



# | Q2

**Interim report  
April – June 2017**

**Clavister Holding AB**

**CLAVISTER®**  
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## INTERIM REPORT

### APRIL-JUNE 2017

#### Second quarter 2017

- Revenues amounted to 21,4 (17,4) MSEK, an increase of 23% compared to second quarter in 2016
- Gross profit amounted to 17,0 (10,9) MSEK, an increase of 56%
- Gross margin amounted to 80 (63) %
- Net profit for the period amounted to -19,2 (-22,9) MSEK
- Cash by the end of the period was 29,6 (17,6) MSEK. In addition, own shares are added at a value of 8,2 MSEK at the end of the quarter, which together with cash and cash equivalents yields a total of 37,8 MSEK.
- Earnings per share amounted to -0,84 (-1,19) SEK

#### Important events from the second quarter and after

- Clavister's commercialization process with Nokia is progressing as per plan. The Nokia-branded offering reached an important milestone whereby their global organization is now enabled to promote the solution to their global customer base.
- Out of the approx. twenty tenders reported in Q3 2016, seven have been converted to orders, which means a deal win/loss ratio of minimum 35% at time of this report.
- Four telecom orders have been received since end of Q1 2017, three in Q2 2017 and one in July, versus two in Q1 2017. Five out of the six telecom orders received during the year are for virtual security.
- An order for virtualized security has been received from a market-leading global datacenter provider. This is a key milestone as it demonstrates the viability for the solution in the highly growing datacenter segment and not only the telecom market.
- Clavister has been commissioned by Nokia to implement support for integration into Nuage Network's SDN/NFV orchestration product. The integration has been certified, and allows for seamless management of the solution within a full-scale telecom cloud network.
- The Commercial relationship with Canon IT Solutions remains strong and projected sales development for the Japanese market remains intact. An order totaling to 1,6 MSEK was received in June. Additional orders are expected during second half of 2017.
- Clavister has appointed global contract manufacturer Sanmina to produce security appliances in Sweden.
- Clavister's Board of Directors have appointed John Vestberg as CEO. Mr Björn Norrbom, elected Chairman of the Board at the Annual General Meeting, has—for personal reasons—chosen to request a termination from its role as Board member and Chairman of the Board of Clavister. The Board has chosen Viktor Kovács as Chairman of the Board until the next Annual General Meeting.
- Clavister has received preliminary term-sheets from a number of financiers, each indicatively providing access to long-term growth capital, including debt.

	Apr - June 2017	Apr - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016
<b>Summary in figures (TSEK)</b>					
Operating revenues	21 352	17 413	41 931	35 365	78 117
Gross profit	17 015	10 884	33 590	23 567	53 467
<i>Gross margin</i>	80%	63%	80%	67%	68%
Operating profit	-23 586	-21 620	-41 865	-37 363	-72 509
<i>Operating margin</i>	-110%	-124%	-100%	-106%	-93%

## Comments by John Vestberg , President and CEO

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While it may be summer, that doesn't mean that cybersecurity rests; far from it. In June the new "NotPetya" ransomware grabbed global headlines by attacking thousands of systems, encrypting data and then using ransomware techniques of Bitcoin payment to retrieve the files of the unlucky victims. Yet we now know there was no intention of returning data even if the ransom was paid: this was a pure wiper exploit, meant to sow havoc which it surely did. I'm happy to report, however, that our customers were unaffected as our new suite of next-generation firewall defenses—end point security, IP reputation and recent software updates—protected them. We're proud that our innovations and solutions are safeguarding our most important company asset: our customers.

Moving onto business, this quarter has seen positive developments in both our telecom and enterprise businesses. Two additional major mobile operators, on top of the key operator accounts we brought with us from the first quarter, have chosen Clavister's virtual security gateway solution, one in Asia and the other in Latin America.

These orders reflect the focus, determination and innovation that allows Clavister to effectively enter the Telecommunications service provider market, where mobile operators invest in infrastructure components which are mission critical for many millions of subscribers, every day of the year and every second of the day. Just the fact that already a handful of the world's most renowned mobile operators have taken the step to invest in Clavister's technology, makes me very confident of our future.

On the enterprise side of the business, we continue to focus on our tier-1 geographical markets of Europe and Asia/PAC. We are planning new important product releases over the next months, which are already gaining interest from our larger customers. Those new products will complement and strengthen our innovation portfolio and take us even closer to achieving our goal of becoming a significant player in the global cybersecurity space. We see a clear trend of a larger sales funnel and we are confident that—with the right investments in sales and marketing—we'll improve our market position in those markets. In Japan, we're strengthening our relationship with Canon IT Solutions who express confidence and optimism on our partnership and business going forward.

On an operational and management level, we have clear business objectives set-out and are fundamentally focused on a positive customer experience, substantial growth in market share, and clarity in our communication to the market. We will further invest in our sales force and have made significant changes to the management team during the past few months, continuing our drive for operational excellence. This is an important step to capitalize on our go-to-market strategy and achieve the revenues our products are capable of.

My primary responsibility as CEO is to continue our agenda of innovation and value creation, while supporting my executive team in maintaining our growth trajectory and increased market share. As the co-founder of the company and a major shareholder myself, I fully intend to achieve the company's considerable potential with the urgency it deserves.

