

## Year-end Report 2016

Clavister Holding AB

Örnsköldsvik 28th February 2017, 8:00 am.

### Income +28% and Gross Profits +47%

- Revenues for the quarter totaled SEK 26.3 million (20.5), an increase of 28% compared to the fourth quarter of 2015.
- Gross profit rose 47% to SEK 20.1 million (13.6) and the gross margin amounted to 76 (66)%.
- Profit after tax amounted to SEK -5.8 million (-0.8).
- Liquidity at the end of the quarter to 75.2 (43.5) million.  
The Group owns 330 000 units of its own shares, with possibility of further liquidity. At year-end, the value of these shares amounted to SEK 15.2 million. Own shares can be found in equity on the balance sheet.

### Financial key ratio (Group)

TSEK	3 months			12 months		
	Oct – Dec		Change	Jan – Dec		Change
	2016	2015	% (Y/Y)	2016	2015*	% (Y/Y)
Net Sales	26 274	20 501	28%	77 328	64 219	20%
Gross Profit	20 064	13 632	47%	53 194	44 773	19%
Gross Margin	76%	66%		69%	70%	
Operating Profit	-18 875	-13 094	-44%	-70 965	-54 462	-30%
Profit after Tax	-5 750	-801		-55 872	-45121	-24%
Profit per share (SEK)	-0,27	-0,04		-2,71	-2,59	

### Extensive investments & good prospects for the Telecom business

- **Revenues and Gross Margins** – new business area "Identification", Authentication & Management influenced the fourth quarter positively by SEK 7.8 million in revenue and very good gross margins.
- **Increased activity in existing markets and with new solution areas** – Clavister is increasing its activities in Sweden and Japan, in priority markets both within the enterprise and telecommunications sectors and also with new solutions – which are expected to gradually affect revenues in 2017.
- **Launch of Endpoint Security in February** – addressable markets will increase by about 80% compared with Clavister firewalling and strengthen the potential for increased sales of Firewall products.
- **Weak results in EMEA** – are offset in 2017 by strengthening sales resources and establishment of the Inside Sales Organization.
- **Success with NTT-BP in Japan** – Clavister announced a partnership with NTT-BP at the end of the year and their national WiFi network in Japan – an undertaking in preparation for the Olympics in 2020 in Tokyo. An initial cautious rollout has begun which is expected to accelerate in the second half of 2017.
- **Investments in WiFi** – Clavister enter into collaboration with Aptilo, with over 100 operator deployments worldwide, which strengthens the possibility of commercial success in WiFi.
- **Progress in Telecom** – Clavister is involved in more and more contracts with partners. Interest is strong for virtualized solutions. The conditions are good for business in the near future.

*In certain cases rounding has occurred, which means that tables and calculations do not always exactly total correctly. Comparisons are done against the same period in the previous year and are placed in parentheses () if not otherwise stated.*

# CEO's Comments.



Today, we are experiencing more and more digital crimes; daily hacker attacks, planting viruses in new types of devices and an increasing number of identity thefts. The latest in the line is the very sharp increase in extortion scenarios where the bad guys locked down and encrypt computers and systems (ransomware) and then ask for large sums to “unlock” the computers.

A further proof that the Cyber Security arena has become increasingly important is the EU's new directives GDPR, a regulatory framework that will affect all companies and organizations in 2018. Briefly, this means that higher demands need to be met on how to manage identities where all sensitive data, must remain encrypted. If there has been an infringement, the company has 72 hours to report it. If these rules are broken, then penalty fines must be paid to the EU amounting to 4% of total Group sales. Companies therefore need to urgently review their infrastructure, their systems and processes to meet these new requirements.

Clavister products solve part of these challenges by a combined deployment of Clavister traditional firewalls, PhenixID's solutions in identity area as well as our recently launched client security solution.

## **Telecom – delivery of a virtualized solution in near-time**

The number of business opportunities (quotations) of our security solutions continues to increase and we now have arrived at a situation where in the near future we will begin to deliver virtualized security to a number of telecom operators, initially to lesser extent thereafter to increase enormously. When operators start to invest in “cloud-based” solutions now, we will become a virtualized security a must-have.

To better understand what virtualized security is, why it is so important and expected market development and volumes, you can enter: (<https://www.clavister.com/investor-relations/investor-news/view/?pid=2359418#.WKmfpsfQD-TU>). It is worth noting that the initial orders are expected to be relatively small, but are expected to increase with an estimate of 10 to 50 times (the increase is of course due to both the initial size of the order as on overall business over time - why the expected increase can vary significantly).

## **Telecom, WiFi & IoT**

We have also recently entered into a strategic agreement with NTT-BP to deliver security and load balancing to one of the world's largest WiFi network operators, “Japan WiFi”. Deliver-

# CEO's Comments.

ies will begin on a small scale during the first quarter of 2017. The network will handle significant data traffic among other things, in connection with the Olympic Games in Tokyo in 2020. (<https://www.clavister.com/investor-relations/investor-news/view/?pid=2385590#.WKmglsfQDTU>)

In February, we entered into a collaboration with Aptilo Networks, which means that we, together with Aptilo, will deliver a joint solution for WiFi and IoT services including operators. Aptilo Networks has over 100 operators globally as a customer base. The rapid growth of connected devices and real-time services will gradually affect today's Internet architecture where the need for an integrated protection and secure authentication of IoT devices is increasing rapidly.

## **Enterprise – new product offering "Endpoint Security" – comprehensive market investments**

One of the types of attack that have increased the most in 2016 has been ransomware (extortion virus). A ransomware infection can result in the files on your computer being encrypted, but the malicious code can potentially also spread to the rest of the network, which can result in the entire organization infected. With our new cloud-based solution "Clavister Endpoint Security Client", we can now offer our customers a protection against these threats. According to the IDG, companies and organizations spend nearly SEK 40 billion on client security measures today. We launched our solution in late February 2017 and sales will begin in March. <https://www.clavister.com/products/endpoint-security-client/>

Investments in Africa continue according to plan. Some examples of initial installations are tax authorities in Mauritania, operator MTN in Ivory Coast, Paribas Bank in Algeria and Citroen in Tunisia.

In Japan, we continue our cooperation with Canon, Mirait and NTT-BP according to the established plan. Japan is the World's second largest security market and we have signed agreements with some of the biggest partners in Japan, which means that Japan will continue to be one of our high-priority markets. We have the potential to substantially increase sales in 2017 compared to 2016 where the majority will take place during the second half of 2017. In April, we will participate in a major event, together with our Japanese partners, at the Swedish Embassy in Tokyo under the theme "Internet of Things from a security perspective".

