Consolidated Financial Statements for Clavister Holding AB

Annual report . 2018

clavister®

CONNECT . PROTECT

Content.

Unless specifically stated otherwise, all amounts are reported in SEK thousands. Figures in brackets refer to previous years.
The Swedish version shall prevail in any case of any discrepancy between the Swedish and English version.

Clavister in brief.

Clavister develops, produces and sells cybersecurity solutions. The company was founded in 1997 and has its head office in Örnsköldsvik.

As of May 2014, the company is listed on Nasdaq First North.

Clavister's solution are based on proprietary, innovative software with powerful performance and good scalability within the field of cybersecurity. Proprietary software creates the conditions for good gross margins, which in turn results in competitiveness, particularly in business strategies where licensing is used.

Vision, business concept and goals

Clavister's vision is a communicating world based on trust and safety.

Our business concept is to be cybersecurity specialists – so that Clavister's customers can protect operations critical to their business, information and reputation.

Clavister's long-term goal is to become the leading supplier of cybersecurity in Europe.

+20%
incoming orders

Ratios

- The value of order intake for the entirety of 2018 increased by 20% to a total of SEK 120.2 million (100.2).
- Revenue amounted to SEK 112.5 million (100.2).
- Gross profit amounted to SEK 86.0 million (77.5), the equivalent to a gross margin of 76 (77) percent.

The implementation of IFRS 15 over the course of 2018 had a negative impact on annual turnover and gross profit amounting to SEK -8.8 million. The comparative figures for 2017 have not been retroactively adjusted to account for IFRS 15.

- Operating profit prior to depreciation and impairments amounted to SEK-54.2 million (53.7).
- Operating profit amounted to SEK-90.1 million (-76.9).
- Result after net financial income/expense amounted to SEK -118.2 million (-83.6).
- Earnings per share amounted to SEK-5.22 (-2.87).

Increased growth in 2019

"My primary goal for 2019 is to accelerate our sales increase as an effect of our investments and implemented changes from 2018.

I would like to see us maintain a considerably higher growth rate on our focus markets than the underlying market growth as to establish us with a growing market share."

John Vestberg, CEO and President

176
employees

A word from the CEO.

I can confidently summarize all of 2018, which was also the first year of our five-year growth plan.

With more than 20 years of history, Clavister has distinguished itself as a particularly competent technology supplier within the field of cybersecurity, a market which is hotter than ever before. Through the years, we have had the opportunity and ability to build a strong portfolio of technologies and products, which can now hold its own against the offers of our largest and most well-established industry colleagues, primarily those from the US or Israel. We manage to continually attract globally renowned customers, and every year we look with satisfaction on recurring high earnings from our customer satisfaction surveys.

Perhaps it is symptomatic for Scandinavian tech-companies, but nonetheless we can note with some self-criticism that Clavister, despite its world class technology and a solid customer portfolio, has not been particularly successful when it comes to achieving business scalability. For this reason, we began a company-wide transformation during the second half of 2017, where the task was simply to develop the company from a competent tech-company to a commercial actor with a strong growth in sales and good profitability.

This means that the operating year of 2018 was a year of change, a year where the company literally went through a metamorphosis to prepare for the offensive growth we have envisioned. As a part of our change process, we identified a number of key areas of improvement, which included the company's sales structure, product portfolio and product positioning, as well as management efforts with accompanying management by objectives.

Within the framework of the improved sales structure, most of the changes have revolved around focus and systematics. The company's sales operations were previously spread across several countries, with insufficient staffing at each location. Over the course of 2018, we instead decided to focus on sales staffing in significantly fewer regions, primarily the three focus markets of the Nordic countries, DACH (Germany, Austria, Switzerland) and Japan. In the Nordics and DACH alone, we have more than tripled our workforce over the past four quarters. As a natural consequence of narrowing our focus, we closed down our operations in North Africa, reduced our interactions with other markets and centralized a part of our sales force in order to better support our retail network. Already in 2018, we have seen that our restructuring has yielded the intended results, with consistently strong sales growth in the Nordics and DACH for every quarter thus far. Our goal is of course for these regions to continue functioning as effective growth engines for Clavister in the coming years.

An extensive product portfolio strategy was established in 2018, where Clavister has already taken significant steps towards becoming a more comprehensive cybersecurity provider. A significant part of the product development that has taken place in the last several years, especially in 2018, has led to several new and exciting products which will be launched in 2019. This more comprehensive product portfolio will be an important factor of growth and competitiveness for Clavister going forward.

My primary goal for 2019 is to accelerate our sales increase as an effect of our investments and implemented changes from 2018. I would like to see us maintain a considerably higher growth rate on our focus markets than the underlying market growth so that we can establish ourselves with a growing market share. The company's expenses in 2019 are not expected to exceed those of 2018, which means that we should be able to make significant strides towards profitability over the course of the year, and it is my hope that you, as a shareholder in Clavister, will stay with us on this journey!

John Vestberg, CEO and President

Market.

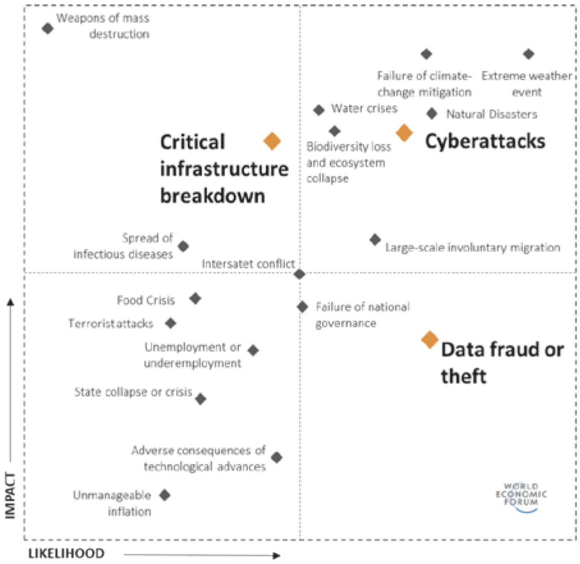
Market overview

The cybersecurity market continues to grow rapidly and is valued at over USD 124 billion in 2019 [1)]. Behind the strong growth are factors such as a steady increase in cyber crime, an increased awareness of the threat scenarios among decision-makers in both companies and government agencies, growing digitalization, as well as new legislation and directives (NIS, GDPR etc.).

The annual Global Risks Report from World Economic Forum lists the threats expected to have a significant impact on the world economy each year. In the most recent report, cyber attacks are ranked as a risk with high probability and a high degree of impact.

According to Cybersecurity Ventures, cyber criminality is expected to cost society more than USD 6 trillion every year starting 2021.

Closely related risks, such as critical infrastructure disruptions due to cyber attacks are also expected to have a major impact on the economy.



1) Source: Gartner, Forecast: Information Security, Worldwide 2016-2022, 2Q18 Update

Target groups

Education & Public Sector

Retail & Distributed offices

Critical Infrastructure

Industrial IoT & Transportation

Communication Service Providers

Clavister primarily addresses five target groups: **Education & Public Sector**, **Retail & Distributed Offices**, **Critical Infrastructure**, **Industrial IoT & Transportation** and **Communication Service Providers**.

Within the target group**Education & Public Sector**, there are both government agencies and public schools. Today, Clavister has an extensive customer base within this group, including some hundred Swedish municipalities, several Nordic police authorities, as well as multiple university networks. The customers generally display a high willingness to invest in cybersecurity with relatively uniform requirements, and Clavister has a major geopolitical advantage as one of the few European providers in the field.

Retail & Distributed Offices includes classic retail chains, but also other businesses characterised by an extensive geographically distributed localization. Clavister has several major customers in this group, in the world's by far largest office hotel chain with over 3,000 Clavister installations in more than 150 countries. The customers in this group are characterised by a high degree of what is known as "stickiness", which entails a long-term supplier relationship with customers, which can in large part be attributed to the major integration projects that are behind these types of installations. Clavister's competitive edges for this target group includes powerful tools for central and efficient control of thousands of outsourced products, the high reliability of the products, as well as a high degree of technical integration with surrounding support systems.

Critical Infrastructure, which in Clavister's target group mainly consists of providers of energy, water and other similar functions, is one of Clavister's fastest growing customer groups. Cyber attacks against facilities such as power plants and water treatment plants could have far-reaching consequences for our society. The new NIS Directive which all EU countries must abide by as of 2018 sets specific requirements for cybersecurity for this type of societal function, which contributes to a rapidly growing market. Clavister has a number of larger energy suppliers as customers, primarily in the Nordic countries and in Germany. Clavister's geopolitical advantage and the products high level of reliability are important competition aspects within this target group.

Within the field **Industrial IoT & Transportation**, the security applications are aimed at the rapidly emerging markets for connected industries and vehicles. The needs are similar in both markets: traditional and almost always unsecured IT-systems which connect to the internet, thus exposing them to new threats. Clavister's products have been embedded in certain types of vehicles for some time, where they manage the segmentation of different functions within the vehicle, which secures its communication with the outside world. One of Clavister's most significant competitive edges for this vertical is the ability to use the company's software on hardware platforms with very limited CPU and memory resources, something which disqualifies most of Clavister's competitors.

Finally, within the target group **Communication Service Providers**, we address mobile operators and broadband suppliers in need of more substantial cybersecurity as their infrastructure grows in both size and complexity, where most newly constructed networks are software controlled and use virtualization technology to a large degree. A number of actors within the field choose to also offer security as a service for their respective end customers, transforming security from a pure cost to a revenue opportunity for the operators. Clavister has concluded partner agreements with some of the largest suppliers within the segment, such as Nokia, Ericsson and Tata, and have obtained over twenty operator customers through these partners over the past two years. Clavister's competitive advantage in this target group consists of, among other factors, the ability to offer the best performing security software on the market with full virtualization support, comprehensive feature content adapted for telecom operators, as well as a business model where the operators only pay for the capacity they need to utilize.

Product portfolio

For the majority of Clavister's history, its portfolio has been dominated by two firewall products, based on the proprietary operating systems **Clavister cOS Core** and **Clavister cOS Stream** respectively, and the associated management tool **Clavister InControl**.

However, the general market trend has shifted towards more complete solution offerings from essentially all major suppliers. Clavister is no exception to this trend and has over the past few years made significant investments into the development of a number of supplementary software products, which along with previous products now represent a significantly more comprehensive product portfolio.

Clavister's updated product portfolio is divided into five product categories:

- **Management & Analytics** – the products **Clavister InControl** and **Clavister InCenter**, tools offering centralized and complete control, monitoring and analysis of all Clavister products.
- **Identity & Access Management** – the products **Clavister Easy-Access**, **Clavister EasyPassword** and **Clavister EasySigning** which together offer extensive features for identity management and access control.

Market.

- **Device Security** – with the product **Clavister One-Connect**, which offers user equipment security and safe connection to datacenters, and **Clavister One-Touch**, which offers efficient multi factor authentication.
- **Network Security** – with the product family **Clavister NetWall** , which are complete so called Next-Generation Firewall-products, and the product family **Clavister NetShield** which is positioned as so called Service-Based Firewalls, mainly intended for telecom related applications. The product group will be supplemented with at least one more product family during 2019.
- **Cloud Services** – The majority of Clavister products are well suited to be offered as cloud services. **Clavister InCenter Cloud** was the first service to launch, and will be supplemented in 2019 with at least three additional services.

As part of the product portfolio, Clavister also offers a number of services, such as packaged product training (instructor-led as well as independent studies), support and maintenance services for each respective product and consultancy services offering qualified Clavister consultants with extensive cyber security expertise.

Addressable Market

Clavister's updated product portfolio addresses a total global market with an estimated worth of SEK 240 billion in 2019, which is estimated to grow to almost SEK 280 billion by 2022, see Figure 1 below. The worth of Clavister's three geographic focus markets are estimated at around SEK 34 billion for 2019, and is estimated to grow to around SEK 40 billion by 2022.

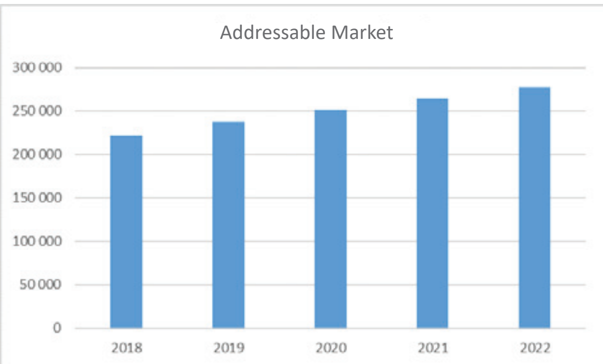


Figure 1. The total addressable market for Clavister's product portfolio 2018–2022 (SEK millions). Source: Gartner, Forecast: Information Security, Worldwide 2016-2022, 2Q18 Update.

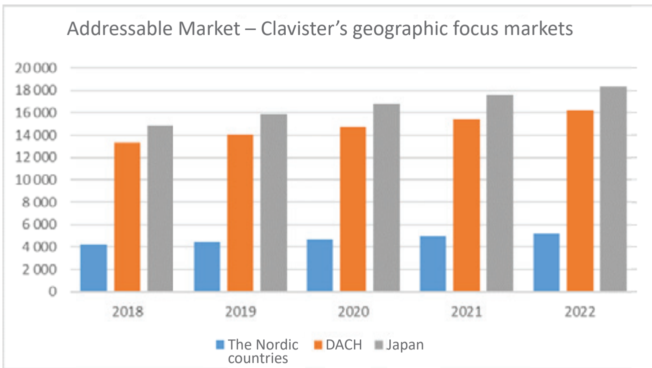


Figure 2. The total addressable market for Clavister's product portfolio for 2018–2022 (SEK millions) in Clavister's geographic focus markets. Source: Gartner, Forecast: Information Security, Worldwide 2016-2022, 2Q18 Update.

Comment from the Chairman of the board.

The World Economic Forum has named cyber attacks one of the absolute greatest threats to the global economy. While the cybersecurity market is one of the most competitive markets in the world, we also see an exponentially growing market potential, where we are becoming more connected, which in turn makes us more dependent on the internet on a daily basis.

At the same time, most of us are still far too naive regarding the powers, i.e. individuals, organizations and states, which for various reasons seek to damage the global IT infrastructure every hour of every day. That is why people can rest easy knowing that Clavister employees use their innovation skills and hard work to counteract these forces by protecting people, businesses and public authorities against cyber threats in the almost 150 countries where our solutions are installed.

This is Clavister's contributions towards making the world a safer place.

This is all done by a company with its head office in Örnsköldsvik – a city better known for hockey than IT. Clavister has managed the feat of attracting software experts, product developers and other key personnel from more than 25 countries – all with the common goal of securing a communicating world based on trust and security. During my two years on the board, I have, along with our CEO John Vestberg, led this company through a major transformation. During this period, I have seen our employees and our team deliver results and world class cybersecurity solutions – fully tailored to our internet-based economy.

In 2018, Clavister has been able to utilize financing from the European Investment Bank in order to be able to deliver on the company's growth ambitions. The board has also changed in tandem with these changes to be able to facilitate this growth journey as efficiently as possible. Through Staffan Dahlström and Jan Frykhammar, the board and the company has gained a significant amount of leadership experience from larger IT companies. Along with Annika Andersson and Bo Askvik, the board has been working actively and closely with the company management team to achieve our goals – both in the short and the long term.

If I have been able to come to any conclusions from my 25 years in IT, it would be that the only constant is change. As such, I have been able to observe with joy the agility on display at Clavister in all their efforts. CEO John Vestberg and his team have done an exceptionally good job in understanding the market and the needs of our customers, and has used this knowledge to create cybersecurity solutions which protects our customers' critical operations. Time and time again, Clavister has proven worthy of the motto "big enough to deliver, but small enough to care" – and our customers and partners love us for it! This is perhaps one of the most important characteristics which sets Clavister apart from other major actors that we compete with for market shares on a daily basis.

Clavister's future is bright, in large part thanks to our leading security solutions. Without our 20 year history of continuous software development and creating our products, we would never have gotten where we are now, with advanced security solutions in fields such as Industrial IoT solutions, defense, telecommunication and critical infrastructure.