To fuel the business plan going forward, we have received funding term sheets from a number of financiers, who have indicative terms offering long-term growth capital, including debt facilities. These financiers include one of the world's larger lending financial institutions with significant resources and experience in funding fast-growing technology companies including in Europe.

With this, I sincerely hope that our shareholders, customers and employees are confidently looking forward to a continued interesting journey!

John Vestberg  
President and CEO

## Business update

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### Telecom Segment

The commercialization process with Nokia has progressed well and according to, if not beyond, our initial expectations. The Nokia-branded offering, Nokia NetGuard Virtual Firewall, based on Clavister's technology, has reached an important milestone whereby their sales, delivery and support organizations are now actively enabled to promote and carry the solution to their global customer base. As a result, we see an expanded sales funnel and a global prospect footprint.

Out of the approximately twenty tenders reported in the third quarter of 2016, seven have been converted to commercial orders to Clavister within nine months. A few of the remaining tenders have been lost, while most are still open, which means that we have a deal win/loss ratio of minimum 35% at the time of this report.

Clavister has since the end of Q1 2017 received four telecom orders, three in Q2 2017 and one in July, versus two in Q1 2017. Five out of the six telecom orders received during the year are for virtual security. Although these orders are small initially, the long-term potential due to the increasing capacity and functionality demands is becoming significant and in-line with previous assumptions and guidance. As an important reference point, the latest edition of the Ericsson Mobility Report 2017 confirms a dramatic growth of mobile data usage. In 2016 there were 7.7 billion mobile subscriptions worldwide; the report predicts by 2022 there will be 9 billion subscriptions. For Clavister, having a business model where revenue scales with capacity demand, the most important take-away from this report is the expectations on mobile data, growing almost ten times from 8.8 EB (Exabytes) in 2016 to 71 EB in 2022.

Additionally, an order for the virtualized security offering has been received from a market-leading global datacenter provider. This order is another key milestone for Clavister, as it demonstrates the viability for our virtualized solution also in the highly growing datacenter segment. The ordered solution will be used as part of the datacenter provider's offering of network capacity to MVNOs (Mobile Virtual Network Operators).

Clavister has also been commissioned by Nokia to implement support for integration of the Clavister solution into the Nuage Network's market-leading SDN/NFV orchestration product. The integration is now certified, and allows for seamless provisioning, management and control of the Clavister solution within a full-scale telecom cloud network. Previously, Clavister had completed integration with Nokia's CloudBand, another significant NFV orchestrator product.

To expand and replicate the virtualized security sales further to a global customer base, the former global account manager at Clavister, Erik Engström, has been appointed Vice President of Global Service Provider Sales. In this role, Engström will head and drive Clavister sales and marketing efforts towards the global TEMs (Telecom Equipment Manufacturers) such as Nokia and Ericsson as well as global service providers and global system integrator accounts.

### Enterprise Segment

Clavister continues to drive focus of the sales and marketing efforts in the enterprise segment to selected geographical markets.

In Japan, the sales of Clavister products through Canon IT Solutions, one of the largest and most influential system integrators in the Japanese market, is starting to grow again after a period of technical challenges related to regional adaptations of a mail security component. Those challenges have been addressed.

The commercial relationship with Canon IT Solutions remains strong and the projected sales development for the Japanese market remains intact. Clavister anticipates an acceleration in sales to increase its market share in Japan together with Canon IT Solutions. An order totaling 1,6 MSEK was received in June, and additional orders are expected throughout the second half of 2017. On top of that, dialogue continues about expanding with additional products, additional verticals outside SMB and additional geographical markets outside Japan.



NTT-BP has started the deployment of Clavister products for their Wi-Fi network. The first installations are now up and running in several locations in Japan.

To further catalyze the growth of Clavister's enterprise sales, Andreas Åsander has been appointed to head the sales operations as Vice President for Enterprise Sales. Åsander has over 15 years of experience in various roles related to sales and marketing of enterprise cybersecurity products. He has an extensive knowledge about the market and the Clavister product portfolio, and is tasked to rapidly start building up a sales operation that can drive Clavister's growth in the enterprise market.

Starting June 2017, selected models of Clavister's appliance hardware is now being produced in the Sanmina plant in Örnköldsvik, Sweden. This production collaboration creates a total end-to-end Swedish product line, from innovation through software design, implementation and testing, to final production and assembly.

Sanmina is a global contract manufacturer with 45,000 employees in 25 countries, well suited to deliver world-class technology production to clients with a particular competency in communications networks. Their Swedish high-quality and high-technology production plant is located close to Clavister's headquarters in Örnköldsvik, allowing for a highly agile approach to product design, prototyping and rapid production with tight collaboration between the two companies' engineering and supply chain teams.