As part of our commitment to the Enterprise market, we have strengthened our sales resources during the quarter, by means of establishing an "inside-sales" organization located in Örn-sköldsvik. It will have to support our dealers and partners as its primary task. We have also expanded our Swedish sales force with more resources and there are more on the way.

## **Secure Identity Management**

Work to integrate solutions from PhenixID continues. As previously announced the two-factor authentication solution is the first product / solution that will be bundled with Clavister's firewalls. During 2017, additional solutions and technologies will be integrated between the two companies.

## **New Group CEO – Johan Öhman**

With consideration that we are moving towards a listing on a regulated market, we have strengthened the company with Johan Öhman as the new Group CEO. The undersigned will have to focus on sales, more strategic relationships with customers and partners. A continued focus on security in areas such as IoT (Internet of Things) will be an important part of our continuing commitment. We have a technology that is well suited to be part of the future of security for certain types of "Internet of Things" offers.



From the Desk of  
Jim Carlsson, Clavister CEO



# Events.

## **Important events during the period (January - February 2017)**

**2017-02-24 Increase in number of shares in Clavister after the exercise of warrants**

**Aptilo and Clavister start collaborating on solutions for Wi-Fi and IoT**

**2017-02-21**

Clavister today announced that it entered into a partnership with Aptilo Networks to enable Wi-Fi and IoT services at the network edge.

**Clavister Launches Innovative Endpoint Protection Solution**

**2017-02-16**

Clavister has launched a new endpoint security solution to protect devices including desktop and laptop PCs, Point of Sale systems, IoT devices and other endpoints from the latest known and unknown security threats including ransomware and spear-phishing.

**Johan Öhman appointed as new CEO at Clavister in preparation for listing change and growth**

**2017-02-01**

Clavister appoints Johan Öhman as new CEO when Clavister prepares for changing of listing and business growth.

**Communique from the Extraordinary General Meeting of Clavister Holding AB (publ.), 556017-6612, January 17, 2017**

**2017-01-17**

**PhenixID, a Clavister Company, has signed contracts at a value of 10 MSEK for Identity Management solutions**

**2017-01-02**

Clavister announced that PhenixID AB has signed contracts with customers of 10 MSEK where most of it is invoiced in December 2016.



*Johan Öhman, new CEO.*

# Events.

## **Important events during the period (October - December 2016)**

### **Unique business model and Increased support for SDN/NFV as Clavister announces its latest telecom solution**

**2016-12-22**

Clavister announced the latest version of its telecom software, Clavister cOS Stream 3.0 as well as its Clavister Hawkeye 1.0 visualization software, both purpose-built softwares for the new generation of telecom networks looking to implement SDN/NFV virtualization.

### **Notice of Extraordinary General Meeting of Clavister Holding AB (publ.) 556917-6612**

**2016-12-20**

Shareholders of Clavister Holding AB (publ.) 556917-6612 ("Company") are hereby invited to the Extraordinary General Meeting on Tuesday, January 17, 2017 at 13:00 Clavister the premises at Sjögatan 6J in Örnsköldsvik.

### **NTT-BP Appoints Clavister to Secure Its Public Wi-Fi Services Network in Japan**

**2016-12-06**

NTT Broadband Platform (NTTBP), one of the major Wi-Fi-Service providers in Japan, selects Clavister's Next Generation Security solutions and integrator MIRAIT to fortify its high quality public Wi-Fi Service towards security-sensitive demands by its Wi-Fi users in the age of in-bound travelers, football stadium WiFi, and value-added WiFi services including data analytics and IoT.

### **Improved results - sharp increase in number of telecom procurement**

**2016-11-22**

### **Clavister launches WiFi Access Gateway product line**

**2016-11-22**

A new WiFi Access Gateway product range, addressing the increasing needs for quality of experience, service differentiation and threat prevention in WiFi networks.

### **Clavister Shows How Communications Service Providers Can Securely Adopt SDN & NFV in their Networks**

**2016-11-10**

A contemporary guide in the form of a newsletter from Clavister highlights the benefits of SDN / NFV and what strategy should be adopted before a planned network migration.

### **Clavister ready to take on more opportunities in the Military and Government sector with Common Criteria EAL4+**

**2016-11-03**

Clavister expands investment in the public sector and military organizations with more extensive certification, where a high level of independent validation is a key requirement.

### **Business Update from Clavister**

**2016-10-28**

Clavister makes a business update of the telecom market in the attached document in order to highlight the conditions and scope. Clavister has done extensive investments. The number of telecom solutions has gone from 3 to 6. The Clavister is now moving toward a commercial springboard in the area. The interest is significant.

### **Clavister conducting a private placement of 2 million shares and supplied herein by approximately gross 83 MSEK**

**2016-10-25**

D-Link och Clavister ökar säkerheten med nytt gemensamt produktbjudande. Marknadsledaren D-Link använder Clavisters mjukvara i nyutvecklade säkerhetsprodukter.

### **D-Link and Clavister increase security with a new joint product offering**

**2016-10-03**

The market leader, D-Link, uses Clavister software in newly developed security products.

# Financial Information.

## Sales and Earnings

### Summary

Fourth quarter sales amounted to SEK 26.3 million (20.5), an increase of 28% compared with the fourth quarter of 2015. Gross profit for the fourth quarter ended at SEK 20.1 million (13.6) and the gross margin totaling 76% (66). Personnel costs and other external expenses increased by 39% to SEK 39.6 million (28.4), where personnel costs for new employees in Engineering and Customer Support count for the dominant cost. Operating profit for the period summed SEK-18.9 million (-13.1). Net profit after tax totaled SEK-5.8 million (-0.8).

For the year 2016, sales increased by 20% to SEK 77.3 million (64.2). Gross profit totaled SEK 53.2 million (44.8) and a gross margin of 69% vs. 70% in 2015. Inroads into the Japanese market with higher sales of products in the low end segment has affected the margin negatively, but improved in the fourth quarter through the acquisition of PhenixID and higher margin products. Personnel costs and other external expenses increased by 28% to SEK 130.5 million (102.3) for the year, which was mainly attributable to increased personnel costs due to new hires. Profit after tax for the year was SEK-55.9 million (-45.1), a decrease of -24% compared to 2015.