In my conversations with Clavister's customers, distributors, investors and analysts, I am met with a strong appreciation for Clavister's innovative abilities and our leading solutions in the field of cybersecurity. I can conclude that we now have the right mix of skills both in our board and our management team to move Clavister forward on our journey of growth, and our time is now...

Viktor Kovacs, Chairman of the Board

Management report.

The Board of Directors and the CEO of Clavister Holding AB (556917-6612) will hereby submit an annual report and consolidated financial statements for the fiscal year of 2018. The company has its head office in Örnsköldsvik.

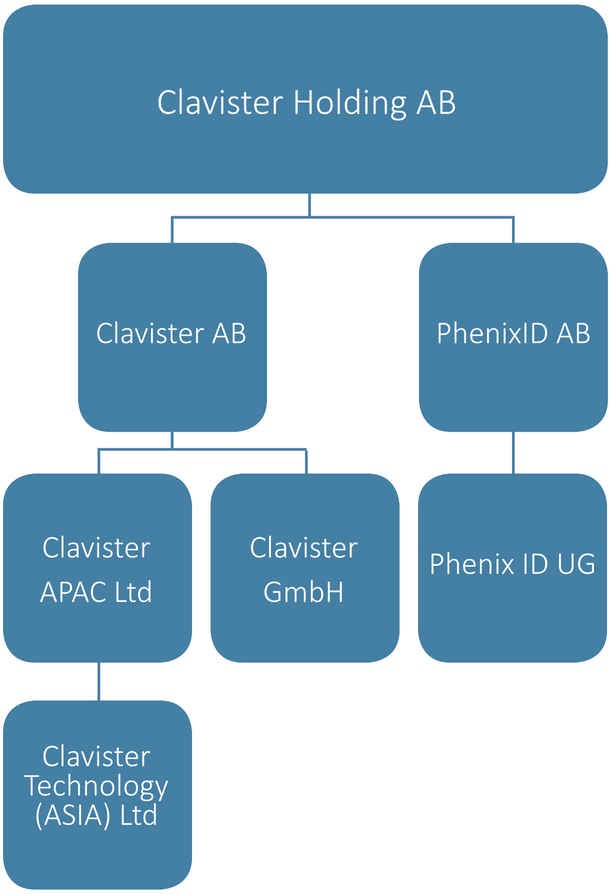
Information about the business operations

The Clavister Group houses both development, product development and sales of solutions in cybersecurity, both as physical products and for virtual environments. The products are characterized by high quality and performance, but also by a large product range. The group's offer also includes specialized cybersecurity services. Sales are primarily done under the company's own brand of Clavister, but also through OEM (original equipment manufacturer), i.e. Clavister's software being built into the customer's own product concept.

The Clavister Group was listed on Nasdaq First North in May 2014. A limited portion of the business is performed within the parent company Clavister Holding AB, such as managing the company stock and activities aimed at investors.

The group consists of seven companies where Clavister Holding AB has a 100% ownership of its subsidiary Clavister AB. The majority of the business activities are carried out in this company. The head office in Örnsköldsvik conducts product and software development, maintenance, product management, customer training, product purchasing, logistics and inventory management, customer support, marketing and administration. Since the fall of 2015, the company has established an office in Umeå. This office houses software development and customer support. The establishment in Umeå is important for attracting new and retaining current employees. The company's sales offices are located in Örnsköldsvik and Stockholm. Clavister AB has a 100% ownership of Clavister APAC Ltd. in Hong Kong, which in turn has a 100% ownership of Clavister Technology (ASIA) Ltd. This company conducts sales under the brand Amaranten and Clavister. It also conducts maintenance, customer support, logistics and inventory management, finance and other administrative tasks. Clavister AB has a 100% ownership of the company Clavister GmbH, founded in 2018.

Clavister Holding AB acquired the company PhenixID AB in 2016 and now has 100% ownership. PhenixID is a major actor in cybersecurity solutions and is an important supplement to Clavister's offerings in the field of IAM (Identity & Access Management) and Device security. PhenixID operates in Stockholm and its operations consists of sales and development. In turn, PhenixID has a 100% ownership of the German subsidiary PhenixID UG, which is solely focused on sales.



The Clavister Group with the parent company Clavister Holding AB and 100% owned subsidiaries

The year's events

In 2018, Clavister continued winning initial market shares for virtualized cybersecurity ahead of the large expected technology shift to 5G in the coming years. However, the 2018 volumes were limited in size and the aggregate turnover of this segment amounted to SEK 5.6 million in 2018. In total, around 20 telecom and broadband operators have bought licenses for Clavister's fully virtualized network solution.

Two significant deals were carried out in the third quarter within the scope the product area "Identity and Access Management", where the products were sold outside the Nordic home market for the first time.

Thanks to Clavister's stated sales channel strategy, i.e. selling to end customers through a well developed partner and distributor network with global reach, Clavister can reach a larger market than what would have been the case if it had solely relied on its own sales organisation. In 2018, Clavister added more than 90 new partners, one of which was Tata Communications Transformation Services – one of the largest system integrators in the world.

By the end of the year, the number of global Clavister partners amounted to 454.

In the spring of 2018, Clavister established its own subsidiary in Germany, one of its focus markets.

During the year's third quarter, the subsidiary PhenixID divested all its 330,000 shares in Clavister Holding AB at the price of SEK 13.5 per unit.

In 2018, Clavister was able to secure EUR 15 million in funding from the European Investment Bank, within a total loan financing amounting to EUR 20 million. At the end of the year, a total of EUR 5 million remains of this financial framework.

Management report.

The market's future development

Cyber threats of different varieties are no longer just an IT problem, but also a business and management problem. The awareness of our vulnerability is increasing and there are recurrent media reports about how different forms of cyber attacks have impacted individuals, businesses and society as a whole.

With the universal impact of both fixed and wireless communication technologies, the security requirements has increased for both government agencies and organizations, banks and businesses, as the consequences of disruptions such as interruptions, viruses, interception or DDoS attacks are so severe.

An increasing share of the business opportunities are OEM agreements where technology is sold through licensing to mobile or broadband suppliers. Network security is added as an important component of the initial offering. An example of this is the agreement Clavister signed with Nokia. The increase in network traffic also increases customer investment needs and operating costs, which in turn will continually raise the demands for higher availability, security and the development of cost effective solutions. This makes Clavister's offer particularly suitable for this market, both technically and financially.

In the next stage, the private individual will have higher requirements for integrity and security as the use of mobile units and smartgoods (IoT) increases, which further exposes the individual. The implementation of the EU legislation GDPR (General Data Protection Regulation) in May of 2018 highlights privacy and raises the demands for how personal data is managed by companies, government, public authorities and organizations, which is expected to increase demand for Clavister's security solutions.

What has been mentioned above drives the market growth, and combined with Clavister's business model, product portfolio, market positioning and technological heights, there appears to be good potential for a strong growth, despite fierce competition.

Risks and uncertainties

Risks are inherent in the business activities in question. Clavister is continuously working to identify, assess, evaluate and prevent risks facing its business activities. Risks which affect and may come to affect Clavister's sales, earnings and financial position in a negative manner should they come to fruition. The risks that the Board deems significant to the company are described below.

Operational and strategic risk

Clavister currently has its largest turnover linked to medium-sized companies and a few larger, well-established customers. The dependence on the larger accounts does not only affect the consolidated turnover, but also has a significant impact on strategic decisions and product development plans. Clavister competes with major, multinational actors, which entails an inherent risk that the customers will pick a well-known and dominant supplier rather than a smaller one. The group develops software where there is a risk that the development time for programming and testing is underestimated, which can lead to projects being delayed and customers choosing a competitor instead. Developed software can also contain errors (bugs) which were not discovered during testing and which may disrupt the customer's activities or cause disruptions and delays or lead to the collaboration being terminated. Unreasonable requests for measures may be made, which can both be difficult to solve and to finish on time. Customer support open 24/7 has limited resources in cases when the reported issues increase significantly in a short period of time, both in terms of number and complexity. This would mean that customers may not renew their current support and licensing agreement.

If the group's hardware supplier cannot deliver the agreed volumes according to schedule, this would lead to delays which will affect the deliveries to the customer, which could result in lower revenue, earnings and reduced efficiency in the financial position. To the hardware suppliers, Clavister is a relatively small customer where established product plans and improvement projects may be deprioritized, which may affect product quality and delivery times in a negative manner. The group's product responsibility may also be negatively affected due to faltering quality, which in turn can lead to extensive internal management, but also higher guarantee requirements from the customers.

The business can be greatly influenced by key personnel leaving the group. Competition is fierce to recruit programming, testing and development staff, which means that Clavister may struggle to recruit competent personnel. Personnel cost also rise when demand is high. Decision makers can handle a single issue in such a manner which may, in hindsight, be concluded as having had a negative impact on the company's financial position, especially when the company is in a state of rapid transformation, like Clavister.

The company's intangible assets are currently not patented. There is consequently a risk that Clavister utilizes technology which may encroach on other companies' intellectual property rights, which may result in threats of or actual damage claims. The group may also incorrectly be accused of encroaching on other companies' patents and therefore become involved in costly patent litigations. Any patent litigation may in turn cause uncertainty or harm Clavister's competitiveness.

The clients' willingness to buy is not only affected by the current economy and established IT budgets, but also by the driving forces of the market. In a deteriorated economy, things are reprioritized and reconsidered, which can result in network security investments being put on hold, despite the subject being highly current and the growth and market forces being very strong. Regarding agreements made between the group and different parties active in an international or national market, there is always the risk that the agreements lack sufficient coverage, despite legal expertise and internally dedicated resources.

Financial risk

The majority of sales are made in EUR, SEK, USD and to a lesser degree CNY. Purchases from hardware suppliers are normally made in USD. Currency fluctuations, applicable to both supplier payments and customer payments, can create exchange rate losses and affect the company's financial position. Currency risk also applies to interest bearing loans in EUR. Negative currency exposure can also occur as a result of the Chinese subsidiary invoicing and reporting in CNY. As trading and purchasing of products in Clavister Kina is primarily done locally and in CNY, the exchange rate's impact on the profit is limited, but still influences the consolidated result. Changed political decisions or taxation are additional risks when dealing in China which should not be ignored.

Hedging is done by matching claims and liabilities in the same currency. When it comes to the overall currency distribution, the sales in SEK account for 49% of the sales, followed by EUR, USD and CNY. Operating expenses are dominated by SEK to 76% and the remaining portion is divided between USD, EUR and CNY.

Interest-rate risks are associated with the consolidated financing through the convertible loan which is due 03/22/2022, as well as factoring where the interest rates are dictated by the markets using the different currencies. The ability to refinance the convertible loan through share subscription is dependent on future results and other factors.

The time between product delivery and customer payment entails risks. Clients might delay the payment or file for bankruptcy. Since 2014, the group uses factoring without insolvency rescission for customer invoices, which entails a credit risk. All invoices are managed and transferred if they have been credit approved by the factoring company. Approved customers (customer invoices) are credit insured and the customer invoices sold to the factoring company. Through the factoring agreement, the group has a credit insurance which indemnifies the company up to 90% in case of a customer bankruptcy. The group may also be affected adversely by suppliers who require prepayment but fails to fulfil its commitments regarding delivery times or the failure to deliver the products entirely.

Quality efforts

Clavister's efforts are based on the concept that increased quality through a sustainable conduct and continuous operational improvements intended to better meet the customer's needs. The quality of our products and services is a key factor to success in an age of increased digitalization and global competition.

Deviations from the established process are documented, timed, rectified and followed-up on. Audits are carried out internally and by an external actor, DNV GL (Den Norske Veritas), which approves the renewal of the certification in accordance with the quality management system ISO 9001. Improvements to the management system was implemented in the fall of 2016 in order to comply with the ISO 9001:2015 requirements.

Environmental and sustainability efforts

Clavister handles environmental and sustainability issues from the perspectives of business ethics, social responsibility, environment and economics.

Management report.

An attractive and sustainable workplace

The company shall be a an attractive place to work and a healthy, open and safe work environment (physically and mentally) for the employee. The work environment shall be characterised by a reasonable balance between requirements and challenges. Clavister shall encourage the employee to maintain and develop a good health and counteract tendencies which may result in a work environment where stress-related ailments or causes for long-term sick leave might develop. The company shall ensure that no employee is discriminated against. Clavister uses English as its group language and houses around 25 different nationalities, which creates good opportunities and competitive advantages. Over the course of the year, the company managers and senior executives have undergone training in leadership and work environment issues of both a physical and psychosocial nature, reinforcing the managers' significance for sufficient work environment efforts where everyone can feel included.

Business ethical aspects and long-term customer relationships

Legal requirements and business ethical guidelines covers areas such as zero tolerance for bribes or corruption, code of conduct and the handling of sensitive company information. Recognition and compliance with the code of conduct and information policy is done through the consent of all employees. The issues above are also highlighted in connection to recruitment and the introduction for new employees.

Client satisfaction surveys are conducted annually and the results are in the upper echelons.

A decrease in the company's direct and indirect environmental impact

A large part of the company's products consist of software and licenses. As for hardware production, Clavister strives to avoid potentially harmful substances in its products and production. Since the end of 2015, most of the company's hardware products, which are made in Taiwan, are transported by sea as opposed to by air, which reduces both transportation costs and carbon dioxide emissions. Since 2017, Clavister has acquired an additional manufacturer to produce hardware for a number of company products. This Swedish manufacturer is based in Örnsköldsvik, which has resulted in reduced shipping expenses. Clavister seeks to avoid unnecessary trips, promote the use of phone and video conferences, as well as reducing the company's energy consumption. Recycling and separation is carried out for waste, batteries and electronics.

Staff

The number of employees as of 12/31/2018 amounted to 176 (155), which is a 14% increase. The number of women has increased by 73% in 2018 and as of 12/31/2018 amounted to 26 employees (15). In addition to permanent employees, Clavister also engages consultants in the fields of customer projects and sales equivalent to 7 (11) full-time employees. The total number of group employed, including consultants, was 183 (166) as of December 31, 2018.

Management report.

Clavister's success is dependent on motivated, committed and result-oriented employees. Talented individuals and competence are therefore vital to Clavister's success. The company wishes to create the conditions needed for the employee to achieve their ambitions and full potential, but also maintain a good health, all attuned to the company's business needs. At Clavister, everyone shares the responsibility for their own development. All employees are to have an individual development plan comprising a combination of concrete business needs and the individual's own ambitions.

The Board's methodology

The Board of Directors at Clavister Holding AB consists of five members. Within the framework of the board meetings taking place at Clavister Holding AB, all companies included in the group are managed. Business activities are largely conducted within Clavister AB. The Board of Directors has the overall responsibility for the company's organization and management. The Board has established a working procedure which regulates the division of labor between the Board, the chairman and the CEO.

The Board's tasks include the evaluation and establishment of strategies, business plans, budget and financing, major operational changes, as well as appointing and relieving the CEO. The Board also adopts the quarterly reports, the financial statement announcement and the annual report.

The chair is responsible for continually monitoring the company and ensuring that all board members are given the information necessary to assess and evaluate the company. The chair is to consult the CEO regarding strategy, lead the board meetings and ensure that board matters are not processed in violation of the regulations of the Swedish Companies Act, the articles of incorporation and the directions established by the Board.

Every year, the Board establishes directions for the CEO with guidelines for the ongoing administration, reporting and funds management, as well as the internal steering of the company. The directions also includes the CEO's authorities and information obligations to the Board.

In 2018, the Board has had 17 recorded meetings.

Order intake 2018

Clavister normally delivers its orders within a few days of the order being placed by the customer, which means that the term "incoming orders" in Clavister's case almost entirely corresponds to what has been invoiced during a specific period of time. It is worth noting that the support and maintenance agreements are invoiced in their entirety for the whole contract period immediately when the order is made, which is positive for the company's cash flow.

Incoming orders, sales and invoicing are not affected by the international reporting standard IFRS 15, which entered into force during the first quarterly reporting of 2018. It did however affect the company's reported revenue. Prior to 2018, there was practically no difference between the term "incoming order", invoicing and operating revenue during a single period, instead each krona recognized in incoming orders was invoiced and recognized as income in the same month. The major difference from 2018's reporting is that the support and maintenance portion of a single order is now spread evenly over the full duration of the contract. The license portion of an order, including any hardware, is also recognized under IFRS 15, just like before, as soon as an order has been placed and invoiced.