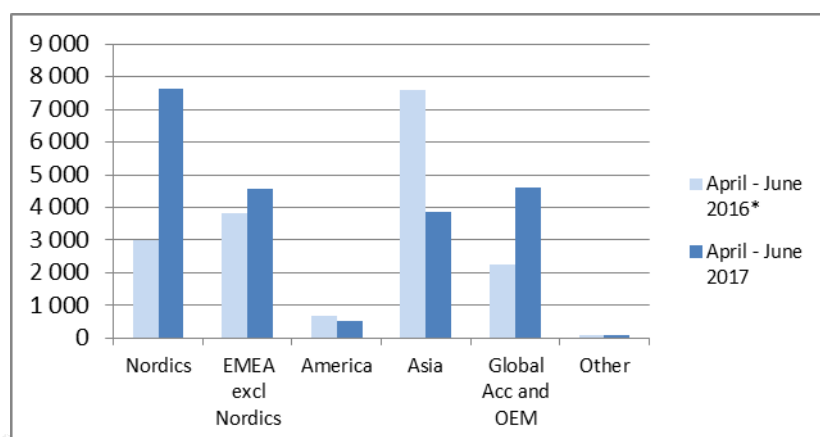
In addition to the benefit of being able to deliver true end-to-end Swedish products, Clavister also expects to see quality improvements with lower aftersales service costs as a consequence, as well as improved gross margins due to a more sophisticated, stream-lined and automated production process.

### Revenues in the second quarter

Revenues amounted to 21,4 (17,4) MSEK, an increase of 23% compared to the second quarter of 2016. Gross profit for the second quarter amounted to 17,0 (10,9) MSEK and gross margin to 80 (63)%.

In the second quarter, revenues in the Nordic region increased by 156% to 7,6 (3,0) MSEK, with IAM (Identity and Access Management) contributing to growth. For Global Accounts and OEM, revenues increased by 106%, from 2,2 to 4,6 MSEK, and for EMEA (excl Nordic) increased by 19%, 4,6 (3,8) MSEK. Asia decreased and reached a level of 3,8 (7,9) in the second quarter. Comparison data with major orders of 5,8 MSEK from Japan in Q2 (2016) explains deviation year-over-year.

The Group's total revenues consist of 36% sales in the Nordic countries and 22% sales to Global accounts and OEMs.



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

Compared to the second quarter of this year with the previous year, the currency has affected revenues positively for the Group by 3,7 percentage points as well as for the subsidiary Clavister Technology (ASIA) Ltd, which had a positive effect on revenue by 1,0 percentage point.

### Costs and profitability in the second quarter

Total operating expenses amounted to 40,5 (33,5) MSEK, an increase of 21%. The Group's investment in the form of capitalized expenditures is expected to continue to increase despite the fact that the recruitment rate of software developers has slowed down. The introduction phase is extensive because full productivity can't be achieved until after a time of employment. Personnel expenses increased by 31% and amounted to 29,0 (22,1) MSEK. The number of employees has increased from 147 to 161, an increase of 10%. The increase is attributable to both the company acquisition of PhenixID's 14 employees and new recruitment in Clavister AB.

Going forward, growth in number of employees will be more favorable when we compare growth year-over-year, as the number of employees has been quite stable since the second quarter 2016. On a proforma basis the acquisition of PhenixID added 14 employees of the third quarter of 2016.

### Investments, capitalization and amortization of development costs

The Group's investments in the form of capitalized expenditures on intangible fixed assets amounted to 6,2 (5,0) MSEK for the period April to June 2017. During the quarter, the company capitalized development costs corresponding to 60% of the company's total development costs.

The Company continues to capitalize time spent and therefore to invest in software development. This is done both by the existing staff and the extensive recruitment of developers that the company made in 2015, 2016 and during the first quarter of 2017. Investments in property, plant and equipment consist primarily of servers and other computer equipment in order to meet new technical requirements and ensure capacity and performance. During the half year there were ongoing purchases that were expensed directly. Depreciation of property, plant and equipment amounted to 0,1 (0,1) MSEK during the second quarter, and amortization of intangible assets amounted to 6,1 (3,9) MSEK, mainly attributable to amortization of previous capitalizations.

### Cash and cash equivalents, financing and financial position

Cash flow from operating activities during the second quarter amounted to -22,9 (-18,2) MSEK. Cash flow from investing activities amounted to -6,2 (-5,0) MSEK. Description of investment activities is shown in the section on investments, capitalization and amortization above. Cash and cash equivalents amounted to 29,6 (17,6) MSEK at the end of the period.

The company has secured several important agreements including Nokia Networks as well as Canon IT Solutions, which provide for increased sales and thus a reduced consumption rate of liquid funds. Increasing demand and increasing customer interest in cyber security and Clavister's offer is also expected to continue to require investments, including further development resources. Establishment in new markets, such as in Africa and in Japan, requires similarly sales efforts and investments.

The acquisition of PhenixID also included 330,000 own shares, which at the end of the quarter amounted to 8,2 MSEK, reported as equity in the balance sheet.

Clavister has received preliminary term-sheets from a number of financiers, each indicatively providing access to long-term growth capital, including debt.

### 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 conjunction with the 2016 annual report, a review of the Group's goodwill was tested for the acquisition of PhenixID and Clavister APAC. This impairment test resulted in impairment of goodwill linked to Clavister APAC,

whereby a write-down in the Group was made by 2,6 MSEK. Other items showed no impairment loss. No major changes have occurred during the first quarter of 2017, with the need for impairment being unchanged.

### Agreements and Events after the end of the period

2017-07-03 Clavister has announced that selected models of its appliance hardware is now being produced in the Sanmina plant in Örnköldsvik, creating a total end-to-end Swedish product line, from innovation through software design, implementation and testing, to final production and assembly.