### Items affecting comparability

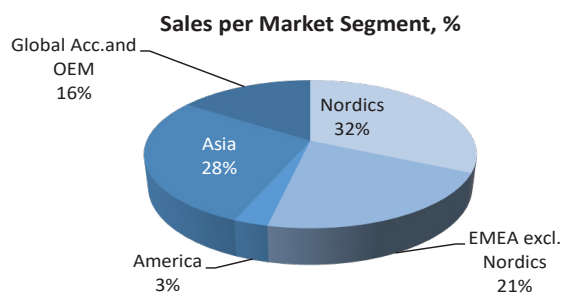
	2016	2015
<i>Income from financial items</i>		
Income from participation in associated companies –Disposal first interest proportion PhenixID	5,5	
Impairment of goodwill related to the subsidiary Clavister Technology (Asia) Ltd. in China.	-1,9	
<b>Total</b>	<b>3,6</b>	<b>0</b>

### Market Segment

For the full year 2016, the Nordic region increased by 56% to SEK 24.3 million (15.6) where PhenixIDs sales of SEK 9.8 million accounts for the growth. During the quarter, sales increased in the Nordic region to SEK 11.0 million (5.9) of which PhenixID accounts for SEK 7.8 million. Sales in EMEA excluding Nordic countries and in the quarter fell 25% to SEK 4.5 million (6.0). Total EMEA has fallen by -19% to SEK 16.5 million (20.2) for the full year, of which Germany has reduced sales by 25% and France has reduced turnover by 39% year over year to SEK 1.4 million. The new market penetration in North Africa has increased sales revenue by approximately SEK 1.0 million for the full year.

After analysis of the development in EMEA, the company has focused on the measures to be taken and put into a higher gear to put them in place. New vendors have been recruited to the Nordic and EMEA team. The establishment of the new Inside Sales organization will increase availability to customers and dealers, creating better opportunities for the company to manage business opportunities. The team will strengthen the sales channel with the proactive treatment of end customers and dealers to build sales pipeline. It will be through the telemarketing- and campaigning activities and handling, process and extension of the support contract.

Sales in Asia increased strongly and caused marketing investments to start yielding results. Asia increased sales by 11% to SEK 6.3 million in the fourth quarter and for the full year SEK



21.4 million (14.3), an increase of 50%. Japan had sales for the full year SEK 7.0 million (1.7) and China sales increased 23% to SEK 13.0 million (10.6). For 2016 therefore, Asia answers for 28% of the company's sales.

Global accounts during the quarter returned a sales volume of SEK 3.9 million, an increase of 105% year on year. The increase for the year is 23% with a turnover of SEK 11.9 million (9.7).

The Fourth quarter of 2016 can be summarized in a revenue growth of 32%, which PhenixID along with Asia and global account segments were responsible for the increase, while the EMEA accounts excluding the Nordic Region fell back.

# Financial Information.

Business enterprise has lost revenue in some areas but shows strong growth in certain segments and dominates Group sales. The Company believes that there is potential for continued strong growth. Global accounts targeted at operators in telecommunications have very good prospects both because of the estimated growth potential but also the potential for so-called OEM sales, where Clavister works as a subcontractor for cus-

tomers' products, but operates under their brand, which is expected to improve access to a significantly higher gross margin. IAM/MFA 'Identification, Authentication & Management' and the acquisition of PhenixID company provides a supplement to both the existing product portfolio but also contributes to a strong existing customer base.

## Sales per Market Segment

TSEK	3 months			12 months		
	Oct - Dec			Jan - Dec		
	2016	2015	% (Y/Y)	2016	2015 *	% (Y/Y)
Nordics	11 018	5 851	88%	24 298	15 617	56%
EMEA excl. Nordics	4 507	6 044	-25%	16 497	20 248	-19%
America	270	196	38%	2 165	1 321	64%
Asia	6 252	5 616	11%	21 442	14 278	50%
Global Acc. and OEM	3 910	1 910	105%	11 927	9 676	23%
<b>Net Sales</b>	<b>25 957</b>	<b>19 617</b>	<b>32%</b>	<b>76 329</b>	<b>61 140</b>	<b>25%</b>
Other	317	905	-65%	999	3 079	-68%
<b>Total Revenue</b>	<b>26 274</b>	<b>20 522</b>	<b>28%</b>	<b>77 328</b>	<b>64 219</b>	<b>20%</b>

\* Comparative figures are according to the adopted Annual Report 2015.

\*\* O/w IAM (PhenixID) 7.8 million for the quarter and SEK 9.8 million for the full year (for the period after the acquisition). PhenixID recorded revenues for FY to SEK 28.9 million (9.3) o/w SEK 8 million are reversed accruals in 2016 booked in third quarter for making the Group's accounting policies consistent.

## Currency Impact

When comparing the fourth quarter of 2016 and the previous year, the currencies have impacted sales by -2.1 percentage points. For the year ended the company's currency impact closed at 0.0 percentage points.

For China, the currency effect was positive for the fourth quarter by +2.2 percentage points and for the full year with +4.9 percentage points compared with 2015. During the year, CNY increased against SEK after the 2015 devaluation conducted by the Chinese Central Bank in order to increase the country's growth and demand.

## Gross Margin

The Gross margin for the quarter is 76% (66), which is a clear improvement on the third quarter of 15 percentage points (61%). For the quarter, MFA/IAM sales by PhenixID with high-margin turned out positively. Likewise, China has improved the margin corresponding to 15 percentage points between the third and fourth quarter and finished at 58% (43%).

The margin at group level, which was 69% (70) for the full year, was affected by the intrusion into the Japanese market and the product mix in which demand for low-end products in the enterprise has increased compared to 2015. Meanwhile the mid and high-segment (bigger products) with higher margins have

remained at the same level in terms of numbers as in 2015. Low-end products have a lower gross margin than in 2015 because of higher purchase prices combined with a stronger US dollar, which was about 10-15% lower during the end of 2014, when the products which were sold in 2015 were purchased, which affected margins positively during the first half of 2015. The lower margins in China reduced the Group's overall margin. For the full year, China is at 49.6% (51%).