Incoming orders 2018

For the entirety of 2018, the amount of incoming orders increased by 20% compared to the previous year, totaling out at SEK 120 million. Clavister's focus markets (the Nordic countries, DACH and Japan) increased their relative shares on a full-year basis and constituted 65 (57)% of the total orders.

The group's largest focus market, the Nordic countries, constituted the single largest market with around 45% of Clavister's total incoming orders for 2018. The focus market for the Nordic countries showed a 35% growth. The growth was achieved through a continuous sales and marketing effort through the company's expanded retail network, which was complemented with a number of high-profile customer successes over the course of the year.

The DACH region, primarily driven by the German market and the subsidiary founded during the year displayed a solid sales increase as the year progressed and reached a growth of 62% in 2018. The DACH region constituted Clavister's second largest market, only topped by the Nordic countries, with 13% of the total amount of incoming orders in 2018.

Japan showed a growth for the entirety of the year which amounted to 3%. As our sales efforts in Japan are being scaled up, similarly to other focus markets, it is the company's assessment that its market position will become stronger on the Japanese market as well.

The amount of incoming orders in the field of Communication Service Providers (CSP) dropped in 2018 compared to the previous year. Measures were taken to reverse this development. Despite this, Clavister has won around 20 mobile and broadband operators from all over the world since the fall of 2016, which lays the groundwork for a significant growth from this vertical in the coming years.

Revenue and result

The group conducts its sales using a traditional channel strategy, i.e. through distributors and retailers, as well as its own sales organization. Clavister primarily addresses five target groups: Education & Public Sector, Retail & Distributed Offices, Critical Infrastructure, Industrial IoT & Transportation and Communication Service Providers.

The group's total reported revenues for the year amounted to SEK 112.5 million (100.2). The implementation of IFRS 15 over the course of 2018 has had a negative impact on the annual turnover and gross profit amounting to SEK 8.8 million. The comparative figures for 2017 have not been adjusted to account for IFRS 15. The major difference from 2018's reporting is that the support and maintenance portion of a single order is now spread evenly over the full duration of the contract. The license

Management report.

portion of an order, including any hardware, is recognized just like before as soon as an order has been placed and invoiced.

The focus markets for the group are the Nordic countries, the DACH region (Germany, Austria and Switzerland) and Japan. In 2018, sales in the Nordic countries increased by 12% to SEK 43.8 million (39.0). In the DACH region, where the group founded a German subsidiary, sales have increased by 34% to SEK 12.5 million (9.3) for the full year. The newly formed company will strengthen our sales organization, increase accessibility for customers and retailers, and create better opportunities for the company to manage business opportunities. Sales in Asia have decreased by 17% over the course of the year to SEK 16.0 million (19.2), where the focus market of Japan accounted for a similar amount as the previous year.

Sales in the field of Communication Service Providers (CSP) dropped in 2018 compared to the previous year to SEK 5.6 million (6.9). Measures have been taken to reverse this development. Despite this, Clavister has had around 20 mobile and broadband operators from all over the world since the fall of 2016, which lays the groundwork for a significant growth from this vertical in the coming years.

The group's gross profit amounted to SEK 86.0 million (77.5). The total reported gross margin for the year was 76 (77)%. When adjusting for the implementation of IFRS 15, the directly comparable gross margin for the year was 78%. The remaining difference between the quarters in gross margin (one percentage) can be attributed to a difference in the product mix between the years.

Going concern 2019

The Board of Directors and the CEO makes continuous assessments regarding the Clavister Group's liquidity and financial resources, both in the short and long term.

The annual report has been drafted with the assumption that the company will be able to continue its operations during 2019, in line with the going concern assumption in the Annual Accounts Act Chapter 2, Section 4.

This assumption is based on Clavister's sales continuing to increase in 2019, and that the expense basis for 2019 will not exceed the costs of 2018, which means that Clavister can take significant steps towards profitability over the year.

Clavister is currently dependent in external financing from the European Investment Bank (EIB) for its continued operation. The loan facility with the EIB amounts to a total of EUR 20 million, of which EUR 15 million was received in 2018. The disbursement of the remaining EUR 5 million depends on certain requirements regarding turnover and earnings being met. These requirements were not met at the time of signing the annual report, but the company's projections indicate that both these requirements will be reached in 2019.

The assessment of the Board of Directors and the CEO is therefore, given the current amount of funds, signed agreements, future prospects including an increase in sales, and not least the fulfillment of the EIB's requirements, that Clavister Holdings AB is deemed to have the necessary liquidity and cash flow to continue its operations in 2019.

Should the remaining payments of a total EUR 5 million not be made in 2019, there are some serious risks regarding the continued operations of Clavister.

Financial position

Liquid assets at the end of the period amounted to SEK 82.2 million (26.5). Equity capital amounted to SEK 66.7 million (209.7) as of 12/31/2018.

The group's total assets increased by 28% compared to the previous year and amounted to SEK 385.8 million. Fixed assets increased by SEK 20.3 million compared to previous years, to SEK 253.9 million, of which balanced expenses for development efforts increased by SEK 11.3 million, as well as beneficial interest assets increasing by SEK 24.2 million with regards to lease agreements for premises due to the transition to IFRS 16.

Current assets increased by SEK 63.3 million to SEK 131.9 million (68.6), of which liquid assets accounted for SEK 82.2 million (26.5) by the end of the period.

The group's equity amounted to SEK 66.7 million (209.7) by the end of the year. The loss for the period decreased equity by -122.9 SEK million (-66.4). Equity capital also decreased by SEK 25.3 million due to the effects from implementing IFRS 15. Equity capital increased by SEK 0.1 million with regards to the payment of share warrants, equity capital also increased by SEK 0.6 million regarding the value of free share warrants which the company financier signed during the fiscal year, as well as an increase in equity capital by SEK 4.5 million pertaining to sales of equity.

Regarding the shares in Clavister Holding AB owned by the subsidiary PhenixID AB, see Treasury shares below.

Own shares

In connection with the acquisition of PhenixID in 2016, 330,000 shares in Clavister Holding AB were transferred.

In 2018, these shares have been divested to a value amounting to SEK 13.50 per share.

Investments, depreciations and development expenses

In 2018, the group has continued to make large investments in product development and activates its own development efforts according to the company policy and the regulations of IFRS. The total amount of activated expenses and internal development for the year have been balanced by SEK 39.6 million (23.6). The outgoing value of the development efforts in the balance sheet amounts to SEK 63.6 million (52.3) in 2018.

Depreciations of intangible assets regarding activations for the year amounted to SEK 28.3 million (20.2).

Investments in tangible fixed assets for the whole year amounted to SEK 2,239 thousand (1,546).

Management report.

Ownership

The number of shareholders amounts to 5,463 and the number of registered shares, as of 12/31/2018, was 23,562,050 according to the Swedish Company Registration Office. There is only one type of share. Each share represents one vote at the general meeting.

Shareholders	Number of shares	% share
Försäkringsaktiebolaget, Avanza Pension	2,580,882	11%
Ålandsbanken ABP, Bank of Åland Ltd	1,259,944	5%
Danica Pension	1,103,163	5%
Clearstream Banking	1,051,433	4%
RGG Adm-Gruppen AB	960,000	4%
Nordnet Pensionsförsäkring AB	862,248	4%
Fondita Nordic Micro Cap SR	753,000	3%
AMF Aktiefond Småbolag	531,060	2%
Stenberg, Vidar	507,492	2%
Goldman Sachs International	486,764	2%
Other shareholders	13,466,064	57%
Registered number of shares according to the Swedish Company Registration Office 12/31/2018	23,562,050	100%

Shareholdings for board of directors and senior executives

Board of Directors	Number of shares
Viktor Kovács	10,000
Annika Andersson	0
Jan Frykhammar	29,941
Staffan Dahlström	177,803
Bo Askvik	8,000
	225,744

Senior executives	Number of shares
John Vestberg*	447,520
Håkan Mattisson	1,000
Andreas Åsander	7,000
Przemek Sienkiewicz	0
Håkan Wallberg	800
Johan Edlund	0
Peter Laurén*	677,890
Wang Kee	0
	1,134,210

*Indirect ownership through their own company, or capital insurance

Management report.

Multi-year review

Group	2018	2017	2016	2015	2014
Operating income	112,517	100,206	78,116	64,191	62,263
Net sales growth (%)	12%	28%	22%	3%	18%
Gross profit	86,037	77,512	53,466	44,773	50,003
Gross margin (%)	76%	77%	68%	70%	80%
Profit before tax	-118,236	-83,642	-71,712	-55,655	-46,041
Balance sheet total	-385,791	-302,110	-277,169	-144,693	-100,980
Equity ratio (%)	17%	69%	75%	63%	67%
Number of employees	176	155	160	124	113
Parent company					
Operating income	500	6,000	4,200	3,400	1,440
Balance sheet total	527,408	622,973	517,102	320,764	251,427
Equity ratio (%)	84%	91%	97%	97%	99%
Number of employees	2	2	1	1	0.5

Comparative figures from 2014 has not been recalculated for the transition to IFRS. If this year had also been recalculated according to IFRS, earnings and key ratios of these would primarily improve as a result of the lost goodwill depreciations. For 2014, BFNAR 2012:1 (K3) is applied. With regards to intangible assets, the Swedish Accounting Standard Recommendations RR 15 "Immateriella tillgångar" (Intangible Assets) and RR 17 "Nedskrivningar" (Impairments). The consolidated financial statements were produced according to the acquisition method and the Swedish Accounting Standard Recommendation 1:00 was applied.

Proposed appropriation of profits

The following parent company assets (SEK) is at the annual general meeting's disposal	
Share premium reserve	510,533,470
Accumulated profit or loss	53,058,530
Profit for the year	-124,552,355
	439,039,645

The Board of Directors suggests that the entire share premium reserve of SEK 510,533,470 be transferred to balanced earnings. In the new calculation, SEK 439,039,645 is transferred. The company's profit/loss and position in general is indicated by the following statement of operations, balance sheet and cash flow analysis with notes.

Consolidated Income Statement

SEK n thousands	Note	2018	2017
Net sales	3.4	111,772	99,584
Other earnings		744	622
Operating income		**112,517**	**100,206**
Goods for resale		-26,480	-22,694
Gross profit		**86,037**	**77,512**
Work performed by the company for its own use and capitalized	15	39,573	23,603
Employee benefit expenses	7.8	-131,768	-109,894
Other external costs	5.6	-47,982	-44 617
Other operating expenses		-94	-277
Depreciation	9.10	-35,884	-22,137
Impairments	11	0	-1,100
Operating profit		**-90,118**	**-76,910**
Financial earnings	12	86	356
Financial costs	8.12	-28,205	-7,088
Profit before tax		**-118,236**	**-83,642**
Tax on the year's earnings	13	-4,693	17,250
Profit for the year		**-122,929**	**-66,392**
Profit for the year attributable to:			
Parent company owners		-122,929	-66,392
Non-controlling interest		0	0
Profit per share:	14		
Basic earnings per share		-5.22	-2.87
Diluted earnings per share		-5.22	-2.87

Group's comprehensive income report

SEK n thousands	Note	2018	2017
Profit for the year		-122,929	-66,392
Other comprehensive income for the year:			
Items which can later be reclassified for the statement of operations			
Translation difference		40	-135
Other comprehensive income for the year, net total after tax		**40**	**-135**
Total comprehensive income for the year		**-122,889**	**-66,527**
Comprehensive income for the year attributable to:			
Parent company owners		-122,889	-66,527

Consolidated balance sheet .

ASSETS			
Fixed assets			
Goodwill	15	52,569	52,569
Software rights	15	0	63
Balanced expenses for development work	15	63,610	52 346
Client relationships	15	2,667	3,667
Beneficial interest assets	9.16	26,827	0
Equipment	16	117	1,634
Other long-term receivables	17	31,334	41,409
Deferred tax asset	13	76,771	81,871
Total fixed assets		**253,894**	**233,559**
Current assets			
Inventories	1	5,444	8,056
Accounts receivable	17	25,262	15,622
Tax asset		79	0
Other receivables	17	2,254	2,682
Prepaid expenses and accrued income	17.18	16,681	15,698
Liquid funds	17.19	82,176	26,492
Total current assets		**131,897**	**68,551**
TOTAL ASSETS		**-385,791**	**-302,110**

Consolidated balance sheet

SEK n thousands	Note	12/31/2018	12/31/2017
EQUITY AND LIABILITIES			
Equity	21		
Share capital		2,356	2,356
Other capital contributions		534,460	554,561
Reserves		133	93
Retained earnings, including profit for the year		-470,211	-347,282
Equity attributable to parent company shareholders		66,738	209,728
Total equity		**66,738**	**209,728**
Liabilities			
Long-term liabilities			
Liabilities credit institutions	17,22,29	202,632	47,647
Convertible debt instruments	17.29	8,011	7,512
Interest-bearing liabilities	9,17,29	21,502	857
Deferred tax expenses	13	1,302	1,791
Total long-term liabilities		**233,448**	**57,807**
Current liabilities			
Interest-bearing liabilities	9,17,29	6,144	429
Advances from clients	17.29	0	217
Trade accounts payable	17.29	9,647	6,740
Current tax liabilities	13	0	2,043
Other liabilities	17.29	5,898	5,782
Accrued expenses and prepaid income	17,23,29	63,916	19,366
Total short-term liabilities		**85,605**	**34,575**
Total liabilities		**319,053**	**92,382**
TOTAL EQUITY AND LIABILITIES		**385,791**	**302,110**

Consolidated report of changes in equity.

SEK n thousands	Share capital	Other capital contributions	Reserves	Retained earnings, incl. profit for the year	Equity attributable to parent company shareholders	Total equity
Opening equity as at January 1, 2017	**2,275**	**486,765**	**228**	**-280,890**	**208,378**	**208,378**
Profit for the year	0	0	0	-66,392	-66,392	-66,392
Other comprehensive income for the year	0	0	-135	0	-135	-135
Comprehensive income for the year	**0**	**0**	**-135**	**-66,392**	**-66,527**	**-66,527**
Current capital issue	0	-4,478	0	0	-4,478	-4,478
Equity, convertible share	0	2,870	0	0	2,870	2,870
Deposits relating to share warrants	0	940	0	0	940	940
Share-based compensation – value of free share warrants	0	54,413	0	0	54,413	54,413
New capital issue	81	14,397	0	0	14,478	14,478
Issue costs	0	-346	0	0	-346	-346
Total transactions with owners	**81**	**67,796**	**0**	**0**	**67,877**	**67,877**
Closing equity as at December 31, 2017	**2,356**	**554,561**	**93**	**-347,282**	**209,728**	**209,728**

Opening equity as at January 1, 2018	**2,356**	**554,561**	**93**	**-347,282**	**209,728**	**209,728**
Adjusted opening balance according to IFRS 15	0	-25,302	0	0	-25,302	-25,302
Adjusted opening equity 01/01/2018	**2,356**	**529,259**	**93**	**-347,282**	**184,426**	**184,426**
Profit for the year	0	0	0	-122,929	-122,929	-122,929
Other comprehensive income for the year	0	0	40	0	40	40
Comprehensive income for the year	**0**	**0**	**40**	**-122,929**	**-122,889**	**-122,889**
Sale of equity	0	4,455	0	0	4,455	4,455
Deposits relating to share warrants	0	121	0	0	121	121
Share-based compensation – value of free share warrants	0	625	0	0	625	625
Total transactions with owners	**0**	**5,201**	**0**	**0**	**5,201**	**5,201**
Closing equity as at December 31, 2018	**2,356**	**534,460**	**133**	**-470,211**	**66,737**	**66,737**

Consolidated cash flow report

SEK n thousands	Note	2018	2017
Cash flow from operating activities	24		
Profit before tax		-118,236	-83,642
Adjustment for non-cash-flow items	24	37,257	24,190
Paid income tax		-2,202	-757
Cash flow from operating activities prior to changes in working capital		**-83,181**	**-60,209**
Cash flow from changes in working capital			
Changes in inventories		2,612	-1,479
Changes in operating receivables		-10,195	-13,472
Changes in operating liabilities		22,055	-2,228
Cash flow from operating activities		**-68,709**	**-77,388**
Investment activities			
Acquisition of subsidiaries, net impact on cash flow		0	0
Acquisition of tangible fixed assets		-2,250	-1,546
Acquisition of rights		-5,841	0
Acquisition of activated development work		-39,915	-23,603
Increase in financial fixed assets		10,075	-40,939
Increase in financial fixed assets		0	0
Cash flow from investments		**-37,931**	**-66,088**
Financing activities			
Borrowings		162,525	47,647
Repayment of loans		-5,420	-20,739
Share-based compensation		625	54,413
Sale of equity		4,455	0
New capital issue		121	13,809
Issue costs		0	-346
Cash flow from financing activities		**162,306**	**94,784**
Cash flow for the year		**55,666**	**-48,692**
Liquid funds at the beginning of the year		26,492	75,311
Exchange rate difference in liquid funds		18	-127
Liquid funds at the end of the year	19	**82,176**	**26,492**

Consolidated notes.