2017-07-11 Clavister has received a commercial order from a major mobile operator for a single country in Asia, a solution which is deployed in one of the most traffic-intense locations in the mobile network. The initial order is worth approximately 2 MSEK. According to previously communicated telecom business update and following Clavister's business model based on capacity, the total deal value is estimated to 20 to 40 MSEK over a five-year period for that single country and solution.

2017-08-04 An order for virtualized security has been received from a market-leading global datacenter provider. A key milestone as it demonstrates the viability for the solution also in the highly growing datacenter segment.

2017-08-14 Mr Björn Norrbom, elected Chairman of the Board at the Annual General Meeting, has—for personal reasons—chosen to request a termination from its role as Board member and Chairman of the Board of Clavister. The Board has chosen Viktor Kovács as Chairman of the Board until the next Annual General Meeting.

### Market

The cybersecurity market shows no signs of slowing down. On the contrary, recent ransomware attacks have fueled investments into cybersecurity solutions. Cybersecurity Ventures maintain that the global cybersecurity market is forecasted to more than 120 BUSD for year 2017, with an annual growth of between 12 to 15%. It is estimated that cybercrime will cost businesses globally more than 6 TUSD annually by 2021.

One of the upcoming challenges of estimating the addressable market for Clavister diligently, is the fact that cybersecurity technology is to a much higher degree becoming an integrated part of vendors' solutions and not as separate, bolted-on products which can more easily be accounted for and forecasted. Hence, the addressable market for Clavister is in reality larger than the figures provided below. But to be consistent with previous reports, we adhere to data from officially published market reports.

### Enterprise Segment

Limited to the Enterprise segment, the expectation is that the market will be worth 95 BUSD for the year 2017, and will grow to 125 BUSD by the year 2021. With the current product portfolio, Clavister is able to address about 20% of this market. The product group Next-Generation Firewalls, being Clavister's core product area, is expected to be worth close to 12 BUSD by the year 2017, representing an increase of about 1 BUSD compared to previous year. The product groups Identity Access Management and Endpoint Security represent an addressable market for Clavister worth 3.5 BUSD and 3.8 BUSD, respectively. All in all, this presents a total addressable market to Clavister at about 19 BUSD for the current year, see figure 1 (Source: Gartner; "Forecast: Information Security, Worldwide, 2015-2021, 1Q17 Update").

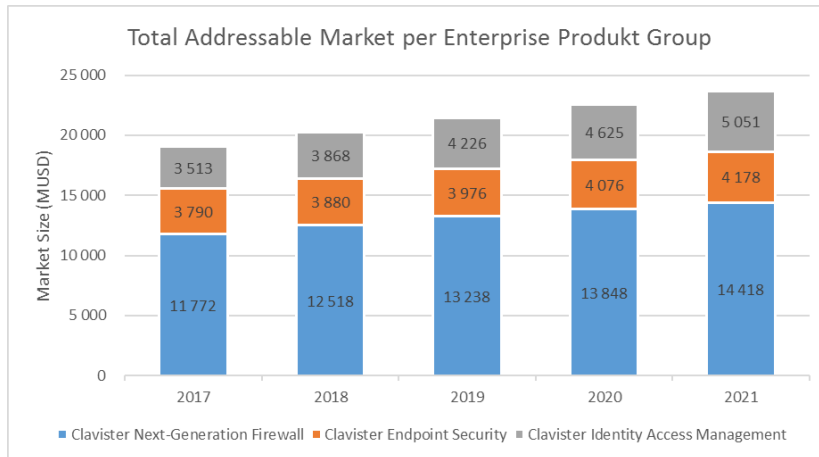


Figure 1. Total addressable market for Clavister's product portfolio in the Enterprise segment 2017 - 2021 (MUSD).

Clavister's investment in sales and marketing is primarily conducted on five geographical markets (Clavister's tier-1 markets): Sweden, Germany, Japan, China and the African Maghreb region. The total addressable market for those geographies aggregated amounts to 2.9 BUSD for the current year, and is expected to grow to 3.6 BUSD by 2022, see figure 2.

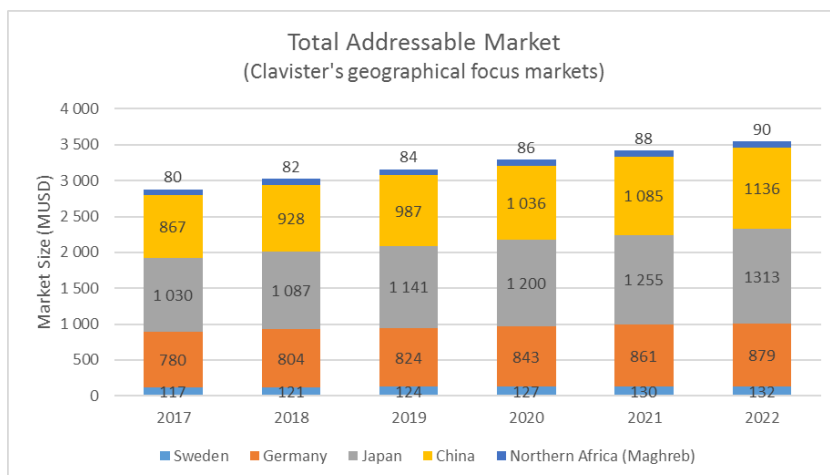


Figure 2. Total addressable market on Clavister's geographical focus markets 2017 - 2022 (MUSD).