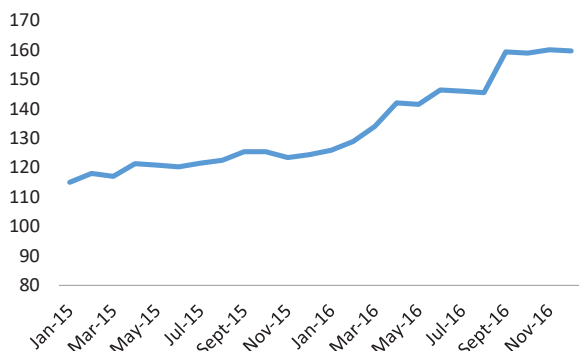
## Operating Expenses

Capitalized development costs is still expected to increase even though the rate of recruitment of software developers has reduced the pace. The introduction phase is extensive and therefore the full productivity cannot be achieved until after a period of employment. Personnel expenses increased by SEK +8.0 million or + 40% in the quarter year on year and added up to SEK 28.1 million (20.2). For the full year, the cost of personnel amounted to SEK 89.7 million (71.2). The number of employees has increased from 124 to 160, ie 29%, of which 14 employees were included in the company acquisition of PhenixID. Other external expenses amounted in the fourth quarter to SEK 11.5 million (8.3) and mainly relate to marketing expenses, sales commissions, external consultants and legal services. The increase between the years for the quarter is attributable to increased marketing costs and sales commissions for market penetration in both Africa and Japan.



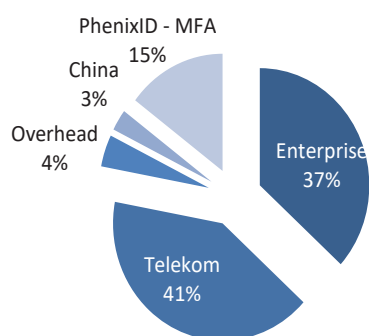
# Financial Information

## HC 2015 to 2016



HC-numbers above include the 14 employees' part of the PhenixID acquisition in September 2016.

## HC Distribution in Engineering, %



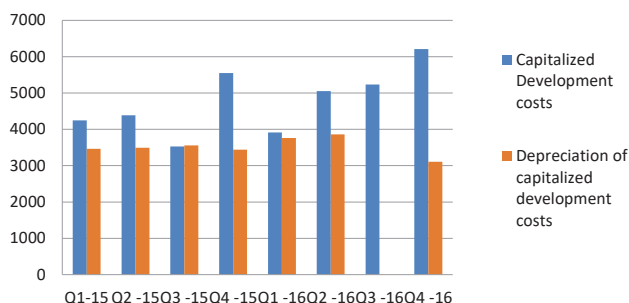
Development resources in % between enterprise, telecom and the MFA. Telekom has very good prospects because of the growth in the segment and the opportunities through OEM sales, which are expected to increase gross margin and sales.

## Cash Flow

Cash flow for the period October to December 2016. SEK +59.6 million (10.3). This is summarized as;

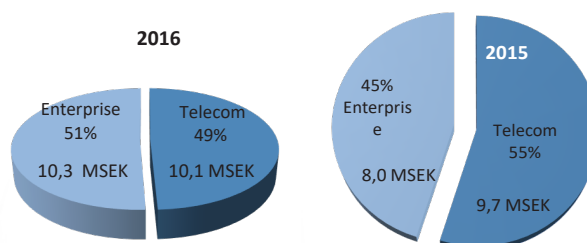
- SEK -19,9 million (-13,8) refers to the company's operating profit after financial items, SEK +5.9 million relates to adjustments for depreciation / amortization, which does not affect cash flow, SEK -0.2 million relates to taxes paid and SEK 7.7 million relates to the period's change in working capital. Together, the change in cash flow from operating activities, including changes in working capital, totals -SEK 21.9 million (-1.5).
- Cash flow relating to investments and intangible assets amounted to SEK -6.6 million (-5.1).
- Cash flow from financing activities amounted to SEK +88.2 million (17.0) for the period. The Company conducted a new shares issue that raised gross SEK 83 million. Payment of SEK 4.4 million for the shares due to warrants was made in late December. The shares were issued in February 2017.

## Capitalized development costs vs depreciations, TSEK



## Investments, Capitalization and Amortizations

Investments were not made in tangible fixed assets during the period. The Company continues to capitalize the 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 and 2016. During the quarter, the company has capitalized development costs the equivalent of 60% of the company's total cost of development. Total capitalized work for the period October to December 2016, was SEK 6.6 million (5.6). During the fourth quarter, depreciation of tangible assets occurred to SEK 0.2 million (0.2) and amortization of intangible assets amounted to SEK 5.8 million (3.6) in which the majority relates to amortization of previous capitalizations of 3.1 million, and an amortization of goodwill with respect to the subsidiary in China for SEK -1.9 million.



Distribution of the capitalized costs between the product areas of enterprise and telecom in 2015 and 2016.



# Financial Information.

## Liquidity and financial position

Cash and cash equivalents at end of the period amounted to SEK 75.2 million (43.5). The acquisition of the company PhenixID also included 330 000 units of own shares, at year end totaled a value of SEK 15.2 million, reported as equity in the balance sheet.

The company has secured several major contracts including Nokia Networks and Canon IT Solutions, which guarantee increased sales and thus a gradually reducing consumption rate of cash.

An increasing demand and growing customer interest in cyber security and Clavister offerings is also expected to continue to require investments, amongst other things, in additional developer resources. Similarly, expansion into new markets, such as has been the case both in Africa and Japan, require sales efforts and investments.

The company has secured liquidity by issuing new shares and the disbursement of 2 million shares, according to the authorization granted by the General Meeting April 21, 2016, which provided the company with approximately gross SEK 83 million in October 2016.

The Board assesses and monitors ongoing development of the Group's liquidity and financial position in the short and longer term. Notwithstanding the above, the assessment of the Board of Directors is that the financial position is good.

Further information regarding the new shares disbursement made in 2016 can be found in the section "Shares, Share Capital and Ownership Structure".

## Equity

Shareholders' equity amounted to SEK 208.7 million (88.5) by 2016-12-31. Opening balance of the second quarter was SEK 150.4 million. See the heading Accounting Principles and dividend The Annual Report for 2015, [www.clavister.com/investor-relations/financial-documents/](http://www.clavister.com/investor-relations/financial-documents/).

## Impairment Test

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, 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 strate-

gic plans adopted by management for the next five years, as well as on external information such as market interest rate, loan margins, etc.

