholders' preferential rights.

Decisions of the Annual Yearly Meeting 2017-04-27

The decision was taken to issue a maximum of 300,000 warrants corresponding to a dilution of no more than 1.3% of the share capital and votes in the company after full dilution. The right to subscribe for the options shall be free of charge to the subsidiary Clavister AB for transfer to senior executives in Clavister AB and the subsidiary PhenixID AB at a cash price per option based on the option's market value. In support of the valuation, the company will seek advice from an independent actor.

Decisions of the Extraordinary General Meeting 2017-12-11

The Extraordinary General Meeting resolved, in accordance with the board's proposal, to authorize the board of directors to, at one or more occasions until the next Annual General Meeting, without regard to shareholders' pre-emption rights, issue warrants in three different series.

- Series 1 – no more than 3,062,608 warrants No. 1 2017/2020
- Series 2 – no more than 1,250,000 warrants No. 2 2017/2020
- Series 3 – no more than 1,800,000 warrants No 3 2017/2037

For more information, see <http://www.clavister.com/investor-relations>

Condensed Parent Company Income Statement

	Okt - Dec 2017	Okt - Dec 2016	Jan - Dec 2017	Jan - Dec 2016 *
Income statement (TSEK)				
Net sales	1 500	-300	6 000	4 200
Staff costs	-426	-344	-3 537	-1 239
Other external costs	-2 301	-893	-4 870	-2 362
EBIT	-1 227	-1 537	-2 407	599
Financial items	-2 104	-162	-2 677	-617
Result after financial items	-3 331	-1 699	-5 084	-18
Group contribution paid	0	-650	0	-650
Taxes	-520	143	-520	143
Net result	-3 851	-2 206	-5 604	-525

Condensed Parent Company Balance Sheet

Balance sheet (TSEK)	2017-12-31	2016-12-31 *
Assets		
Financial assets	597 431	456 210
Current receivables	13 172	392
Cash and bank balances	11 471	60 500
Total assets	622 073	517 102
Equity and liabilities		
Equity	564 304	502 031
Long-term liabilities	55 159	9 554
Current liabilities	2 611	5 517
Total equity and liabilities	622 073	517 102
Pledged assets	146 957	431 189
Contingent liabilities	0	21 959

Condensed Parent Company Changes in Equity

	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016*
Equity (TSEK)				
Equity, beginning of period	513 471	359 853	502 031	311 008
Cash issue	0	82 941	4 448	110 047
Non-cash issue	0	64 000	0	83 010
Issue expenses	0	-7 305	0	-7 520
Non-registered issue	272	4 749	6 147	6 010
Share-based compensation	54 413	0	54 413	0
Equity component at convertible loan	0	0	2 870	0
Result for the period	-3 851	-2 207	-5 604	-525
Equity, end of period	564 305	502 031	564 305	502 031

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

Definitions

Operation revenues	Net sales plus other income
Gross profit	Operating revenues minus cost of goods sold
Gross margin	Gross profit in relation to operating revenues.
Operating profit	Operating revenues minus operating costs
Net profit/loss	Operating profit minus, financial items and taxes.
Earnings per share (SEK) before dilution	Profit for the period divided by the average number of shares outstanding during the period, before dilution from options
Earnings per share (SEK) after dilution	Profit for the period divided by the average number of shares outstanding during the period, after dilution from options
Price-Earnings Ratio	Market value per Share divided by the earnings per Share, full year
Equity per share	Shareholders' equity divided by the number of shares outstanding at the end of the period.
Number of shares before dilution at the end of the period	Number of shares outstanding before dilution from options, at the end of the period
Number of shares after dilution at the end of the period	Number of shares outstanding after dilution from options, at the end of the period
Average number of shares before dilution	Average number of shares during the period, before dilution from options
Average number of shares after dilution	Average number of shares during the period, after dilution from options.
Number of employees at the end of period	The number of employees at the end of the period, defined as full-time equivalents
Average number of employees	The average number of employees during the period, defined as full-time equivalents
Number of employees and external resources at end of period	The number of employees and external resources such as dedicated persons with contracted suppliers and subcontractors at the end of the period, defined as full-time equivalents
Equity/assets ratio (Solidity)	Equity at the end of period as a percentage of total assets at the end of the period
Quick ratio	Current assets in relation to current liabilities
Net debt, Net cash	Cash equivalents minus interest-bearing short-term and long-term liabilities.

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Clavister Holding AB

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