### Telecom Segment

The total market size is substantially lower within the telecom segment than for the enterprise segment. The telecom market is by definition a much narrower vertical, and investments in security is still in an early stage. The market is however dominated by a handful of large system providers, such as Nokia, Huawei and Ericsson, which means that a substantial market share can be gained through only a few commercial partners.

Clavister's assumption, based partly on market analysis from Cisco and Ericsson and partly on known parameters from initial commercial contracts, is that Clavister's current product portfolio for the telecom market, including four concrete solution areas, is able to address a market worth at least 500 MUSD for the year 2017, growing to over 2 BUSD by the year 2020, see figure 3.



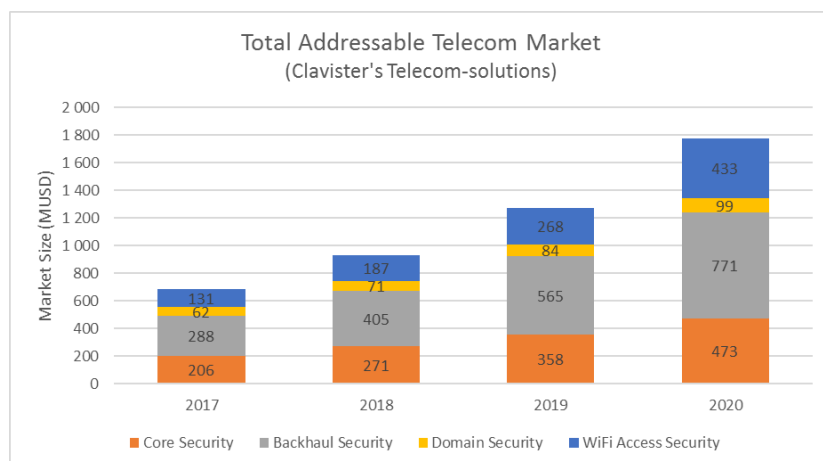


Figure 3. Total addressable market for Clavister's telecom solutions (MUSD). Source: Clavister

<https://www.clavister.com/globalassets/documents/investor-relations/cla-business-update-october-16-en.pdf>

Data growth; difficulties for operators to maintain profitability when extending network capacity; the importance of rapidly being able to deploy software based solutions and being able to use a model where operators dynamically can scale up based on capacity-needs are all key factors that make Clavister's virtualized security solution addresses. The advantages are e.g. 40% CAPEX reduction and 60% OPEX reduction<sup>1</sup>). Operators are now gradually selecting cloud-based solutions in lieu of traditional appliance based solutions.

<sup>1</sup>) <https://www.gartner.com/technology/media-products/newsletters/clavister/1-3K4BQ0F/index.html>

Even if the advantage of having these issues remedied by Clavister solutions are significant for the operators, the initial business value for Clavister is limited. However, as the solutions are rolled out, demand for capacity increases, the number of functionalities per solution increases and potentially more solutions with each operator increases causing a growth which will be exponentially larger per customer (operator). External analysts point to the fact that most operators will select this type of virtualized solutions which indicates a significant accumulated need in this space.

## 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 Örnköldsvik. Clavister's solutions are based on proprietary and innovative software with powerful performance. Thanks to the high degree of own-built software, not only is exceptionally good performance achieved, but the products are also considered to be very secure, especially against the so-called "backdoors", which media and whistleblowers believe are found amongst most competitors. 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](http://www.clavister.com).

## Personnel and organization

As of 2017-06-30 the number of employees in the group amounted to 161 (146), of which Clavister AB 119 (113), 14 in PhenixID AB (wholly owned subsidiary from August 2016) and 26 (31) in Clavister China. This is an increase of 9,5% in the workforce. The parent company Clavister Holding AB, with limited operations, has 2 (1) employees. The number of employees and employed persons corresponds to the number of full-time positions. In addition to permanent staff, Clavister also engages consultants in customer projects and sales corresponding to 10 (9) full-time positions. Clavister thus employed a total of 30 June 2017, including employees and consultants, 171 (155) persons.

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

supports for maintaining good health, are crucial factors in continuing to attract, recruit and retain qualified employees.

### 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/](http://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, all 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

Interim report July-September 2017  
Earnings report and report for the fourth quarter 2017

October 25, 2017  
February 15, 2018

Financial reports, press releases, and information are available from the date of publication on Clavister's website [www.clavister.com](http://www.clavister.com).

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 and the Managing Director 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.