Note 1 Essential accounting principles

The annual report and consolidated financial statements covers the Swedish parent company Clavister Holding AB, corporate identity number 556917-6612 and its subsidiaries. The Clavister Group's ("Clavister") primary business is the development, production and sales of network security solutions within the field of cybersecurity. Clavister's solutions are based on proprietary, innovative, high performance software. The clients range all the way from public to private sector all over the world.

The parent company is a stock corporation registered in Sweden with its head office in Örnsköldsvik. The head office can be found at the address Sjögatan 6 J, 891 60 Örnsköldsvik, Sweden.

The Board of Directors approved this annual report and consolidated financial statements on April 23, 2019 and they will be presented to be adopted at the annual general meeting on May 14, 2019.

Applied regulations

The consolidated financial statements have been established in accordance with the International Financial Reporting Standards (IFRS) provided by International Accounting Standards Board (IASB) as well as interpretations from the IFRS Interpretations Committee (IFRS IC), such as the ones adopted by the European Union (EU). The group also applies the Annual Accounts Act (1995:1554) and the recommendation from "Rådet för finansiell rapportering" (The Board for Financial Reporting) RFR 1 "Kompletterande redovisningsregler för koncerner" (Supplementary accounting provisions for groups".

The group's accounting principles have been applied consistently for all companies in the group. The application of the accounting principles are in accordance with those contained in the annual report for the fiscal year which concluded on December 31, 2017 and should be read in conjunction with this annual report, with the exception of the accounting principles described below.

New and changed standards and interpretations apply from January 1, 2018.

Two new IFRS standards apply as of January 1, 2018, IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". Additionally, the group has chosen to apply IFRS 16 "Leasing" already from January 1, 2018.

In addition to these, other news approved by IASB as of December 31, 2018 are not expected to have any effect on the consolidated financial reports.

Presentation in the financial reports

IFRS 9, IFRS 15 and IFRS 16 have been applied from January 1, 2018. No recalculations have been made for the previous fiscal year.

Accounting principle – IFRS 9 "Financial Instruments"

IFRS 9 covers financial assets and liabilities and replaces IAS 39: Financial Instruments: Recognition and Measurement. The standard entered into force January 1, 2018. Similar to IAS 39, financial assets are classified in different categories, some of which are valued at an accrued cost of acquisition and other at fair value. IFRS 9 does however introduce other categories than those of IAS 39. IFRS 9 also introduces a new model for the impairment of financial assets. The purpose of the new model is to report credit losses at an earlier stage. In terms of financial liabilities, IFRS 9 is largely consistent with IAS 39. However, for losses recognized at fair value, a portion of the change in fair value pertaining to the entity's own credit risk shall be recognized as other comprehensive income instead of earnings, provided that this will not cause inconsistencies in the accounts. IFRS 9 also introduces partially adjusted criteria for hedge accounting. The changes can lead to more financial hedging strategies meeting the requirements for hedge accounting in accordance with IFRS 9 than to IAS 39.

The group's assessment is that the new standard has not affected the report. The assets meet the criteria to be recognized at fair value rather than other comprehensive income based on the company's business model. The consolidated report of financial liabilities has not changed, as the new requirements only affect the reporting of financial liabilities recognized at fair value rather than the statement of operations, and the group does not have any liabilities of this kind.

The new hedge accounting rules of IFRS 9 are more consistent with the company's practical risk management. Generally, it will be easier to apply hedge accounting as the standard introduces an approach more based in principle for hedge accounting. The new standard also introduces extended disclosure requirements and changes in presentation. The new model for calculating credit loss reserves is based on expected credit losses, which may entail earlier reporting for credit losses.

Classification and valuation of financial assets and liabilities

IFRS 9 contains three fundamental classifications for financial assets: Valuation of accrued acquisition cost, fair value through other comprehensive income and fair value through profit/loss. The classification of financial assets according to IFRS 9 are generally based on the company's business model for the management of financial assets and the properties of the contractual cash flows from the financial asset. The previous IAS 39 categories of investments which are held until maturity, loans and receivables, as well as financial assets up for sale are excluded. IFRS 9 largely contains the established requirements from IAS 39 for the classification and valuation of financial liabilities. The introduction of IFRS 9 has not had any significant impact on the group's accounting principles in relation to financial liabilities and derivatives (derivatives are missing).

Consolidated notes.

Reclassification of financial instruments as at January 1, 2018

	Reclassification according to IAS 39	Reclassification according to IFRS 9	Recorded value according to IAS 39	Recorded value according to IFRS 9
Financial assets				
Other long-term receivables	Loans and receivables	Assets were valued at accrued acquisition cost	41,409	41,409
Accounts receivable	Loans and receivables	Assets were valued at accrued acquisition cost	15,622	15,622
Other short-term receivables	Loans and receivables	Assets were valued at accrued acquisition cost	2,682	2,682
Accrued income and repaid expenses	Loans and receivables	Assets were valued at accrued acquisition cost	15,698	15,698
Liquid funds	Loans and receivables	Assets were valued at accrued acquisition cost	26,492	26,492
Financial liabilities				
Convertible debt instruments	Other financial liabilities	Liabilities were valued at accrued acquisition cost	7,512	7,512
Liabilities to credit institutions	Other financial liabilities	Liabilities were valued at accrued acquisition cost	47,647	47,647
Interest-bearing liabilities	Other financial liabilities	Liabilities were valued at accrued acquisition cost	1,286	1,286
Trade accounts payable	Other financial liabilities	Liabilities were valued at accrued acquisition cost	6,740	6,740
Other short-term liabilities	Other financial liabilities	Liabilities were valued at accrued acquisition cost	5,782	5,782
Accrued cost	Other financial liabilities	Liabilities were valued at accrued acquisition cost	19,366	19,366

The application of this standard has not had any impact on the consolidated earnings or position as of December 31, 2018.

Consolidated notes.

Accounting principle – IFRS 15 "Revenue from Contracts with Customers"
IFRS 15 Revenue from Contracts with Customers entered into force on January 1, 2018 and replaced the previous guideline of IAS 18 Revenue and its associated interpretations. The standard established a new principle-based model for revenue recognition from customer agreements. It introduces a five-step model which states revenue recognition is allowed when control of products or services is transferred to the customer. The group applies IFRS 15 according to the so called modified retroactive method, which means that the effect of the transition to IFRS 15 is to be reported in the opening retained earnings on January 1, 2018.

The primary features of the IFRS 15 revenue recognition model is described in the five-step model below:

1. Identify the customer agreement
An agreement is an understanding between at least two parties which creates a right and a commitment. The agreement may be written, verbal or based on industry practice. Revenue recognition is to be applied to every individual agreement, with the exception of cases where specified criteria are fulfilled allowing for multiple contracts to be recognized as one.

2. Identify the various obligations
An agreement contains promises to transfer goods or services to the customer. These are called performance obligations. All performance obligations which are distinguishable by nature must be recognized separately. The standard sets up a number of criteria which must be fulfilled to achieve the "distinguished" classification. If a company is to transfer multiple goods or services and these are not separable, the company shall bundle the goods and services until this "package" can be regarded as unique, which would make it distinguishable.

3. Establish the transaction price
The transaction price is the amount of compensation the company is expected to receive in exchange for the transaction of the promised goods and services. The transaction price usually consists of a fixed compensation from the customer. In certain cases however, the compensation could consist of variable amounts of compensation or be received in a form other than cash. Variable compensations are included to the extent that it is highly likely that it will not become subject to a substantial reversal when the associated uncertainty ends. The transaction price shall be adjusted to the time value of money (discounted) as well as any discounts.

4. Allocate the transaction price of the various performance obligations
The company normally allocates the transaction price for every individual goods or service based on the stand alone price. In cases where an observable stand alone price is not available, the company shall estimate one. In some cases, the transaction price may include a discount or a separate compensation that only refers to part of the agreed performance obligation. The standard provides guidelines for how such a compensation should be allocated.

5. Recognize revenue when performance obligations has been fulfilled
A company reports a source of revenue when they have fulfilled the performance obligations by transferring the promised goods or service to the customer (as in control is transferred to the customer). The amount reported as revenue is the amount that was previously allocated to the performance obligations in question. A performance obligation may be fulfilled at a given point in time (which is usually the case when selling goods) or over a period of time (which usually is the case when selling services). For performance obligations fulfilled over a period of time, the company shall choose an appropriate method for estimating the level of completion in order to determine the portion of revenue to be reported when the performance obligation has been fulfilled.

The following is a summary of how the new revenue recognition has affected the report:

IFRS 15 replaces all previous standards and interpretations related to revenue management. The standard introduces a consolidated model for revenue recognition according to which revenue is to be recognized when goods or a service has been transferred to a customer. This can be done over time or on a single occasion. The revenue consists of the amount the company expects to receive as compensation for provided goods or services.

When transferring to IFRS 15, the group assessed that a change would occur regarding the fulfilment of the commitment in the sales process. As such, a review and an assessment of the contracts and the identification of different obligations will be made, after which the revenue can be reported. Compared to the current principles, the group's revenue recognition is mainly estimated to change regarding the agreements concerning support and service that extends over time. The change is expected to affect the IT industry more than other industries.

In connection with the group's review of its assets, an allocation of revenues was made between different forms of agreement/revenue. Support revenues have been distributed over the duration of the agreement. There are also support revenues which contain expenses for third party products; the part that refers to third party products is directly recognized, while the remainder of the revenue is distributed over the duration of the agreement. The recognition of this revenue is therefore distributed over several months and moved forward in time.

Consolidated notes.

The group converted to IFRS in its third quarterly report of 2016. During 2017 and the start of 2018, the group has investigated and evaluated the effects of the standard. The group has applied IFRS 15 with a limited retroactive application, the first time it was applied was the first quarterly report of 2018."

The revenue recognition standard IFRS 15 was implemented on January 1, 2018 and will initially (primarily in the years 2018–2020) have a negative impact on operating income compared to the revenue recognition model applied in previous years. This is due to the support and maintenance portion of a new order as of 2018 being recognized in the balance sheet, after which it is a distributed revenue over the duration of the agreement. Before IFRS 15 was implemented, the revenue from both the licensing and support/maintenance portions of the agreement were directly recognized in their entirety, without any distribution over the agreement duration. The transitional rule to IFRS 15 states that only one year's revenues are to be retroactively revalued. This means that the company recognizes maintenance revenue from 2017 in 2018, but also that it needs to balance support revenues from 2018 over each respective agreement's duration in the future. As a result, the company's balance sheet will be enhanced in the coming years. The downside of the support and maintenance portion of an order being recognized later under IFRS 15 is offset by portions of the revenues from coming years already being won and secured. For the full year of 2018, the negative effect of implementing IFRS 15 amounted to the net sum SEK 8.8 million. At the same time, the company's balance sheet as per the 2018 financial statement amounted to SEK 34.0 million in the form of accrued support and maintenance revenues, which will be credited to future statements of operations.

The effect of the new revenue recognition on the report is summarized below:

Balance sheet	Established balance sheet 12/31/2017	Adjustment when changing accounting principles	Recalculation of balance sheet 01/01/2018
Equity	172,145	-25,302	146,844
Accrued costs and prepaid income	17,426	25,302	42,728

Income statement	Income statement established on 12/31/2017	Adjustment when changing accounting principles	Income statement recalculated on 12/31/2017
No impact on the income statement			

Accounting principle - IFRS 16 "Leasing"

Clavister has chosen to pre-apply IFRS 16 Leasing as of January 1, 2018, in line with the opportunity to do this when IFRS 15 is applied at the same time. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease. The challenge posed by IFRS 16 is that these estimates and assessments now apply to a significantly larger number of agreements, where lease agreements are activated as assets and liabilities in the balance sheet, with the associated effect that the cost in the statement of operations is allocated to depreciations in the operating profit/loss and interest expenses in the net interest income.

Clavister applied the simplified transitional method when implementing IFRS 16. This means, among other things, that the calculation model only includes the remaining payments for each contract, the comparative year of 2017 is not adjusted, agreements with a duration of less than 12 months remain, and that agreements where the asset has a low value do not need to be considered. Short-term leasing agreements and leases of a low value are instead linearly recognized as a cost over the leasing period. The standard requires assets and liabilities attributable to all leasing agreements, with a few exceptions, to be reported in the balance sheet. This reporting is based on the view that the lessee has a right to use an asset for a specific period of time while also having an obligation to pay for this right. See note 9 for initial recognition and valuation.

According to IFRS 16, the lessee is required to report a leased asset in the balance sheet. Depreciation of the asset is then reported in the earnings. The leasing fee is to be divided into interest payment and amortization. The group is mainly affected by this standard due to the rental agreements for the offices in Örnsköldsvik, Umeå, Nacka, and Stockholm under IFRS 16 no longer being recognized as a lease expense but rather as depreciation and interest expense. By implementing this standard, the year's rent costs decreased by SEK 6.2 million, while the depreciation increased by SEK 5.4 million and interest expenses increased by SEK 1.4 million.

Consolidated notes.

The following summarizes IFRS 16 – Leasing, effect on accounts when transitioning on 01/01/2018

Balance sheet	Established balance sheet 12/31/2017	Adjustment when changing accounting principles	Recalculation of balance sheet 01/01/2018
Beneficial interest assets	0	23,384	23,384
Equity	0	0	0
Lease liabilities	0	-23,384	-23,384

On 01/01/2018, the undiscounted lease value and the lease liability amounted to SEK 29,515 thousand. The discount interest amounted to 5.2%.

Income statement	Income statement established on 12/31/2017	Adjustment when changing accounting principles	Income statement recalculated on 12/31/2017
No impact on the income statement			

The following summarizes IFRS 16 – Leasing, effect on accounts

Balance sheet	12/31/2018
Beneficial interest	24,208
Short-term lease liabilities	-5,208
Long-term lease liabilities	-19,576
Equity, profit/loss	576
	0

Reconciliation leasing liabilities	01/01/2018
Commitments for operational leasing agreements 12/31/2017	27,921
Minimum leasing 12/31/2017 financial leasing agreements	1,466
Practical expedients for low values	-356
Gross leasing liabilities as at 01/01/2018	29,031
Discounting	-4,361
Leasing liabilities as at 01/01/2018	24,670
Present value of financial leasing liabilities as at 12/31/2017	-1,286
Additional leasing liabilities due to the applications of IFRS 16 as at 01/01/2018	**23,384**

Currency

Functional currency is the currency in the primary financial environments in which the companies operate. The parent company's functional currency is the Swedish krona (SEK), which also serves as the reporting currency for the parent company and the group. The financial reports are presented in SEK. All amounts presented, unless stated otherwise, are provided in SEK thousands. Figures in brackets refer to previous years.

Consolidated notes.

Classification

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

Consolidated financial statements

Subsidiaries

Subsidiaries are companies under Clavister Holding AB's controlling influence. Controlling influence entails a direct or indirect right to determine the company's financial and operational strategies in order to gain financial benefits.