The Company has considered whether there is a devaluation related to the acquisition of PhenixID and Clavister APAC. There is a need for devaluation regarding goodwill associated with Clavister APAC, therefore a impairment was applied in the Group of SEK 1.9 million. Other items show no need for devaluation.

## 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.

## Auditing

The Financial Report has not been reviewed by the auditors.

## Accounting Principles

This interim report has been prepared for the Group in accordance with IAS 34. The accounting principles are in accordance with International Financial Reporting Standards (IFRS) and interpretations of existing standards approved by the EU. Comparative figures in the interim report have been restated to comply with the same accounting principles.

Disclosure requirements will be considerably more extensive than the K3 and are valid for the next annual report. The conversion to IFRS is part of the preparation and the requirements for listing on the regulated market.

For the parent company, the Annual Accounts Act (1995: 1554) and the Accounting Standards Board according BFNR 2012: 1 (K3) are applied. The Group's reporting currency is SEK, which is the company's functional currency. The consolidated financial statements are reported in thousands of SEK unless otherwise stated and have been prepared under the going concern assumption (going-concern).

## Effects of Transition to IFRS

From 1 January 2016 Clavister Holding established its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The date for the Clavister Group transition to IFRS is 1 January 2015. Until the financial year of 2015, the Group has prepared group financial statements prepared in accord-

# Financial Information.

ance with the Annual Accounts Act and statements and general advice from the Swedish Accounting Standards Board and the Financial Accounting Standards Council. The transition to IFRS was audited in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" application. The effect of the change in accounting principle was recorded directly against equity. Previously published financial information for the year 2015 prepared in accordance with the Annual Accounts Act and statements and general advice from the Swedish Accounting Standards Board and the Financial Accounting Standards Council, have been restated to IFRS. Financial information for periods prior to 2015 has not been restated. The main rule is that all applicable IFRS and IAS standards, which come into force and approved by the EU, should be applied retroactively. IFRS 1 contains transitional provisions that give businesses some choice.

The changes in accounting policies are described in detail in the quarterly report for the third quarter of 2016, together with resulting transition effects of the introduction of IFRS on Clavister Group's financial statements for 2015.

## Dividends

The general meeting decided at the AGM in April 2016 that no dividend would be paid for the financial year 2015.

## Assumptions

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.

## Risks and Uncertainties

The company refers to the Annual Report 2015 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. If risks occur, they can affect Clavister's sales, earnings and financial position. In brief mention 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. Currency EUR dominates, followed by Swedish kronor. Currency fluctuations both in terms of supplier payments and customer payments can create losses or gains and the impact on 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.

## Employees

As per 31st of December 2016 the number of employees amounted to 160 (124), of which 14 in PhenixID and 29 (31) in the Clavister technology in China. This is an increase of the workforce by 29%. Parent Clavister Holding AB, with limited operations, has one employee.

In addition to permanent staff, Clavister also hires consultants in customer projects and sales of 10 (7) FTEs. Clavister employed thus in total on 31st December 2016 170 (131) people including employees and consultants.

Employees are the company's most important asset and the strategy is to continue to work for a good and stimulating work environment with challenging assignments and opportunities for development. This, along with various supports to maintain good health, the company believes to be crucial factors to continue to attract, recruit and retain current employees.

# Financial Information Group.

## Clavister (Group)

Income statement (TSEK)	3 months		12 months	
	Oct - Dec		Jan - Dec	
	2016	2015	2016	2015 *
Net sales	26 274	20 521	77 328	64 219
COGS	-6 210	-6 889	-24 134	-19 446
<b>Gross profit</b>	<b>20 064</b>	<b>13 632</b>	<b>53 194</b>	<b>44 773</b>
<b>Gross margin, %</b>	<b>76%</b>	<b>66%</b>	<b>69%</b>	<b>70%</b>
Cap. Dev. Expenses	6 633	5 551	20 407	17 716
Staff costs	-28 131	-20 151	-89 744	-71 232
Other external costs	-11 512	-8 273	-40 771	-31 055
Depreciation and impairment loss	-164	-237	-634	-701
Amortization and impairment loss	-5 765	-3 616	-13 417	-13 963
<b>EBIT</b>	<b>-18 875</b>	<b>-13 094</b>	<b>-70 965</b>	<b>-54 462</b>
Financial items	-1 024	-688	1 006	-3 605
<b>Result after financial items</b>	<b>-19 899</b>	<b>-13 782</b>	<b>-69 959</b>	<b>-58 067</b>
Taxes	14 149	12 981	14 087	12 946
<b>Net profit - loss</b>	<b>-5 750</b>	<b>-801</b>	<b>-55 872</b>	<b>-45 121</b>
<i>Net profit relating to;</i>				
Shareholders of the Parent Company	-5 750	-801	-55 872	-45 121
Holding without controlling influence	0	0	0	0
<i>Average number of shares</i>	<i>21 141 866</i>	<i>18 054 509</i>	<i>20 642 541</i>	<i>17 429 802</i>
<i>Average number of shares (after dilutive effect)</i>	<i>22 682 394</i>	<i>19 069 426</i>	<i>22 183 069</i>	<i>18 444 719</i>
<i>Result per share, SEK</i>	<i>-0,27</i>	<i>-0,04</i>	<i>-2,71</i>	<i>-2,59</i>
<i>Result per share (after dilutive effect), SEK</i>	<i>-0,25</i>	<i>-0,04</i>	<i>-2,52</i>	<i>-2,45</i>
<i>Total results of the Group</i>				
Net profit (loss) end of the period	-5 750	-801	-55 872	-45 121
Other profit	0	0	0	0
<b>Net profit (loss)</b>	<b>-5 750</b>	<b>-801</b>	<b>-55 872</b>	<b>-45 121</b>

\* Comparative figures are according to the adopted Annual Accounts of 2015 adjusted for the transition to IFRS.