Viktor Kovács  
*Chairman of the Board*

Ilkka Hiidenheimo  
*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

	Apr - June 2017	Apr - June 2016	Jan - June 2017	Jan - June 2016	Jan-Dec 2016 *
<b>Income statement (TSEK)</b>					
Revenue	21 352	17 413	41 931	35 365	78 117
COGS	-4 337	-6 529	-8 341	-11 798	-24 650
<b>Gross profit</b>	<b>17 015</b>	<b>10 884</b>	<b>33 590</b>	<b>23 567</b>	<b>53 467</b>
<i>Gross margin, %</i>	<i>80%</i>	<i>63%</i>	<i>80%</i>	<i>67%</i>	<i>68%</i>
Cap. Dev. Expenses	6 153	5 045	12 185	8 840	20 406
Staff costs	-28 986	-22 096	-56 007	-41 723	-89 751
Other external costs	-11 530	-11 453	-22 165	-20 148	-41 896
Depreciation and impairment loss	-143	-119	-287	-239	-629
Amortization and impairment loss	-6 095	-3 881	-9 181	-7 660	-14 106
<b>EBIT</b>	<b>-23 586</b>	<b>-21 620</b>	<b>-41 865</b>	<b>-37 363</b>	<b>-72 509</b>
Financial items	-1 022	-1 285	-2 145	-2 684	796
<b>Result after financial items</b>	<b>-24 608</b>	<b>-22 905</b>	<b>-44 010</b>	<b>-40 047</b>	<b>-71 713</b>
Taxes	5 385	-9	9 584	-40	16 516
<b>Net profit - loss</b>	<b>-19 223</b>	<b>-22 914</b>	<b>-34 426</b>	<b>-40 087</b>	<b>-55 197</b>
 <i>Average number of shares (before dilutive effect)</i>	 22 895 384	 19 196 108	 22 821 254	 18 872 283	 20 642 541
<i>Average number of shares (after dilutive effect)</i>	24 637 505	21 050 825	24 563 375	20 727 000	22 015 009
<i>Result per share, SEK</i>	-0,84	-1,19	-1,51	-2,12	-2,67
<i>Result per share (after dilutive effect), SEK</i>	-0,78	-1,09	-1,40	-1,93	-2,48
 <b>Net profit realting to Shareholders of the Parent Company</b>	 <b>-19 223</b>	 <b>-22 914</b>	 <b>-34 426</b>	 <b>-40 087</b>	 <b>-55 197</b>
 <i>Total results of the Group:</i>					
Net profit (loss) end of the period	-19 223	-22 914	-34 426	-40 087	-55 197
Other profit	-195	-217	-151	-369	108
<b>Net profit (loss)</b>	<b>-19 418</b>	<b>-23 131</b>	<b>-34 577</b>	<b>-40 456</b>	<b>-55 089</b>

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



## Condensed consolidated balance sheet for the Group

Balance sheet (TSEK)	2017-06-30	2016-06-30	2016-12-31 *
<b>Assets</b>			
Intangible assets	110 412	35 911	107 410
Tangible assets	670	1 287	964
Financial assets	75 990	71 569	66 377
Inventories	7 556	10 228	6 577
Current receivables	18 709	9 275	20 530
Cash and bank balances	29 618	17 602	75 311
<b>Total assets</b>	<b>242 955</b>	<b>145 872</b>	<b>277 169</b>
<b>Equity and liabilities</b>			
Equity	176 994	91 656	208 378
Provisions	2 997	0	2 997
Long-term liabilities	24 681	19 417	17 270
Current liabilities	38 283	34 799	48 524
<b>Total equity and liabilities</b>	<b>242 955</b>	<b>145 872</b>	<b>277 169</b>
Pledged assets	40 216	27 086	89 363
Contingent liabilities	0	0	0

## Condensed consolidated cash flow statements for the Group

	Apr-June 2017	Apr-June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016 *
<b>Cash flow analysis (TSEK)</b>					
Profit (loss) after financial items	-24 607	-22 905	-44 008	-40 047	-71 547
Adjustments for non-cash items, etc.	6 238	4 003	9 468	7 902	9 315
Paid taxes	-282	-195	-564	-390	3 167
<b>Cash flow from operating activities before working capital changes</b>	<b>-18 651</b>	<b>-19 097</b>	<b>-35 104</b>	<b>-32 535</b>	<b>-59 065</b>
Change in W/C	-4 245	860	-5 452	-3 040	6 670
<b>Cash flow from operating activities</b>	<b>-22 896</b>	<b>-18 237</b>	<b>-40 556</b>	<b>-35 575</b>	<b>-52 395</b>
Investments in intangible assets	-6 153	-5 046	-12 185	-8 841	-20 400
<b>Cash flow from investing activities</b>	<b>-6 153</b>	<b>-5 046</b>	<b>-12 185</b>	<b>-8 841</b>	<b>-20 400</b>
<b>Cash flow from financing activities</b>	<b>-586</b>	<b>-6 394</b>	<b>7 048</b>	<b>18 491</b>	<b>104 579</b>
<b>Cash flow</b>	<b>-29 635</b>	<b>-29 677</b>	<b>-45 693</b>	<b>-25 925</b>	<b>31 784</b>
Cash, beginning of period	59 253	47 279	75 311	43 527	43 527
<b>Cash, end of period</b>	<b>29 618</b>	<b>17 602</b>	<b>29 618</b>	<b>17 602</b>	<b>75 311</b>