Subsidiaries are reported according to the acquisition method. The method entails that the acquisition of a subsidiary is regarded as a transaction through which the group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value on the acquisition day of the acquired, identifiable assets and assumed liabilities, as well as any holdings without controlling influence. Any transaction expenses, with the exception of transaction expenses attributable to emission of equity instruments or debt instruments, are to be reported directly in the year's profit/loss. During business combinations where the transferred compensation exceeds the real value of the acquired assets and the assumed liabilities which are reported separately, the difference is recognized as goodwill. If the difference is negative, what is known as low price acquisitions, it is reported directly in the year's profit/loss.

When an acquisition is made in increments, the goodwill is determined on the day the controlling influence originates. Previous holdings are recognized at fair value and the change in value is recognized in the year's profit/loss. Acquisitions from holdings without controlling influence is reported as a transaction within equity, i.e. between the parent company's owners (within retained earnings) and holdings without controlling influence. As such, these transactions do not result in goodwill. The holding changes without controlling influence is based on its proportional share of net assets. The subsidiaries' financial reports are included in the consolidated financial statements from the acquisition point until the end of the controlling influence.

Intra-group receivables and liabilities, income or expenses and unrealized gains or losses which arises from intra-group transactions between companies in the group, and in turn connected unrealized gains are eliminated in their entirety.

Segment reporting

An operating segment is a part of the group conducting operations from which it can generate income and incur costs and for which there is independent financial information available. Clavister develops products for the segment Enterprise consisting of medium-sized and large customers, as well as for Service Providers (Telekomoperatörer), based on the platforms cOS Core and cOS Stream respectively. Resources are distributed based of the group's developmental efforts. The product platforms have unique benefits, where Stream has better adapted functionality and performance for Service Providers (Telecom) while cOS Core is generally better suited for the Enterprise segment. The Enterprise segment represents the largest portion of total sales. Through close business partnerships, the company has been able to adapt the solutions for Service Providers, which combined with increased amounts of data traffic in the telecom networks are expected pay off through increased group growth and development.

Currency conversion

Transactions in foreign currency

Transactions in foreign currency are converted into the functional currency current on the day of transaction. Monetary assets and liabilities in foreign currency are converted into the functional currency current on the balance sheet date. Differences in exchange rates which originate from the conversions are reported in the year's profit/loss. Exchange gains and losses on operating receivables and operating liabilities are reported in the operating profit/loss, while exchange gains and losses on financial receivables and liabilities are reported as financial incomes and expenses.

Conversion of foreign operations

Assets and liabilities in foreign operations, including goodwill and other group related surplus and sub-values, converted from the functional currency of the foreign operations to the group's presentation currency, SEK, at the exchange rate current to the balance sheet date. Revenues and costs in a foreign operation is converted to SEK at an average exchange rate which constitutes an approximation of the exchange rates current to each respective transaction. Conversion differences arising from currency conversion of foreign operations are reported under other comprehensive income and accumulates in a separate component of equity capital, named conversion reserves. Upon the sale of a foreign operation, the accumulated conversion differences attributable to the operation are realized, whereupon they are reclassified from the other comprehensive income to the year's profit/loss.

Consolidated notes.

Staff benefits

Short-term benefits
Staff benefits refers to all forms of compensation provided to employees by the group. The group's benefits includes items such as salaries, paid vacations, holiday compensation, paid leave of absence and bonuses. Reporting is done in tandem with the earnings.

Pensions
Clavister's pension obligations solely consist of defined contribution plans. A defined contribution pension plan is a pension plan according to which the group pays fixed fees to a separate legal entity. The group has no legal or informal obligations to pay additional fees if this legal unit lacks the sufficient funds to pay for all the staff compensations associated with the staff service during the current or previous periods. This means that the group has no additional risks. The group's obligations regarding fees for defined contribution plans are reported as a cost in the year's profit/loss at the rate which they are earned through the services performed by the staff for the group during a period of time.

Termination benefits
A cost for benefits in connection with staff termination is only reported if the company is demonstrably obliged, without realistic opportunities for withdrawal, by a formal detailed plan to terminate an employment before the regular point in time. When benefits are presented as an offer to encourage voluntary retirement, a cost is reported if it is likely that the offer will be accepted and the number of employees expected to accept the offer can be reliably estimated.

Leasing

Accounting principles applied from 2018
As of 1 January, the group applies IFRS 16 Leases, where the asset is reported in the balance sheet and future obligations are reported as long and short-term liabilities. Additional information regarding this can be found in the section titled "New and changed standards and interpretations that apply as of January 1, 2018", as well as note 7. The following accounting principles apply as of 2018:

The group is part of leasing agreements related to the rental of mainly office spaces. These leasing agreements are reported, valued and presented in accordance with IFRS 16 Leases. Leased assets are activated at the start of the leasing period and consists of the original leasing liability where the leasing liability is valued to the present value of the leasing fees not paid at this point in time, where the leasing fees are present value computed and discounted based on a marginal lending rate. Deductions are made for any received benefits in connection with the signing of the leasing agreement, including any upfront direct costs. After the initial application, an impairment test is performed for any leasing rights which indicates a need for impairment and an impairment is reported against the impairment tested asset.

The leasing liability is calculated on the date of acquisition to the present value of the fixed and variable leasing fees unpaid at this point. The leasing fees are discounted with a marginal lending rate. Leasing fees for buildings exclude service fees for cleaning and other costs. Modifications to the leasing agreement are reported as a new leasing agreement with an enforcement date from the date of the change.

Accounting principles applied before 2018
Financial leasing
The group leases certain tangible fixed assets. Leasing agreements for fixed assets where the group has essentially assumed the financial risks and benefits associated with the ownership, are classified as financial leasing.

Assets rented in accordance with leasing agreements are reported as fixed assets in the balance sheet and is initially valued at the fair value of the leased object and the present value of the minimum leasing fees at the start of the agreement. The obligation to pay future leasing fees are reported as long and short term liabilities. Fixed assets held under financial leasing agreements are amortized during the shorter period of the assets utilization period and leasing period, while the lease payments are reported as interest and amortization of the liabilities.

Operating leasing
Leasing is an essential part of the risks and benefits of ownership remaining with the lessor are classified as operating leasing. Payments made during the duration of the leasing (after deductions for any incentives from the lessor) are expensed in the earnings for the leasing period.

Financial costs

Financial costs mainly consists of interest, as well as activated costs allocated over a period of time with regards to loan financing through external financial institutions. Interest expenses on loans are reported according to the effective interest method.

Consolidated notes.

Taxes

Income taxes consist of the current tax and deferred tax. Income taxes are reported in the year's profit/loss, except when underlying transaction reported in other comprehensive income or equity capital, whereby the associated taxation effect is reported in other comprehensive income or equity capital.

Current tax is tax paid or received in the year in question, with the application of the set taxation rates or determined in practice in the balance sheet date. Current taxes also includes the adjustment of current tax attributable to previous periods.

Deferred tax is reported in its entirety, according to the balance sheet method, on all temporary differences that arise between the taxation value on assets and liabilities and its reported values. Temporary differences are not taken into account in consolidated goodwill. Additionally, temporary differences attributable to shares in subsidiaries which are not expected to be reveres within the foreseeable future are not taken into account. The valuation of deferred tax is based on how underlying assets and liabilities are expected to be realized or settled. Deferred tax is calculated through the application of the tax rates and taxation rules in force or announced as of the balance sheet day and which are expected to apply when the deferred tax claim is realized or the deferred tax claim is settled.

Deferred tax claims relating to deductible temporary differences and deficit deductions are only reported to the extent that they are likely to be utilized. The value of deferred tax claims are reduced when it is no longer deemed likely that they will be utilized.

Earnings per share

Earnings per share prior to dilution is calculated by dividing the net result attributable to the parent company's shareholders by the weighted average number of outstanding shares during the year.

Earnings per share after dilution is calculated by dividing the net result attributable to the parent company's shareholders (adjusted where appropriate) by the weighted average number of common stocks and potential common stocks which may contribute to the dilution effect. The dilution effect of potential common stock is only reported if a conversion to common stocks could lead to an earnings loss per share following dilution.

Intangible assets

Goodwill
Goodwill is valued at acquisition cost minus any accumulated impairments. Goodwill is allocated to cash generating units and must be tried at least once per year to see if there are needs for impairment.

Balanced expenses for development work
Costs during the development phase of products are activated as intangible assets when the board assess that it is likely that they will result in future economic advantages for the group, the criteria for activation have been met and the costs during the development phase can be measured reliably. Assets developed internally will be reported at acquisition cost minus any accumulated depreciations and any accumulated impairments. All other costs which do not meet the criteria for activation will debit the earnings when they appear.

Software rights
Software of a standard character are carried as an expense. Expenses for software developed or in a substantial was adapted on the group's behalf are activated as an intangible asset if it has probable economic benefits which exceed the cost within one year.

Client relationships
customer relationships acquired by the group refers to customer related assets and assets related to agreements or technology. These will be reported at acquisition cost minus any accumulated depreciations and any accumulated impairments.

Depreciation principles
Depreciations are recognized linearly in the year's profit/loss over the estimated utilization period for intangible assets, provided that these utilization periods are not indefinable. Goodwill is subjected to impairment testing on an annual basis and as soon as there are indications that the asset in question has decreased in value. Intangible assets with definable utilization periods are depreciated as of the point in time they become available for use.

The estimated utilization periods are:

- Balanced expenses for development work	3-5 years
- Software rights	3 years
- Client relationships	5 years

Utilization periods are reviewed at least annually.

Tangible fixed assets

Fixed assets are reported in the group at acquisition cost after deductions for accumulated depreciations and any impairment. The acquisition cost includes the purchase price and expenses directly attributable to the asset to bring it to its designated location and usable condition in accordance with the purpose of the acquisition.

The reported value of an asset is removed from the balance upon retirement or sale or when no future economic benefits are expected from the usage or the retirement/sale of the asset. Any profit or loss resulting from the sale or retirement of an asset consists of the difference between the selling price and the recognized value of the asset with deductions made for direct selling costs. Such profit and loss are reported as other operating income/cost.

Additional expenses
Additional expenses are only added to the acquisition cost if it is deemed probable that the future economic advantages associated with the asset will come to benefit the group and that the acquisition cost can be reliably calculated. All other additional expenses will be reported as a cost for the period in which they appear. Repairs are continuously carried as expenses.

Depreciation principles
Depreciation is done linearly over the asset's estimated period of utilization. The estimated utilization periods are:

- Equipment	3 years
- Computers	3 years
- Beneficial interest assets	are depreciated over the duration of the leasing period

The depreciation, residual values and utilization periods are retried at the end of every year.

Impairment of non-financial assets

Assets with an undefined utilization period, such as goodwill, is not devalued, but rather tried annually with regards to any needs for impairments. The devalued assets are assessed with regards to drops in value whenever circumstantial events or changes indicate that the reported value is not recoverable.

Previously reported impairments is reversed if the recoverable amount is assessed to exceed the reported value. Recovery does however not occur for amounts larger than what would make the recognized value amount to what it would have been if the impairment had not been recognized in earlier periods. Impairment of goodwill is however never recovered.

An impairment is made in the amount with which the asset's reported value exceeds its recoverable amount. The recoverable amount is the larger out of the asset's fair value reduced by sales costs and its value in use. When assessing needs for impairment, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash generating units). When impairment needs are identified for a cash generating unit (group of units), the amount impaired is primarily allocated to goodwill. Next, a proportional impairment is made for other assets included in the unit (group of units).

Financial assets and liabilities

Accounting principles applied for 2018
As of 2018, the group applies IFRS 9 "Financial Instruments". The following accounting principles apply for 2018

Financial assets
Financial assets are recognized in the balance sheet when the group becomes a party in the contractual conditions for the instrument. Customary purchases and sales of financial assets are reported on the settlement date.

For financial assets, reporting in the balance sheet ceases when the payment rights from the holdings have ceased or have been transferred and the group has transferred all material risks and rights attributable to the ownership. Separate assets and liabilities are reported if any rights or obligations are created or retained during the transfer.

The group classifies its financial assets using the following categories: "accrued acquisition cost", "fair value through other comprehensive income" and "fair value through profit/loss. The classification depends on the asset's characteristics and the business model under which it is held. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not recognized at fair value through the earnings. Financial assets reported at "fair value through profit/loss" are initially recognized at fair value and the transaction costs are carried as an expense in the statement of operations.

Financial assets at accrued acquisition cost
Financial asset are classified as reported at accrued acquisition value if the contractual conditions result in payments which only refer to the principal amount and interest for the outstanding principal amount, as well as the financial asset being held under a business model

the purpose of which is to hold financial assets in order to obtain contractual cash flows. In subsequent reports, valuation at accrued acquisition cost is based on the effective interest method minus impairments. Interest revenues and profits/losses from financial assets at accrued acquisition cost are recognized as financial income.

Financial assets recognized at fair value through other comprehensive income
Asset are classified as "financial assets recognized at fair value through other comprehensive income" if the contractual conditions result in payments which only refer to the principal amount and interest for the outstanding principal amount, as well as the financial asset being held under a business model whose purpose is achieved both by obtaining contractual cash flows and by divesting financial assets. In subsequent reports, these assets are recognized at fair value with the changes in fair value reported in "other comprehensive income", with the exception of effective interest, impairment and recovery of these, as well as currency conversion gains, which are presented in the statement of operations. With the asset being removed from the balance sheet, the accumulated profits and losses are reclassified in other comprehensive income to the statement of operations.

Financial assets recognized at fair value through the profit/loss
All financial assets not classified as either "accrued acquisition cost" or "financial assets recognized at fair value through other comprehensive income" are classified as "Financial assets recognized at fair value through profit/loss. A financial asset is classified as being held for trading if it was primarily acquired for selling within the near future. Derivatives are classified as held for trade on the condition that they are not attributable to the hedging instruments with the intention of applying hedge accounting. Assets held for trade are classified as short-term assets. Liability instruments classified as "financial assets recognized at fair value through other comprehensive income", but which are not held for trading, are classified in the balance sheet based on maturity (meaning that if the remaining duration exceeds one year, they are classified as long-term). Stock holdings or participations are classified as "financial assets recognized at fair value through other comprehensive income" and long-term financial assets.

Earnings and losses attributable to changes in the fair value of financial assets classified as "Financial assets recognized at fair value through other comprehensive income" (excluding derivatives and customer financing) are presented in the statement of operations in financial assets in the period in which they originate. Earnings and losses from derivatives are presented in the statement of operations in the following manner. Earnings and losses from derivatives which hedge operational assets and liabilities, as well as financial assets and liabilities, are presented as consultancy services and materials and financial income and costs respectively. Earnings and losses from customer financing is presented in the statement of operations as other external expenses

Financial liabilities
Financial liabilities are classified as valued at "accrued acquisition cost" or "fair value through profit/loss". A financial liability is classified as "fair value through profit/loss" if it is classified as being held for trading purposes, as a derivative or if it has been identified as such in the initial recognition. Financial liabilities valued at "fair value through profit/loss" are recognized at fair value and net earnings and losses, including interest expenses, are reported in the profit/loss. The subsequent valuation of other financial liabilities are made at "accrued acquisition cost" using the effective interest method. Interest expenses and exchange rate profits and losses are reported in the earnings. Earnings and losses are also recognized in the earnings when removed from the annual report.

Accounts payable
Accounts payable are initially recognized at fair value and later at accrued acquisition cost using the effective interest method.

Impairment of financial assets
At the end of the accounting period, financial assets valued at either accrued acquisition cost or "financial assets recognized at fair value through other comprehensive income" as well as contractual assets according to the model for "expected credit losses" are tested for impairment. "Expected credit losses" make up the difference between all contractual cash flows due in accordance with the agreement and all cash flows which the group expects to obtain, calculated at present value with the original effective interest rate. Impairments of accounts receivable and contractual assets are always the same as "expected credit losses" for the entire maturity. The group makes reservations for customer losses based on an individual assessment. The losses are reported in the statement of operations. When there is no longer a reasonable expectation of receiving payment, the asset is written off.

Consolidated notes.

Accounting principles applied before 2018
The group has applied IFRS 9 retroactively but has chosen not to adjust the comparative figures. This means that the comparative figures provided have been recognized in accordance with earlier accounting principles.