# Financial Information Group.

<b>Balance sheet (TSEK)</b>	<b>2016-12-31</b>	<b>2015-12-31 *</b>
Intangible assets	105 545	35 735
Tangible assets	964	1 565
Financial assets	66 499	49 815
Inventories	6 577	5 593
Current receivables	20 405	6 043
Cash and bank balances	75 243	43 527
<b>Total assets</b>	<b>275 233</b>	<b>142 278</b>
Equity	208 725	88 514
Provisions	717	0
Long-term liabilities	17 572	18 057
Current liabilities	48 219	35 708
<b>Equity and liabilities</b>	<b>275 233</b>	<b>142 278</b>
Pledged assets	29 473	42 320
Contingent liabilities	0	13 470

	<b>3 months</b>			<b>12 months *</b>
	<b>Oct - Dec</b>			<b>Jan - Dec</b>
<b>Cash flow analysis (TSEK)</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Cash, beginning of period</b>	<b>15 614</b>	<b>33 186</b>	<b>43 527</b>	<b>11 655</b>
Profit (loss) after financial items	-19 900	-13 782	-69 959	-58 067
Adjustments for non-cash items, etc.	5 929	4 518	19 585	15 999
Paid taxes	-195	86	-780	-471
<b>Cash flow from operating activities before working capital changes</b>	<b>-14 166</b>	<b>-9 178</b>	<b>-51 154</b>	<b>-42 539</b>
Change in W/C	-7 740	7 673	-2 115	11 063
<b>Cash flow from operating activities</b>	<b>-21 906</b>	<b>-1 505</b>	<b>-53 269</b>	<b>-31 476</b>
Investments in intangible assets	-6 633	-5 121	-20 407	-17 716
<b>Cash flow from investing activities</b>	<b>-6 633</b>	<b>-5 121</b>	<b>-20 407</b>	<b>-17 716</b>
<b>Cash flow from financing activities</b>	<b>88 168</b>	<b>16 967</b>	<b>105 392</b>	<b>81 064</b>
<b>Cash flow</b>	<b>59 629</b>	<b>3 517</b>	<b>31 716</b>	<b>31 872</b>
<b>Cash, end of period</b>	<b>75 243</b>	<b>43 527</b>	<b>75 243</b>	<b>43 527</b>

\* Comparative figures are according to the adopted Annual Accounts of 2015 adjusted for the transition to IFRS.

# Financial Information Group.



Equity (TSEK)	Oct - Dec		12 months Jan - Dec	
	2016	2015	2016	2015
Equity, beginning of period	150 366	62 273	88 515	67 830
Cash issue	83 000	21 582	110 105	60 324
Non-cash issue	48 590	5 382	65 090	5 382
Issue expenses	-7 306	-400	-7 520	-400
Non-registered issue	-60 509	380	4 752	380
Reversed depreciation from 2015		0	2 414	0
Translation difference	334	99	1 241	120
Result for the period	-5 750	-801	-55 871	-45 121
<b>Equity, end of period</b>	<b>208 725</b>	<b>88 515</b>	<b>208 725</b>	<b>88 515</b>



# Financial Information Parent.

## Clavister (Parent)

	3 months		12 months	
	Oct - Dec		Jan - Dec	
Income statement (TSEK)	2016	2015	2016	2015 *
Net sales	-300	1 710	4 200	3 400
Staff costs	-344	-241	-1 239	-951
Other external costs	-893	-343	-2 362	-1 310
<b>EBIT</b>	<b>-1 537</b>	<b>1 126</b>	<b>600</b>	<b>1 139</b>
Financial items	-162	-145	-617	-583
<b>Result after financial items</b>	<b>-1 699</b>	<b>981</b>	<b>-17</b>	<b>556</b>
Group contribution paid	-507	0	-507	0
Taxes	0	10	0	10
<b>Net result</b>	<b>-2 206</b>	<b>991</b>	<b>-524</b>	<b>566</b>
<i>Total results of the Parent</i>				
Net profit (loss) end of period	-2 206	991	-524	566
Other profit	0	0	0	0
<b>Net profit (loss)</b>	<b>-2 206</b>	<b>991</b>	<b>-524</b>	<b>566</b>

Balance sheet (TSEK)	2016-12-31	2015-12-31 *
Financial assets **	456 084	299 247
Current receivables	392	1
Cash and bank balances	60 500	21 515
<b>Total assets</b>	<b>516 976</b>	<b>320 764</b>
Equity	502 031	311 008
Provisions	0	268
Long-term liabilities	9 428	8 780
Current liabilities	5 517	708
<b>Equity and liabilities</b>	<b>516 976</b>	<b>320 764</b>
Pledged assets	431 189	320 751
Contingent liabilities	21 959	18 781

\* Comparative figures are according to the adopted Annual Accounts of 2015 adjusted for the transition to IFRS.



# Shares, Share Capital and Ownership

## Share Capital

The company's share capital amounts to 2 274 712.40 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 5,988 shareholders at 2016-12-31.

The number of registered shares 2016-12-31 was 22,747,124 according to the Swedish Companies Registration Office (Bolagsverket).

Shareholders	Number of Shares	% of total number
Insurance Company, Avanza Pension	2 700 741	11,9%
Swedbank Robur	1 874 435	8,2%
Nordnet Pensions Insurance AB	971 986	4,3%
Swiss Life AG	849 750	3,7%
Banque Öhman S.A	818 676	3,6%
Alcur	782 917	3,4%
Litino AB	677 890	3,0%
JP Morgan Securities LLC	610 000	2,7%
Danica Pension	454 582	2,0%
AMF Small Company Equity Fund	446 000	2,0%
Foyer International	412 948	1,8%
Priority Capital	400 000	1,8%
Other	11 747 199	51,6%
<b>Total shares registered under the Companies Registration Office</b>	<b>22 747 124</b>	<b>100,0%</b>

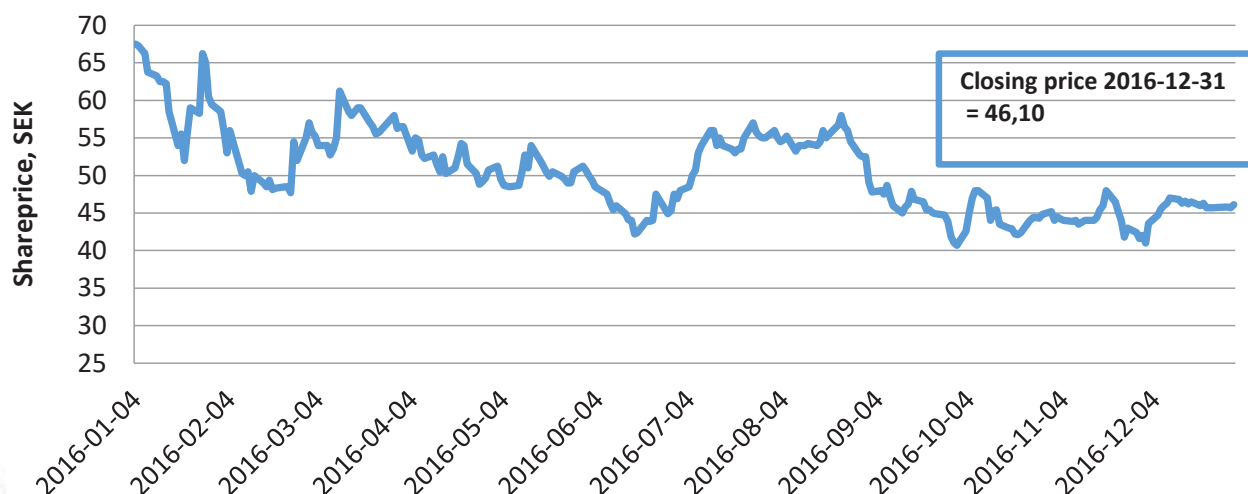
# Shares, Share Capital and Ownership.