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

## Condensed consolidated changes in equity for the Group

Equity (TSEK)	Apr - June 2017	Apr - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016 *
Equity, beginning of period	196 319	100 019	208 378	90 929	90 929
Cash issue	0	630	4 448	27 105	125 078
Non-cash issue	0	0	0	0	65 090
Issue expenses	0	-138	0	-199	-7 520
Non-registered issue	93	14 276	-4 125	14 276	6 390
Holdings of own shares	0	0	0	0	-16 500
Equity component at convertible loan	0	0	2 870	0	0
Other total income for the period	-195	-217	-151	-369	108
Result for the period	-19 223	-22 914	-34 426	-40 086	-55 197
Equity, end of period	176 994	91 656	176 994	91 656	208 378

## Consolidated key data and figures for the Group

Key data and figures	Apr - June 2017	Apr - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016
Operating revenues (TSEK)	21 352	17 413	41 931	35 365	78 117
Gross profit (TSEK)	17 015	10 884	33 590	23 567	53 467
Gross margin (%)	80%	63%	80%	67%	68%
Operating profit (TSEK)	-23 586	-21 620	-41 865	-37 363	-72 509
Net profit (loss) (TSEK)	-19 223	-22 914	-34 426	-40 087	-55 197
Earnings per share (SEK) before dilution	-0,84	-1,19	-1,51	-2,12	-2,67
Earnings per share (SEK) after dilution	-0,78	-1,09	-1,40	-1,93	-2,48
Price per earnings (SEK)	N/A	N/A	N/A	N/A	-17,24
Equity per share	7,73	4,77	7,73	4,77	9,16
Number of shares before dilution at the end of the period	22 895 384	19 206 608	22 895 384	19 206 608	22 747 124
Number of shares after dilution at the end of the period	24 637 505	21 061 325	24 637 505	21 061 325	24 139 392
Average number of shares before dilution	22 895 384	19 196 108	22 821 254	18 872 283	20 642 541
Average number of shares after dilution	24 637 505	21 050 825	24 563 375	20 727 000	22 015 009
Number of employees at the end of period	161	147	161	147	160
Average number of employees	162	155	161	154	142
Number of employees and external resources at end of period	172	157	172	157	170
Equity/assets ratio (%)	73%	63%	73%	63%	75%
Quick ratio (%)	126%	77%	126%	77%	198%
Net dept (-), Net cash (+) (TSEK)	-1 682	-5 427	-1 682	-5 427	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, [www.clavister.com](http://www.clavister.com).

Segment reporting (TSEK)	Enterprise		Telecom		Group-wide/ elimination		Total Group	
	Apr-Jun 2017	Apr-Jun 2016	Apr-Jun 2017	Apr-Jun 2016	Apr-Jun 2017	Apr-Jun 2016	Apr-Jun 2017	Apr-Jun 2016
<b>Revenue</b>								
External revenue	18 671	17 130	2 579	204	0	0	21 250	17 334
Internal revenue	0	0	0	0	0	0	0	0
Other income	102	79	0	0	0	0	102	79
<b>Total revenue</b>	<b>18 773</b>	<b>17 209</b>	<b>2 579</b>	<b>204</b>	<b>0</b>	<b>0</b>	<b>21 352</b>	<b>17 413</b>
Operating profit (loss)	-14 623	-13 837	-8 963	-7 783	0	0	-23 586	-21 620
Financial items	-634	-822	-388	-463	0	0	-1 022	-1 285
Tax on profit of the year	3 339	-6	2 046	-3	0	0	5 385	-9
<b>Net profit (loss)</b>	<b>-11 918</b>	<b>-14 665</b>	<b>-7 305</b>	<b>-8 249</b>	<b>0</b>	<b>0</b>	<b>-19 223</b>	<b>-22 914</b>
<b>Other information</b>								
Operational assets	150 632	88 352	92 323	49 698	0	0	242 955	138 051
Operational liabilities	19 632	16 152	12 033	9 086	0	0	31 665	25 238
Investments	5 281	2 688	7 340	2 364	0	0	12 621	5 052
Depreciation and Amortizations	2 572	3 899	2 952	0	0	0	5 523	3 899
Goodwill	53 669	4 397	0	0	0	0	53 669	4 397

## Share Capital

The company's share capital amounts to 2 289 538,40 SEK

## Shareholders and Shares

Clavister Holdings 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 is 5,802 shareholders at 2017-06-30. The number of registered shares 2017-06-30 was 22,895,384 according to the Swedish Companies Registration Office (Bolagsverket).

<b>The 10 largest shareholders</b>	<b>Number of shares 2017-06-30</b>	<b>% of total number</b>
Försäkringsaktiebolaget, Avanza Pension	2 719 652	11,9%
Ålandsbanken ABP, Bank of Åland Ltd	1 537 492	6,7%
Danica Pension	1 398 128	6,1%
Swedbank Robur	1 165 322	5,1%
Fondita Nordic Micro Cap SR	1 000 000	4,4%
Nordnet Pensionsförsäkring AB	855 844	3,7%
JP Morgan Securities LLC	755 881	3,3%
Alcur	720 851	3,1%
RGG Adm-Gruppen AB	670 000	2,9%
Fondita 2000+	543 000	2,4%
Other Shareholders	11 529 214	50,4%
<b>Total shares registered under the Companies Registration Office</b>	<b>22 895 384</b>	<b>100,0%</b>