A financial asset or financial liability was recognized in the balance sheet when the group became a party according to the instrument's contractual conditions. Accounts receivable were reported when the invoice had been sent. Liabilities were reported when the counterparty had presented and there was contractual obligation to pay, even if no invoice had yet been received. Accounts payable were recognized when the invoice was received.

A financial asset was removed from the balance sheet when the rights of the agreement were realized, lapsed and the group lost control of them. The same applied to a portion of a financial asset. A financial asset was removed from the balance sheet when the obligation in the agreement was fulfilled or otherwise eliminated. The same applied to a portion of a financial liability.

A financial asset and a financial liability were offset and recognized with a net amount in the balance sheet only when there was legal precedence to settle the liability, as well as there being the intention to regulate the items with a net amount or simultaneously realize the asset and regulate the liability.

Acquisitions and divestment of financial assets were reported on the trade date. The trade date constituted the date on which the company undertook to acquire or divest the asset.

Classification and valuation
Financial instruments were initially recognized at acquisition cost equivalent to the instrument's fair value with the addition of transaction costs for all financial instruments, save for those in the category financial asset/liability which were recognized at fair value through profit/loss, which were recognized at fair value excluding transaction costs. A financial instrument was classified in the initial recognition based on the purpose of its acquisition. The classification determined how the financial instrument was valued after the initial report. Up until December 31, 2017, the group divided its financial instruments into the following categories:

- Financial assets recognized at fair value through the profit/loss
- Loans and receivables
- Sellable financial assets
- Financial liabilities recognized at fair value through profit/loss
- Other financial liabilities

Financial assets recognized at fair value through the profit/loss
This category consisted of two subcategories: financial assets held for trading and other financial assets that the group initially decided to place in this category (fair value option). Financial instruments in this category were continuously recognized at fair value with value changes reported in the year's profit/loss. The subcategory fair value option contained the group holdings in listed shares which were monitored based on fair value.

Loans and receivables
Loans and receivables are financial assets which are not derivatives, with defined or definable payments and which are not listed on an active market. These assets were valued at accrued acquisition cost. The accrued acquisition cost was determined based on the effective interest rate calculated at the time of acquisition. Accounts receivable were recognized in the amount estimated to be received, i.e. following the deduction of bad debts.

Sellable financial assets
Sellable financial assets are assets which are not derivatives and where the assets were identified as sellable or not classified in any of the other categories. Assets in this category were continuously recognized at fair value with value changes on other comprehensive income which were accumulated in a specific component of equity capital. The group's sellable financial assets consisted of unlisted holdings. The unlisted holdings were valued at acquisition cost as the fair values could not be reliably calculated.

Financial liabilities recognized at fair value through profit/loss
This category consisted of two subcategories: financial liabilities held for trading and other financial liabilities the group initially decided to place in this category (fair value option). Financial instruments in this category were continuously recognized at fair value with value changes reported in the year's profit/loss. The subcategory fair value option contained the group's conditional purchase sum.

Other financial liabilities
Loans and other financial liabilities are included in this category. These liabilities were valued at accrued acquisition cost.

Impairment of financial assets

At the end of every reporting period, the group assesses whether there is objective proof of an impairment need for a financial asset or a group of financial assets. A financial asset or group of financial assets has such a need and is impaired only if there is objective proof that there is a need for an impairment as the result of one or more events after the asset was initially recognized (a loss event) and that this event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets, which can be reliably estimated.

The criteria the group uses to determine if there is objective proof for the need of impairment includes significant financial difficulties for the issuer or debtor, a breach of agreement, such as the absence or delay of payments for interests or principal amounts, or if it is likely that the borrower will go into bankruptcy or some other financial reconstruction.

In the category loans and receivables, the impairment is calculated as the difference between the asset's reported value and the present value of the estimated future cash flows (excluding future credit losses yet to occur), discounted to the financial asset's original effective rate of interest. The asset's reported value is impaired and the impaired amount is reported in the consolidated profit/loss.

If the need to impair decreases in the subsequent period and the decrease can be objectively attributed to an event that occurred after the impairment was recognized, the recovery of the earlier impairment is recognized in the consolidated profit/loss.

Inventories

The inventories are valued at the lower out of the acquisition cost and the net sales value. The acquisition cost is calculated in accordance with the "first in, first out" principle and includes expenses which have arisen from the acquisition of the inventory assets and transport to their current location and condition. For manufactured goods, the acquisition cost includes a reasonable amount of indirect costs based on normal capacity. The net sales value is defined as the sales price reduced by costs for completion and sales costs. No part of the inventories are brought up to net sales value.

Cash and cash equivalents

Cash and cash equivalents consist of cash and immediately available credits with banks and equivalent institutions, as well as short term liquid investments with a duration from the time of acquisition of less than three months, which are only subject to an insignificant risk of value fluctuations.

Provisions

Provisions differ from other liabilities in that there is uncertainty with regards to the time of payment or the size of the amount to regulate the provision. A provision is reported in the balance sheet when there is existing legal or informal obligations as the result of an event and it is likely that the outflow of financial resources will be resources to regulate the obligation, as well as the possibility to make a reliable assessment of the amount. Provisions are made in the amount which is the best estimate of what may be required for regulating the obligation in question on the balance sheet date. The calculation of provisions through discounting of the expected future cashflow is made where the effect of what point in time the payment is made is significant.

Restructuring
A provision for restructuring is reported when there is an established, detailed and formal plan for restructuring, and the restructuring has either been initiated or publicly announced.

Warranty provisions
A provision for warranties is reported when the underlying products and services are sold. The provision is based on historical warranty data and an aggregate of possible outcomes in relation to the probabilities associated with the outcomes.

Cash flow

Cash and bank consists of cash and disposable bank balances, as well as other short-term liquid investments due within three months or sooner and exposed to an insignificant risk of value fluctuations. Cash flow from operating activities is calculated according to the indirect method.

Contingent liability

A contingent liability is reported when there is a potential obligation which stems from events and the presence of which is only confirmed by one or multiple uncertain future events or when there is an obligation which is not reported as a liability or provision due to it being unlikely that an outflow of resources will be required.

Note 2 Significant estimates and assessments

Establishing the financial reports in accordance with IFRS requires company management to make estimates and assessments, as well as assumptions which affect the application of the accounting principles and the reported amounts for assets, liabilities, income and costs. The actual outcome may deviate from these estimates.

The estimates and assumptions are reviewed continuously. Estimation changes are reported in the period during which the change is made only if the change has had an impact on this period, or in the period during which the change is made and future periods if the change affects both the period in question and future periods.

The following assumptions regarding the future and other significant sources of uncertainty in the estimates made on the balance sheet date could entail a significant risk of a substantial adjustment of the reported values for assets and liabilities in the following fiscal year.

Valuation of activated expenses for development work
The Board of Directors and company management have assessed that recognized, activated development costs have financial advantages, an evaluation for impairment has been made which reinforces the assessment that the calculated recoverable amount exceeds the reported value.

Impairment testing of goodwill
When conducting an impairment test of goodwill, a number of significant assumptions and assessments are taken into account in order to calculate the cash generating unit's value in use. This assumptions and assessments are attributed to the expected future discounted cash flows. Prognoses for future cash flows are based on the best possible assessments of future revenues and operating costs, based on historical developments, general market conditions, development and industry prognoses and other available information. The assumptions are presented by company management and reviewed by the board. This year's impairment test has not resulted in any impairments regarding goodwill. For more information regarding the impairment testing of goodwill, see note 15 Intangible assets.

Shares in group companies
The board and company management have made the assessment that registered shares in group companies have financial advantages. An impairment test has been conducted which confirms the assessment that the calculated recoverable amount exceeds the reported value following the impairment of the shares in the subsidiary Clavister AB by SEK 98 million. When conducting an impairment test of the shares in a group company, a number of significant assumptions and assessments are taken into account in order to calculate the value of the shares in use. These assumptions and assessments are attributable to the expected future discounted cash flows. Prognoses for future cash flows are based on the best possible assessments of future revenues and operating costs, based on historical developments, general market conditions, development and industry prognoses and other available information. The assumptions are presented by company management and reviewed by the board. For more information, see group note 15.

Deferred tax asset/tax liability for deficit deduction
The board and company management have made the assessment that deferred tax assets are included in the value of the deficit deduction which is expected to be usable for taxable income in the coming 5 years. Prognoses for the group's profit development have been established for this period. The deficit deductions have mainly originated in the subsidiary Clavister AB. As of December 31, 2018, these deficit deductions amounted to SEK 450 million (371) with a reported value of SEK 76.8 million (81.9). The tax effect has been calculated according to the Swedish taxation rate, with consideration taken to a reduced corporate income tax.

Valuation of the cost of options to financiers
The board and company management have made the assessment that the cost of the remuneration free option to financiers TageHus and EIB amount to a total of SEK 54.8 million. The cost shall be recognized as an interest cost over the duration of the loans. An external valuation of the options have been conducted.

The costs for the options regarding the loan to TageHus amounts to SEK 14.8 million, the cost of the loan to EIB amounts to SEK 40.0 million. The following assumptions have been taken into account:

As the subscription price is essentially zero, no liquidity discount has been calculated, volatility is estimated at 45%, risk free interest at 1.4%, which has resulted in a valuation that is roughly the same as the share price as of the agreement date. An anti-dilution clause of 6 % is contained in the EIB agreement. This means that any future new option programs or new capital issues, in addition to what has already been taken into account and allocated, EIB has the right to the equivalent of 6% for every new option program in the form of additional remuneration free options.

Note 3 Segment reporting

An operating segment is a part of a company which conducts business from which they can receive revenues, the earnings of which the company executives regularly review as a basis for decisions, allocation of resources to segments and assessment of its earnings and for which there is independent financial information.

The group is organized in the business units Enterprise and Service Providers (Telecom). According to IFRS 8, an operating segment is expected to have similar financial characteristics and resemble each other in terms of the character of the products or services. IFRS 8 is the regulatory framework applied in the segment reports. When allocating operational assets and operating liabilities, the activated development costs have functioned as a reference. For 2018, 60% (60) of the balanced development costs have been allocated to the Enterprise segment and 40% (40) to the Service Providers segment respectively.

As of 2019, Clavister does not intend to present the company using the model below. The reason for this is a change regarding “Management approach” according to IFRS 8.

Management will primarily evaluate the company’s development through order development, totally broken down by market, in combination with following the company’s functional cost development.

The Enterprise segment
The Enterprise segment with the product cOS Core is characterized by being well-proven for the next generation of firewalls. Client solutions are suitable for public authorities; municipalities (education), county councils, national level and central government, retail, but also the manufacturing industry, the transport and infrastructure sectors. Other sectors for which cOS Core is suitable include Banking and Finance, a.k.a. Service Providers. Examples of products based on the cOS Core platform are Clavister’s E10, E80, W50 and also virtual products.

The Communication Service Providers (Telecom) segment
The Service Providers segment with market products based on the cOS Stream platform, is the next generation of high performance operating systems for network security. The segment is characterized by virtual solutions with a higher capacity aimed at operators, where telecom, service and net operations are specifically adapted for customers. As the operators go through a technology shift to SDN/NFV (Network Functions Virtualization)/(Software Developed Network) in order to optimize their efficiency and increase their gains, a strategy for maintaining the level of network security and where the company’s virtualized cOS Stream products fit in is needed.

Any group-wide items are reported separately in the segment report and primarily relates to the group management and other common functions, as well as other items not suitable for reporting under the Enterprise or Service Providers segments

Sales within the Enterprise segment accounts for 95% of consolidated sales, where Service Providers account for 5%. The majority of investments made have referred to intangible and financial assets.

The income from Swedish customers account for 39% of the groups total 2018 sales.

Consolidated notes.

The group 2018 Earnings	Enterprise	Communication Service Providers (Telecom)	Group	Eliminations	Group total
External sales	106,155	5,617	0	0	111,772
Internal sales	0	0	6,679	-6,679	0
Other earnings	744	0	0	0	744
Total earnings	**106,899**	**5,617**	**6,679**	**-6,679**	**112,516**
Operating income	-54,070	-36,048	0	0	-90,118
Net financial income/expense	-16,871	-11,247	0	0	-28,118
Tax for the year	-2,816	-1,877	0	0	-4,693
Profit for the year	**-73,757**	**-49,172**	**0**	**0**	**-122,929**
Other information					
Operating assets*	231,475	154,316	0	0	-385,791
Operating liabilities**	-47,677	-31,784	0	0	79,461
Investments	14,830	24,743	0	0	39,573
Depreciation and impairments	20,280	15,604	0	0	35,884
Goodwill	52,569	0	0	0	52,569

Group 2017 Earnings	Enterprise	Communication Service Providers (Telecom)	Group	Eliminations	Group total
External sales	92,697	6,887	0	0	99,584
Internal sales	0	0	7,629	-7,629	0
Other earnings	622	0	0	0	622
Total earnings	**93,319**	**6,887**	**7,629**	**-7,629**	**100,206**
Operating profit	-46,146	-30,764	0	0	-76,910
Net financial income/expense	-4,039	-2,693	0	0	-6,732
Tax for the year	10,350	6,900	0	0	17,250
Profit for the year	**-39,835**	**-26,557**	**0**	**0**	**-66,392**
Other information					
Operating assets*	167,236	134,874	0	0	-302,110
Operating liabilities**	20,488	13,658	0	0	34,146
Investments	8,143	15,460	0	0	23,603
Depreciation and impairments	13,439	9,798	0	0	23,237
Goodwill	52,569	0	0	0	52,569

* Operating assets are assets which do not generate any interest income.
** Operating liabilities are liabilities which are not interest-bearing.

The group's different forms of revenue consist of products and services. Under 2018 the portion of products amounts 37% (31%) of sales and services amounts to 63% (69%).

The group has revenue from one major customer, the total amount of sales in that group of customers amounts to SEK 11,212 thousand (8,368), i.e. 10% (8) of total sales. These revenues are entirely attributable to the Enterprise segment.

Geographic distribution of operating revenue	2018	2017
Sweden	43,846	38,999
Rest of Europe	33,491	34,997
Asia	15,966	19,200
Rest of the world	19,214	7,010
	112,517	**100,206**

Note 4 Revenue from Contracts with Customers

IFRS 15, "Revenue from Contracts with Customers" is a principle-based model for income reporting for customer contracts. It is a five-step model entailing revenue recognition when control of products or services is transferred to the customer. The group reports an income once its amount can be measured reliably, it is likely that future economic advantages will be acquired by the company and that specific criteria have been met for each of the group's operations. Income includes the fair value of what has been received or will be received for sold goods and services as part of the group's operating activities. Incomes are reported excluding VAT, returns and discounts, as well as after any intra-group sales have been conducted.

Intra-group sales consist of a highly limited but a certain level of product sales on a irregular basis from Clavister AB to the subsidiary Clavister Technology (ASIA) Ltd in China.

In cases where the company sales adhere to an agreed timeline, the income is spread over the duration of the agreement.

License and support incomes
The consolidated income from licenses is recognized at the rate of the agreement duration. Clavister does not have any future commitments aside from telephone support for a certain period of time. The reservation for support costs have up to and including 2017 been calculated and reserved for the time which the support is included is the sales total. Due to IFRS 15 and the accrual reporting of income as of 2018, reservations for support expenses are no longer necessary.

The group has two primary incomes from licensing, CSS and CPS, which are accrued over the duration of the agreement which can vary between 12 and 72 months. The incomes related to CSS also consist of the compensation to subcontractors, and only 50% of the invoiced value for CSS income is consequently distributed over the period, and the remaining 50% is directly recognized in connection with the invoicing.

Hardware income
Hardware income consists of income from the sale of hardware and the income is reported when substantial control of the product has been transferred to the buyer in accordance with the sales conditions.

Performed services
The company reports the incomes from services in the earnings over time based on the completion rate and in tandem with the control of the service is transferred to the customer. The tasks are carried out on an ongoing basis and the income is in these cases reported over a period of time at the rate the task is performed. Income is not reported if it is deemed likely that the economic advantages will not benefit the group. If there is significant uncertainty regarding payment or attached costs, the income is not taken up.