Events	Number	
<b>IB number of shares</b>	<b>18 537 958</b>	<b>2016-</b>
New share issues due to warrants prg 2015-12-31	147 650	2016-
New share issues	400 000	2016-
New share issues *	100 000	2016-
New share issues due to warrants prg 2016-12-31	21 000	2016-
New share issues *	330 000	2016-
New share issues *	1 210 516	2016-
New share issues	2 000 000	2016-
<b>UB number of shares</b>	<b>22 747 124</b>	<b>2016-</b>
New share issues due to warrants prg 2016-12-31	148 260	2017-
<b>UB number of shares</b>	<b>22 895 384</b>	<b>2017-</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 new share issues during 2017 due to convertibles	666 667	
Any new share issues during 2019 due to warrants	530 800	
<b>Number of shares after full dilution</b>	<b>24 287 652</b>	

\*)Emissions totaling 1.640.516 shares is part of the acquisition of PhenixID AB up to 100%.

## Shareprice Clavister Holding AB 2016

(Period 2016-01-04 – 2016-12-31)

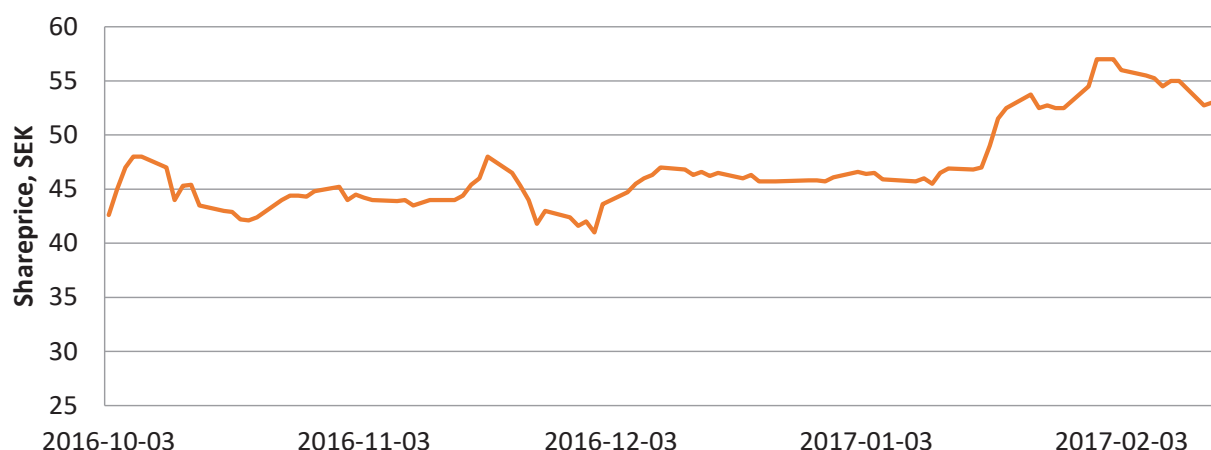


The highest closing value during the fourth quarter of 2016 was reached on 18 November with a closing price of 48.00 SEK per share. The lowest closing price for the quarter was recorded at 41.00 SEK 1 December 2016. During the quarter, 5,462 share transactions were conducted with an average number of 86 transactions per day. Per 2016-12-30 amounted to 46.10 SEK price and market capitalization (Mkt Cap) to 1,048,642 thousand.

# Shares, Share Capital and Ownership.

## Shareprice Clavister Holding AB

(Period 2016-10-03 – 2017-02-15)



## Share related incentive program

### Warrants

There are three current incentive programs, all addressed to the Board of Directors and 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 is an additional program for warrants linked to the October-made 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 725,601 warrants.

Warrants	Number issued	Redeemed	Expired	Open	Share Price, SEK
TO 2016-2026	19 801			19 801	0,1
TO 2014 - 2016-12-31	173 250	169 260	3 990	0	30
TO 2015 - 2017-12-31	175 000			175 000	30
TO 2016 - 2019-06-30	530 800			530 800	72
Total	898 851	169 260	3 990	725 601	

### Reasons for the warrants program

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

### 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 warrants 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.



# Shares, Share Capital and Ownership.



Convertible debentures (10 MSEK, STIBOR 90)	Number disbursed	Share Price, SEK
Norrlandsfonden 2017-09-30	666 667	15

At the Extraordinary General Meeting of the subsidiary Clavister AB, a decision was December 7, 2012 on the issuance of convertible debentures to a total of SEK 10 million. The convertible bonds have a nominal value of SEK 10 million with an annual interest rate based on STIBOR 90. Conversion may be requested from the convertible bonds registered with the Swedish Companies Registration Office until 30 September 2017. The convertible was then issued in favor of Clavister AB. As of 2015-01-01 the transfer of the convertible was made to the parent Company at book value and subject to unchanged conditions. This has been registered with the Swedish Companies Registration Office. The equity component amounts to SEK 2,866,728.



# The Company

## Background

Clavister is a Swedish company that develops, produces and sells network security solutions in the area of cyber security 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 very 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 very good gross margin and hence price competitiveness, especially in business applications, where licensing can be used.

Clavister's business track started as a consulting company in Örnsköldsvik and initially undertook custom software development for the Defense Industry and the Public Sector. Around the turn of the millennium the company ran a number of Internet-based development projects which eventually laid the foundation for what later became Clavister security products. During the first years as a product company Clavister gradually built up a commercial bundling of network products aimed at small and medium-sized enterprises. Clavister Firewall 8.0 was launched in 2002, with a unique technical architecture, which at the time was the fastest product of its kind on the market. Today the company offers a broad product portfolio and comprehensive technical services portfolio with specialized expertise packages to meet customer needs.