<b>Events</b>	<b>Number</b>	<b>Date</b>
<b>Opening number of shares</b>	<b>22 747 124</b>	<b>2017-01-01</b>
New share issues due to warrants prg 2016-12-31	148 260	2017-02-15
<b>Closing number of shares</b>	<b>22 895 384</b>	<b>2017-06-30</b>
Any future share issues during 2016-2026 due to warrants	19 801	
Any future share issues during 2017 due to warrants	175 000	
Any future share issues during 2017 due to convertibles	666 667	
Any future share issues during 2019 due to warrants	530 800	
Any future share issues during 2022 due to convertibles	204 853	
Any future share issues during 2020 due to warrants	70 000	
Any future share issues during 2020 due to warrants	75 000	
<b>Number of shares after full dilution</b>	<b>24 637 505</b>	



## Share related incentive program and convertible loan

### Warrants

There are four current incentive programs, all addressed to key employees of the Company and a minor proportion from previous programs to part of current board members. 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 is an additional program for warrants linked to loan financing equivalent to 19,801 warrants maturing 2026. 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 870,601 warrants.

### 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	Share Price, SEK	Open
TO 2016-2026	19 801	0	0,1	19 801
TO 2015 - 2017-12-31	175 000	0	30	175 000
TO 2016 - 2019-06-30	530 800	0	72	530 800
TO 2017 - 2020-02-28	70 000	0	72	70 000
TO 2017 - 2020-02-28	75 000	0	79	75 000
	<b>870 601</b>	<b>0</b>		<b>870 601</b>

### 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, 666,667 shares in Clavister Holding AB will be added, the conversion price amounts to 15 SEK.

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 204,853 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	Share Price, SEK	Open
Norrlandsfonden 2017-09-30	666 667	0	15	666 667
Norrlandsfonden 2022-05-31	204 853	0	49	204 853
	<b>871 520</b>	<b>0</b>		<b>871 520</b>

**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.

## Condensed Parent Company income statement

	Apr - June 2017	Apr - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016 *
<b>Income statement (TSEK)</b>					
Net sales	1 500	1 500	3 000	3 000	4 200
Staff costs	-1 062	-288	-2 021	-529	-1 239
Other external costs	-859	-566	-1 454	-1 093	-2 362
<b>EBIT</b>	<b>-421</b>	<b>646</b>	<b>-475</b>	<b>1 378</b>	<b>599</b>
Financial items	-162	-139	-324	-301	-617
<b>Result after financial items</b>	<b>-583</b>	<b>507</b>	<b>-799</b>	<b>1 077</b>	<b>-18</b>
Group contribution paid	0	0	0	0	-650
Taxes	0	0	0	0	143
<b>Net result</b>	<b>-583</b>	<b>507</b>	<b>-799</b>	<b>1 077</b>	<b>-525</b>

## Condensed Parent Company balance sheet

<b>Balance sheet (TSEK)</b>	<b>2017-06-30</b>	<b>2016-06-30</b>	<b>2016-12-31 *</b>
<b>Assets</b>			
Financial assets	514 153	357 932	456 210
Current receivables	2	0	392
Cash and bank balances	8 306	10 928	60 500
<b>Total assets</b>	<b>522 461</b>	<b>368 861</b>	<b>517 102</b>
<b>Equity and liabilities</b>			
Equity	504 425	359 195	502 031
Long-term liabilities	16 882	9 104	9 554
Current liabilities	1 155	562	5 517
<b>Total equity and liabilities</b>	<b>522 461</b>	<b>368 861</b>	<b>517 102</b>
Pledged assets	437 068	342 580	431 189
Contingent liabilities	16 772	15 960	21 959

## Condensed Parent Company changes in equity

	Apr - June 2017	Apr - June 2016	Jan - June 2017	Jan - June 2016	Jan - Dec 2016*
<b>Equity (TSEK)</b>					
Equity, beginning of period	504 915	340 502	502 031	311 008	311 008
Cash issue	0	631	4 448	27 106	110 047
Non-cash issue	0	0	0	2 510	83 010
Issue expenses	0	-138	0	-199	-7 520
Non-registered issue	93	17 693	-4 125	17 693	6 010
Equity component at convertible loan	0	0	2 870	0	0
Result for the period	-583	507	-799	1 077	-525
<b>Equity, end of period</b>	<b>504 425</b>	<b>359 195</b>	<b>504 425</b>	<b>359 195</b>	<b>502 031</b>

## Definitions

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**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.



## Contact information

### Clavister Holding AB

Organisation number: 556917-6612  
Sjögatan 6 J  
SE-891 60 Örnsköldsvik, Sweden

Telefon: +46 (0)660 29 92 00

E-post: [finance@clavister.com](mailto:finance@clavister.com)

[www.clavister.com](http://www.clavister.com)

### President & CEO

John Vestberg

Telefon: +46 (0)660 29 92 00

E-post: [john.vestberg@clavister.com](mailto:john.vestberg@clavister.com)

### Listed Shares

Symbol: CLAV

SIN-code: SE0005308558

### Certified Advisor

Remium Nordic AB

Telefon: +46 (8) 454 32 00

E-post: [info@remium.com](mailto:info@remium.com)

[www.remium.se](http://www.remium.se)

**Örnsköldsvik, August 14, 2017**  
**Clavister Holding AB**

## Publication

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