Discounts
The company may offer discounts regarding the prices listed, separately agreed prices are available to distributors and partners. These discounts will not have an effect on the income of the transition to IFRS 15.

Financing components
The group does not expect to have any agreements where the time between the transference of goods or services to the customer and the payment received in return exceeds one year. As a result, the group does not adjust the transaction price for the effects of significant financing component.

Financial income
Financial income consists of interest income and any sales earnings of financial fixed assets. Interest income is reported in accordance with the effective interest method. Effective interest is the interest which discounts the future payments and expenses under a financial instrument's expected duration to the financial asset's or the debt's reported net value. The calculation includes all expenses paid or received by the contracting parties as part of the effective interest, transaction expenses and all other premiums or discounts.

Currency rate incomes and losses are recognized as net sums.

The group 2018	Enterprise	Communication Service Providers (Telecom)	Group-wide	Eliminations	Entire group
Income from client agreements Per operating segment					
Products	41,042	155	0	0	41,197
Licenses	58,179	3,092	0	0	61,271
Service revenues	6,934	2,370	0	0	9,304
Internal turnover	0	0	6,679	-6,679	0
Net sales	**106,155**	**5,617**	**6,679**	**-6,679**	**111,772**
Time of revenue recognition					
Products transferred to a customer at a given point in time.	41,042	155	0	0	41,197
Services transferred to a customer over time	58,179	3,092	0	0	61,271
Services transferred to a customer at a given point in time.	6,934	2,370	0	0	9,304

Group 2017	Enterprise	Communication Service Providers (Telecom)	Group-wide	Eliminations	Entire group
Income from client agreements Per operating segment					
Products	30,683	0	0	0	30,683
Licenses	57,811	6,407	0	0	64,218
Service revenues	4,203	480	0	0	4,683
Internal turnover	0	0	7,629	-7,629	0
Net sales	**92,697**	**6,887**	**7,629**	**-7,629**	**99,584**
Time of revenue recognition					
Products transferred to a customer at a given point in time.	30,683	0	0	0	30,683
Services transferred to a customer over time	0	0	0	0	0
Services transferred to a customer at a given point in time.	62,014	6,887	0	0	68,901

Consolidated notes.

Agreement assets and agreement liabilities
The group reports the following income-related assets and agreement liabilities:

Agreement assets	2018	2017
Trade debtors	25,262	15,622
Accrued income from client contracts	0	0
	25,262	**15,622**

Agreement liabilities	2018	2017
Prepaid income from customer contracts	34,116	0
	34,116	**0**

Note 5 Auditor fees

Ernst & Young	2018	2017
Auditor assignments	692	917
Auditing activities outside of the audit assignment	101	13
Tax advice	67	17
Other services	0	49
Recognized value	**860**	**996**

SKY CPA & Co, Hong Kong	2018	2017
Auditor assignments	15	14
Recognized value	**15**	**14**

Shaanxi Pumeihengzhen Accountants Firm Ltd, Kina	2018	2017
Auditor assignments	6	5
Recognized value	**6**	**5**

Audit engagements refer to fees for the statutory audit, i.e. work which is necessary to produce the audit report, as well as so called audit counseling provided as part of the audit engagement. Other services refer to auditing activities not included in the audit engagement, taxation counseling and other advice.

Note 6 Other external costs

Other external costs	2018	2017
Costs for premises	2,056	7,728
Consultancy expenses	18,871	13,491
Travel expenses	6,555	4,580
Administration	3,622	2,784
Market and sales	14,304	15,684
Miscellaneous	2,574	350
Recognized value	**47,982**	**44,617**

Note 7 Employees and personnel costs

Average number of employees	2018 Average number of employees	2018 Percentage of men, %	2017 Average number of employees	2017 Percentage of men, %
Subsidiaries in Sweden	144	86%	130	92%
Subsidiaries in China	24	79%	23	83%
Subsidiaries in Germany	6	66%	1	0%
Total in subsidiaries	174	84%	154	89%
Parent company	2	100%	1	100%
Total in the group	**176**	**85%**	**155**	**90%**

Gender distribution, board and senior executives	2018 Total on the balance sheet date	2018 Percentage of men, %	2017 Total on the balance sheet date	2017 Percentage of men, %
Board members	5	80%	7	71%
CEO and other senior executives	8	100%	7	86%
Total in the group	**13**	**91%**	**14**	**94%**

Employee benefit expenses	2018	2017
Parent company		
Board and other senior executives		
Salaries and other remunerations	5,783	2,343
Social security contributions	2,158	813
Pension expenses	649	354
Total	8,590	3,510
Other employees		
Salaries and other remunerations	0	0
Social security contributions	0	0
Pension expenses	0	0
Total	0	0
Subsidiaries		
Board and other senior executives		
Salaries and other remunerations	8,221	9,418
Social security contributions	2,575	2,889
Pension expenses (defined pension contribution plans)	750	1,046
Total	11,546	13,353
Other employees		
Salaries and other remunerations	73,200	65,510
Social security contributions	22,929	20,100
Pension expenses (defined pension contribution plans)	6,456	5,246
Total	102,585	90,856
Other employee benefit expenses	9,047	2,175
Total employee benefit expenses	131,768	109,894

2018	Basic salary, board fee	Variable compensation	Pension expenses	Variable compensation	Total
Chair of the Board					
Viktor Kovács	510	0	0	1,961	2,471
Board Member					
Bo Askvik	259	0	0	0	259
Jan Frykhammar	151	0	0	176	327
Staffan Dahlström	151	0	0	0	151
Annika Andersson	358	0	0	0	358
Peter Dahlander, former	695	0	132	0	827
Sigrun Hjelmquist	106	0	0	0	106
Jan Ramkvist, former	93	0	0	351	445
Göran Carstedt, former	92	0	0	0	92
CEO and other senior executives					
John Vestberg	1,826	916	248	0	2,990
Other senior executives (7 people)	6,964	2,964	1,132	1,828	12,888
Of which refers to subsidiaries	*5,628*	2,347	871	*1,828*	*12,888*
Total	**11,205**	**3,880**	**1,512**	**4,317**	**20,914**

2017	Basic salary, board fee	Variable compensation	Pension expenses	Variable compensation	Total
Chair of the Board					
Viktor Kovács	234	0	0	740	974
Björn Norrbom, former	216	0	0	0	216
Board Member					
Peter Dahlander	892	0	177	0	1,069
Annika Andersson	147	0	0	0	147
Sigrun Hjelmquist	145	0	0	0	145
Jan Ramkvist	177	0	0	1,349	1,526
Ilka Hiidenheimo, former	177	0	0	0	177
Niclas Eriksson, former	55	0	0	0	55
Göran Carstedt	173	0	0	0	173
Bo Askvik	17	0	0	0	17
CEO and other senior executives					
Jim Carlsson, former	232	0	82	0	314
Johan Öhman, former	878	0	139	0	1,017
John Vestberg	1,050	0	245	0	1,295
Other senior executives (11 people)	8,708	1,760	1,074	0	11,542
Of which refers to subsidiaries	*7,980*	*1,760*	*1,074*	*0*	*11,542*
Total	**13,101**	**1,760**	**1,717**	**2,089**	**18,667**

The compensations mentioned above refer to the respective costs incurred by the company during each fiscal year. Variable compensation refers to compensation estimated from set goals according to billings requirements.

Information regarding what is included under “Other compensation” can be found under Note 28. Other compensation has been recognized up to and including the board’s resignation.

Board remuneration
Board remuneration has been invoiced up to and including the annual general meeting 2018, including social security contributions, after which the board remuneration has been paid as salary.

Remuneration and conditions for senior executives
Remuneration for the CEO and other senior executives consists of a basic salary, variable remuneration and pension benefits. Other senior executives refer to individuals who along with the CEO comprise the group management. The CEO has a six-month notice period, other senior executives have a notice period according to the Employment Protection Act (LAS).

Variable remuneration for senior executives shall be related to predetermined and measurable goals and performance criteria and aim to promote the group's long-term value creation. Variable remuneration payable in cash may not exceed 50 percent of the total remuneration and shall not be pension or holiday pay. Share-based incentive programs shall be decided by the general meeting of Clavister Holding AB and be structured with the purpose of achieving increased alignment of interest between senior executives and the shareholders of Clavister Holding AB.

The build-up of a proprietary shareholding in Clavister Holding AB shall be promoted. The vesting period, alternatively the time for a final acquisition of shares, stock options and other stock-related instruments shall not exceed three (3) years.

Clavister Holding and Clavister AB has a "Premium" pension policy adapted by the board. The pension conditions for senior executives shall have a market rate of pay in relation to what is generally applicable to executives in equivalent positions on the market, as well as individually adapted with regards to each respective executive's particular expertise and adapted to the Group's expenses. Pension provisions shall be expense defined.

Severance
CEO remuneration consists of a base salary and pension. For the CEO, occupational pension is paid equivalent to 6.5 (%) percent of pensioning salary up to 7.5 of the price base amount and 28.5 (%) percent between 7.5- 20 price base amount, in addition to 13.5 (%) percent on any additional amounts. Upon termination by the company, the CEO receives severance pay equivalent to six months. No severance is paid to resigning members of the board.

Note 8 Share-based compensation

In 2016, an option program was issued to the employees, issue price upon redemption is SEK 72, these expire 06/30/2019. Another option program was issued in 2016, linked to the loan financing carried out in October 2016, issue price SEK 0.10, these expire in 2026.

In 2017, three additional options programs were issued to employees and key personnel, issue price upon redemption SEK 72, 79 and 30 respectively, these expire in 2020.

In 2017, options have also been awarded to two lenders, these options are remuneration free, issue price is SEK 0.10 and 20 respectively, they expire in 2020 and 2037 respectively.

In 2018, two additional options programs were issued to employees and board members, issue price upon redemption is SEK 36.30, these expire in 2021.

In 2018, lenders have been issued additional remuneration free warrants, issue rate 0.10, these expire in 2038.

If the outstanding warrants are utilized, the group will award an additional 7,864,991 shares equivalent to around 33% of the total number of registered shares, 23,562,050.

Consolidated notes.

Number of outstanding share warrant	12/31/2018	12/31/2017
Share warrants 2016–2026	19,801	19,801
Share warrants 2016 – 06/30/2019	530,800	530,800
Share warrants 2017 – 02/28/2020	70,000	70,000
Share warrants 2017 – 02/28/2020	75,000	75,000
Share warrants 2017 – 2020 (Series 1)	3,062,608	3,062,608
Share warrants 2017 – 2020 (Series 2)	1,250,000	1,250,000
Share warrants 2017 – 2037 (Series 3)	1,770,079	1,770,079
Share warrants 2017 – 06/30/2020	300,000	300,000
Share warrants 2018 – 04/30/2038	36,703	0
Share warrants 2018 – 05/31/2021	50,000	0
Share warrants 2018 – 05/31/2021	700,000	0
Total	7,864,991	7,078,288

Number of outstanding share warrants	12/31/2018	12/31/2017
Peter Dahlander, former member of the board	25,000	25,000
Victor Kovacs, chairman of the Board	50,000	0
John Vestberg, CEO	150,000	100,000
Management, excl. CEO (5)	425,000	170,000
Harbert, former creditor	19,801	19,801
EIB, creditor	1,806,782	1,770,079
TageHus, creditor	4,312,608	4,312,608
Other	1,075,800	680,800
Total	7,864,991	7,078,288

	2018		2017	
	Number of options	Weighted average exercise prices	Number of options	Weighted average exercise prices
At the start of the period	7,078,288	20	725,601	60
Assigned	750,000	36	445,000	45
Assigned remuneration free options	36,703	0.1%	6,082,687	14
Redeemed	0	0	0	0
Matured	0	0	-175,000	30
Outstanding at the end of the period	7,864,991	19	7,078,288	20
Redeemable at the end of the period	0	0	0	0

No share options have been redeemed in 2017-2018.

The interval for the redemption price regarding stock options outstanding at the end of the period ranges from SEK 0.10 to SEK 79 (0.10 – 79).

Black-Schole's valuation model has been applied to determine the weighted average value for options awarded during this period. The fair value of issued options has been established at SEK 0.16 (2.27) per option. Important input in the model was a stock price of SEK 14.60 (44.10) in the allotment date, redemption price listed above, volatility at 30% (36%), expected operational duration of 3 years (3) and an annual risk free interest of-0.4% (1%). When calculating the volatility of 30%, the company has based this on previous valuations, as well as considering the ongoing rate movements, which give a higher degree of volatility than previously.

Warrant payments have been made in accordance with the calculated price according to Black & Scholes, which is why it has not affected the reporting with any costs.

The remuneration free options issued to lenders, where an external valuation was conducted and where a cost has been booked up against receivables and equity and this has been accrued over the duration of the loans, the total cost amounts to SEK 54.8 million, also see Note 2.

Note 9 Leasing

Leasing in accordance with IFRS 16 as of 01/01/2018
As of January 1, 2018, the group applies IFRS 16 Leases, where the asset is reported in the balance sheet and future obligations are reported as long and short-term liabilities. Additional information regarding this can be found in the section entitled "New and changed standards and interpretations that apply as of January 1, 2018", as well as what is described below. The right-of-use assets consist entirely of lease agreements primarily for office premises in Örnsköldsvik, Umeå, Stockholm and Nacka. The lease contracts last between 3 and 6 years, with automatic extension unless terminated a specified number of months prior to the expiration of the agreements. The rent levels vary depending on where in the country the premises are located and are index adjusted annually according to the consumer price index (CPI). There are no ongoing or adjudicated disputes related to the lease agreements.

Lease agreements shorter than 12 months have not been included, nor lease agreements where the underlying asset is of minor value. More below.

Leasing assets and leasing liabilities

Leasing assets, beneficial interests	**12/31/2018**
Adaptation to IFRS 16 "Leasing" as at 01/01/2018	23,384
New leases for premises	5,840
Accumulated depreciations	-5,017
Recognized value	24,207

Leasing liabilities	**12/31/2018**
Adaptation to IFRS 16 "Leasing" as at 01/01/2018	23,384
New liabilities	6,183
Amortization	-4,783
Recognized value	24,784
Short-term leasing liabilities	5,208
Short-term leasing liabilities	19,576
Total leasing liabilities	24,784

Reconciliation leasing liabilities	**12/31/2018**
Commitments for operational leasing agreements 12/31/2018	29,323
Minimum leasing 12/31/2018 financial leasing agreements	3,363
Practical expedients for low values	-344
Gross leasing liabilities as per 12/31/2018	32,342
Discounting	-4,695
Leasing liabilities as per 12/31/2018	27,647
Present value of financial leasing liabilities as per 12/31/2018	-2,863
Additional leasing liabilities due to the application of IFRS 16 as per 12/31/2018	**24,784**

Reporting and valuation of leasing assets and lease liabilities according to IFRS 16

Leasing assets
Leased assets are activated at the start of the leasing period and consist of the original leasing liability where the leasing liability is valued to the present value of the leasing fees not paid at this point in time. The leasing fees are discounted with a marginal lending rate of 5.2%.

In the initial application of IFRS 16, the group has estimated the right-of-use asset's value at the time of the initial transition with all leasing fees paid immediately by or before the day of the initial transition, following deductions for any benefits received in connection with the signing of the lease agreement and including all potential, initial direct expenses. After the initial application, an impairment test is performed for any leasing rights which indicates a need for impairment and an impairment is reported against the impairment tested asset.

All "Rights-of-use" assets, according to IFRS 16, refer to assets attributable to lease contracts for the group's premises in Örnsköldsvik, Umeå, Stockholm and Nacka.

Leasing liabilities
The leasing liability is calculated on the date of acquisition to the present value of the fixed and variable leasing fees unpaid at this point. The leasing fees are discounted with a marginal lending rate as listed above. Leasing fees for buildings exclude service fees for cleaning and other costs.

Modifications to the leasing agreement are reported as a new leasing agreement with an enforcement date from the date of the change.

Interest for leasing liabilities has in 2018 been reported at SEK 1,403 thousand and amounted to 5.2%.