## The company's overall strategy

Clavister works in the field of cyber security to protect corporate and customer's company values, those values that can be quickly eroded and adversely affected by the disclosure of erroneous information, unwanted downtime or malicious rumor mongering. Clavister wants to contribute to improved communication that occurs unfettered and which in turn leads to new business, which ultimately generates additional corporate value and customer success.

Clavister's strong and broad product portfolio, aims at addressing the prioritized segments of medium to large companies (enterprises) and partly to operators in Telecom. The technical expertise and proprietary software also allows opportunities for Clavister to license the software and thereby establish new partnerships with much larger partners. The ambition is that the number of partnerships will continue to grow and develop further. Clavister has signed strategic agreements in recent years, for example with Nokia Networks and Canon IT Solutions. The company's ambition is to consolidate the Clavister Brand further by the ongoing investments in the markets of North Africa, Japan and Europe.

## Market conditions with big challenges

Security and cybersecurity, in particular, are areas where the interest and demand is great in the world, something that arises in the news media on a daily basis and unfortunately even many have had personal experience in areas such as Identity hijacking. The difficult balance between personal integrity, efficiency, flexibility and security are just a few aspects that make the area highly complex. In a world of constant technological development and ways to communicate, constant change requires ever more advanced and powerful network security solutions that do not compromise on efficiency and security but are still expected to protect their own privacy.

## Telekom and IoT

Close technical partnerships with some of the biggest players in the Telecommunications Industry have given Clavister a good understanding of what needs and demands are evident in the short term as well as in the long term and therefore the company has been able to adapt the products for this particular area. This has subsequently resulted in agreement and continued strong business partnerships with suppliers such as Nokia Networks and Artesyn Embedded Technologies. The combination of the exponential increase in data traffic in Telecom networks, well-adapted technologies and strong cooperation with leading players, constitute a very solid basis for growth and development.

Taking a longer perspective, where new markets are emerging such as the Internet of Things (IoT) and where the fifth generation mobile networks (5G) have been rolled out, highlights a potential additional level and that is where Clavister is exceptionally well positioned.

## Enterprise

In the Enterprise market segment, there is a continued development initiative and where the company is stronger with an attractive product portfolio that offers products and solutions for customers' differing needs. Clavister has a large customer base as well as an attractive business model. The Enterprise segment is estimated to be able to both increase in volume as well as provide the opportunity to increase market share.

## The Group

The Group consists of five subsidiaries. Clavister Holding AB is the parent company of the Group, which has a total of 160 employees. Clavister Holding AB carries out a limited part of the Group's activities such as the management of the company's shares and its activities aimed at shareholders and investors. Clavister AB conducts the vast majority of the Group's operations such as sales, production and software development. The company comprises employees and even agreements with its customers, partners and suppliers. PhenixID, which was acquired in August, has 14 employees in sales, product management, software development and support. The office is located

# The Company.

in Nacka, outside Stockholm.

Clavister APAC Ltd. located in Hong Kong, currently has no employees, while the number of employees in the company Claviser Technology (ASIA) Ltd. are 29 employees.

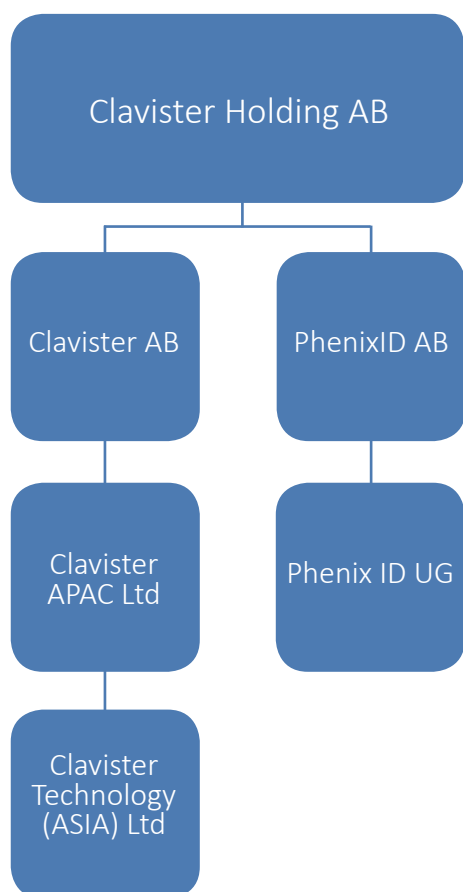
Clavister Holding AB has its head office and the registered office in Örnsköldsvik, where most of the business and employees are located. Operations which are carried out predominantly in the subsidiary Clavister AB located in Örnsköldsvik are product management (PM), product and software development (Engineering), economics, management, internal IT (Finance), qual-

ity assurance, logistics, warehousing, support (Support and Supply Chain) Professional Services (PS) and education.

The main sales office is located in Stockholm, where even the Head of Marketing and IR appears. The premises in Umeå, has approximately 17 employees who work both with software development (Engineering) and in customer support.

Clavister Holding AB acquired PhenixID AB in August 2016. PhenixID AB consists of a total of 13 employees, and is a subsidiary of Clavister Holding AB and also owns a German company that has one sales employee.

The acquisition was largely to strengthen Clavister's product offering for identity management; Identity, Access and Authorization Management (IAM). In short, this means that the software ensures that the right person or thing gets access to the application and / or service in connection with logging in to the various systems. With the expected growth in the field of Internet of Things (IoT), the Company believes that demand will increase because customers will require the supplier to actually guarantee that the right person has access.



*Clavister Group:  
Clavister Group, with the parent company Clavister Holding AB, and 100% owned subsidiary.*



# Contact information & Calendar.

## Contact information

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### Listed Shares

Symbol: CLAV  
ISIN-code: SE0005308558

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

## Calendar

### Quarterly Reports

January– March 2017; May 31st, 2017  
April – June 2017; August 29th, 2017

### Annual General Meeting

April 27th, 2017

**Örnsköldsvik 28th February, 2017**  
**Clavister Holding AB (publ.), Board of Directors**

*This information is information that Clavister Holding AB is obliged to make public pursuant to the EU Market Abuse Regulation (MAR) and the Swedish Securities Market Act (2007: 528). The information was submitted for publication through the agency of the contact person set out above, February 28, 2016 at 08:00 AM CET.*

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