Leasing in statement of operations
The group has no income from subletting of rights of use or any income/losses from sale and leaseback transactions. The cost for variable leasing fees, not included in the valuing of leasing liabilities, amounted to SEK 0 thousand for the year concluding on December 31, 2018. There are no leasing agreements with residual value guarantees or leasing agreements yet to be initiated and which the group has committed to. In the leasing agreements, there is, as of the balance sheet date in the agreements, no written opportunity for extension nor the possibility of termination. The costs for leasing agreements for which the group applied the voluntary exception described in point 5a in IFRS 16 (leases ending within 12 months) amounted to SEK 0 thousand for the year which concluded on December 31, 2018. The costs for leasing agreements for which the group applied the voluntary agreement described in point 5b of IFRS 16 (leasing agreements where the underlying asset has a low value) amounted to SEK 344 thousand for the year which concluded on December 31, 2018.

Operating leasing for 2017
The operating leasing mainly included lease agreements for properties for which a substantial portion of risks and benefits of the ownership remains with the lessor. Least year's leasing costs regarding operational leasing amounted to SEK 6,669 thousand. Future payment commitments as of 31 December, 2017 was broken down as follows:

Future minimum lease fees	31/12/2017
Within 1 year	6,289
Between 1-5 years	18,204
More than 5 years	3,428
Total	**27,921**

Consolidated notes.

Financial leasing

Equipment rented by the group through financial leasing consists of cars, furniture, alarm equipment, testing equipment and computers etc.

Equipment	12/31/2018	31/12/2017
Purchase price	6,410	4,171
Accumulated depreciations	-3,791	-2,667
Recognized value	**2,619**	**1,504**

	12/31/2018		31/12/2017	
Future minimum lease fees	**Nominal**	**Present value**	**Nominal**	**Present value**
Within 1 year	0	0	0	0
Between 1-5 years	0	0	0	0
More than 5 years	0	0	0	0
Total	**0**	**0**	**0**	**0**

Debt regarding leasing agreements among interest-bearing debt in the group’s balance sheet.

Note 10 Depreciation

	2018	2017
Capitalized development expenditure	28,311	20,197
Software rights	63	70
Equipment	369	870
Beneficial interest assets	6,141	0
Other intangible assets	1,000	1,000
Total	**35,884**	**22,137**

Note 11 Impairments

	2018	2017
Goodwill	0	1,100
Total	**0**	**1,100**

The previous year’s impairment is attributed to the subsidiary Clavister APAC Ltd. and described in more detail in Note 2.

Note 12 Financial income and expenses

Financial earnings	2018	2017
Profit/loss from shares in associated companies	0	0
Profit from the divestment of associated companies	0	0
Interest income	86	356
Total	**86**	**356**

Financial costs	2018	2017
Interest expenses	21,694	5,552
Other financial costs	1,624	1,549
Net exchange rate fluctuations	4,887	-13
Total	**28,205**	**7,088**

Other financial expenses primarily refer to costs in relation to loan financing consisting of lawyer’s fees and other loan charges.

Note 13 Taxes

Income statement

Current tax expense	2018	2017
Tax expense for the year	79	103
	79	103
Deferred tax		
Deferred tax relating to temporary differences	-595	-1,093
Adjustment of deferred tax attributable to tax rate changes	5,209	0
Deferred tax on deficit deductions	0	-16,261
	4,614	-17,354
Tax recognized in the income statement	**4,693**	**-17,250**

Reconciliation of effective tax rate	2018	2017
Profit before tax	**-118,236**	**-83,642**
Tax according to the rate applicable to the parent company (22%)	-26,012	-18,401
Tax effect of:		
Non-taxable income	0	-1,905
Non-deductible expenses	-2,310	-2,533
Tax on profit from earlier years that has not been previously recognized.	0	13
Unused deficit deduction for which deferred tax assets have not been recognized.	0	4
Increased deficit deduction not recognized as a receivable	23,295	0
Adjustment of deferred tax attributable to tax rate changes	5,210	0
Temporary differences	-110	506
Previously unrecognized deficit deduction utilized to reduce current tax expense	0	0
Recognition of intragroup leasing	0	0
Tax	**4,693**	**-17,250**
Effective tax rate (%)	-4.0%	20.6%

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

Deferred tax asset	2018	2017
Deferred tax asset for loss carried forward	77,292	82,502
Convertible debt instruments	-521	-631
Adjustment of deferred tax attributable to tax rate changes	0	0
Tangible fixed assets	-1,302	-1,791
Recognized value *	**75,469**	**80,080**

Specification of changes in deferred tax asset:

	2018	2017
Opening value	80,080	62,910
Changes in temporary differences	110	212
Adjustment of deferred tax attributable to tax rate changes	0	0
Effect of business combinations	489	488
Additional tax assets relating to deficit deductions	-5,210	16,470
Closing value for deferred tax asset/tax liability	**75,469**	**80,080**

*Deferred tax asset above refers to net sum of recognized deferred tax asset and deferred tax liability in the balance sheet.

Deferred tax asset/tax liability for deficit deduction

The board and company management have made the assessment that deferred tax assets are included in the value of the deficit deduction which is expected to be usable for taxable income in the coming 5 years. Prognoses for the group's profit development have been established for this period. The deficit deductions have mainly originated in the subsidiary Clavister AB. As of December 31, 2018, these deficit deductions amounted to SEK 450 million (371) with a reported value of SEK 76.8 million (81.9). Any additional deferred tax assets attributable to the deficit deduction have not been recorded as assets in 2018 despite the deficit deduction having increased, as the assessment that they will not be used until 2023 has been made. Deferred tax assets has instead been reduced as a result of the estimated two-step reduction to the corporate tax in 2019 and 2021. The tax effect has been calculated according to Swedish tax rates with consideration taken to the coming reductions to the corporate tax reductions from 22% in 2018 to 21.4 % as of 2019 and to 20.6% as of 2021.

Note 14 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to the parent company's stockholders by the weighted average number of outstanding common stock during the year.

Basic earnings per share	**2018**	**2017**
Profit for the year attributable to parent company shareholders	-122,929	-66,392
Average number of outstanding common stock.	23,562,050	23,154,587
Basic earnings per share	**-5.22**	**-2.87**

To calculate the diluted earnings per share, the weighted average number of outstanding common stock is adjusted for the dilution effect of all potential common stock. The parent company has two categories of potential common stock with dilution effect: convertible debt instruments and stock options. The convertible debt instruments are assumed to have been converted to common stock, and the net profit adjusted to eliminate interest expenses reduced by the tax effect. For stock options, a calculation is made of the number of stock that could have been purchased at fair value (calculated as the annual average market price for parent company shares) for an amount corresponding to the monetary value of the subscription rights associated with outstanding stock options. The number of shares calculated according to the above is then compared with the number of shares that would have been issued, assuming that the stock options had been utilized.

Diluted earnings per share	**2018**	**2017**
Profit for the year attributable to parent company shareholders	-122,929	-66,392
Interest expense for convertible debt instruments (after tax)	357	743
Net profit	**-122,572**	**-65,649**
Average number of outstanding common stock.	23,562,050	23,154,587
Adjustment for:		
Convertible debt	204,834	204,834
Stock options	7,864,991	7,078,288
Average number of outstanding common stock after dilution effects	31,631,875	30,437,709
Diluted earnings per share	**-3.87**	**-2.16**
Effect of limitation	**-5.22**	**-2.87**

Note 15 Intangible Assets

Purchase price	Goodwill	Software rights	Balanced expenses for development work	Customer relationships	Total
As of January 1, 2017	**58,560**	**1,240**	**162,878**	**5,000**	**227,678**
Additions - internally generated	0	0	23,603	0	23,603
Combination	0	0	0	0	0
As at December 31, 2017	**58,560**	**1,240**	**186,481**	**5,000**	**251,281**
Additions - internally generated	0	0	39,573	0	39,573
Transition to IFRS 16	0	0	0	0	0
As at December 31, 2018	**58,560**	**1,240**	**226,054**	**5,000**	**290,854**
Depreciations and impairments					
As at January 1, 2017	**-4,891**	**-1,107**	**-113,937**	**-333**	**-120,268**
Depreciation	0	-70	-20,197	-1,000	-21,267
Impairments	-1,100	0	0	0	-1,100
As at December 31, 2017	**-5,991**	**-1,177**	**-134,134**	**-1,333**	**-142,635**
Depreciation	0	-63	-28,311	-1,000	-29,374
Impairments	0	0	0	0	0
As at December 31, 2018	**-5,991**	**-1,240**	**-162,444**	**-2,333**	**-172,009**
Recognized value					
As at December 31, 2018	**52,569**	**0**	**63,610**	**2,667**	**118,845**
As at December 31, 2017	**52,569**	**63**	**52,347**	**3,667**	**108,646**

Further information is found in Note 2 and under “Shares in group companies”.

Impairment testing
The group’s goodwill has a reported value of SEK 52,569 thousand (52,569) and originates from two different acquisitions. Goodwill is impairment tested on the lowest levels where there are separate identifiable cash flows (cash generating units), which for the group has constituted a test of Clavister Technology (ASIA) Ltd and PhenixID AB.

Impairment testing consists of assessing whether a unit’s recoverable amount is larger than its reported value. The recoverable amount has been calculated on the basis of the units value in use, which represents the present value of the unit’s expected future cash flows without consideration to any future business expansions or restructuring. The value in use calculation is based on:

1) Estimated WACC (weighted average cost of capital) prior to taxation has been the following:

   testing of Clavister AB 13.4% (13.3)
   testing of Clavister Technology (ASIA) Ltd WACC 16.1% (16.2)
   testing of PhenixID 13.9% (13.3)

2) A forecast for cash flows in the next 5 years (2019 to 2023) has been calculated for Clavister AB, Clavister Technology (ASIA) Ltd and PhenixID. The forecast is based on previous experiences and own assessments. The most important variable is annual sales growth, and in Clavister AB it has been calculated in connection to the impairment test to between 30-40%, for Clavister Technology (ASIA) Ltd around 8% per year and PhenixID around 10% per year.

3) The terminal value is recognized with a growth of 2% after 2023 in the conducted impairment tests.

The conducted impairment testing over the year has not resulted in any impairment affecting the group. However, the parent company's recorded stock value in the subsidiary Clavister AB has been impaired by SEK 98 million, based on the market value as of the end of the accounting period. The parent company's equity amounted to SEK 441 million by the end of the year.

The discounted cash flow model includes forecasting of future cash flows from the operations including estimated sales volumes and production costs. The important assumptions that drives the expected cash flows during the coming five years consist of market assessments for the growth of the cyber security market, the group's ability to deliver, i.e. manage to meet customer demands using the product portfolio and the planned product and development efforts in the business areas the group has decided to market itself in. Values have mainly been estimated using these variables. An increase in the discounting factor by 1% would also not lead to any needs for impairment, with other parameters untouched.

Note 16 Tangible fixed assets

Equipment	**12/31/2018**	**12/31/2017**
Opening balance	**6,880**	**5,482**
Acquisition for the year	0	1,546
Reclassifications to beneficial interest assets due to IFRS 16	-4,171	0
Sales/ disposals	-206	-114
Translation difference	29	-34
Closing balance	**2,532**	**6,880**
Opening depreciations	**-5,246**	**-4,518**
Sales and disposals	206	114
Reclassifications to beneficial interest assets due to IFRS 16	2,667	0
Depreciation for the year	-27	-869
Translation effects	-15	27
Outgoing balance	**-2,415**	**-5,246**
Recognized value	**117**	**1,634**

Beneficial interest assets	**12/31/2018**	**12/31/2017**
Opening balance	**0**	**0**
Acquisition for the year	2,239	0
Transition to IFRS 16	29,225	0
Reclassifications from inventories due to IFRS 16	4,171	0
Closing balance	**35,635**	**0**
Opening depreciations	**0**	**0**
Reclassifications from inventories due to IFRS 16	-2,667	0
Depreciation for the year	-6 141	0
Translation effects	0	0
Outgoing balance	**-8,808**	**0**
Recognized value	**26,827**	**0**

Note 17 Financial Instruments

Valuation of financial assets and liabilities as at December 31, 2018

Financial assets	Assets were valued at accrued acquisition cost	Liabilities were valued at accrued acquisition cost	Total recognized value	Fair value
Other long-term receivables	31,334	0	31,334	31,334
Accounts receivable	25,262	0	25,262	25,262
Other short-term receivables	2,254	0	2,254	2,254
Accrued income and prepaid expenses	16,681	0	16,681	16,681
Liquid funds	82,176	0	82,176	82,176
	157,708	**0**	**157,708**	**157,708**
Financial liabilities				
Convertible debt instruments	0	8,011	8,011	8,011
Liabilities to credit institutions	0	202,632	202,632	202,632
Interest-bearing liabilities	0	27,647	27,647	27,647
Trade accounts payable	0	9,647	9,647	9,647
Other short-term liabilities	0	5,898	5,898	5,898
Accrued cost	0	63,916	63,916	63,916
	0	**317,751**	**317,751**	**317,751**

Valuation of financial assets and liabilities as at December 31, 2017

Financial assets	Loans and receivables	Other financial liabilities	Total recognized value	Fair value
Other long-term receivables	41,409	0	41,409	41,409
Accounts receivable	15,622	0	15,622	15,622
Other short-term receivables	2,682	0	2,682	2,682
Accrued income and prepaid expenses	15,698	0	15,698	15,698
Liquid funds	26,492	0	26,492	26,492
	101,904	**0**	**101,904**	**101,904**
Financial liabilities				
Convertible debt instruments	0	7,512	7,512	7,512
Other long-term liabilities	0	47,647	47,647	47,647
Interest-bearing liabilities	0	1,286	1,286	1,286
Trade accounts payable	0	6,740	6,740	6,740
Other short-term liabilities	0	5,782	5,782	5,782
Accrued cost	0	19,366	19,366	19,366
	0	**88,332**	**88,332**	**88,332**

Note 18 Prepaid expenses and accrued income

	12/31/2018	12/31/2017
Prepaid rent for premises	1,829	1,530
Prepaid leasing fees	310	52
Prepaid insurance premiums	153	170
Prepaid expenses regarding financing	3,170	1,542
Estimated expenses relating to options for lenders	10,536	12,224
Other items	683	179
Recognized value	**16,681**	**15,698**

Note 19 Cash and cash equivalents

	12/31/2018	12/31/2017
Cash and cash equivalents	82,176	26,492
Recognized value	**82,176**	**26,492**

Note 20 Group companies

The parent company Clavister Holdings AB's holdings in direct and indirect subsidiaries covered by the consolidated financial statement are listed in the table below.

Company	Type of operation	Share 2018	Share 2017
Clavister Holding AB	Parent company, stock management	Parent company	Parent company
Clavister AB	Development and sales company	100%	100%
Clavister GmbH	Sales company	100%	100%
Clavister APAC Ltd	Holding company	100%	100%
Clavister Technology (ASIA) Ltd	Sales company	100%	100%
PhenixID AB	Development and sales company	100%	100%
PhenixID UG	Sales company	100%	100%

Clavister GmbH was founded in April 2018 and is a subsidiary of Clavister AB. Its establishment was part of Clavister's growth strategy and represents an increased focus on the DACH region (Germany, Austria and Switzerland).

There are restrictions regarding the group's ability to access the activated information regarding the development which the subsidiaries Clavister AV and PhenixID have placed in a bound mutual fund, amounting to SEK 52,337 thousand as of 12/31/2018. The mutual fund will be dissolved at the same rate as the company makes depreciations, impairments or divests the asset. For the activated development costs, divestments will begin in the current year. The development costs will be written off over 3-5 years.

Note 21 Equity

Share capital

As of December 31, 2018, the registered stock capital comprised 23,562,050 shares (23,562,050) with a quota value of SEK 0.10 (0.10). Shareholders are entitled to dividends determined continuously and the shareholding entails voting rights at the general meeting, with one share giving one vote. All shares have the same right to Clavister's remaining net assets. All stocks are fully paid and no stocks are reserved for transfer.

When PhenixID was acquired, a capital insurance of 330,000 shares in Clavister Holding AB to the value of SEK 7.9 million as of 12/31/2017 was transferred. This value has not been listed as an asset but is rather reported as a deduction in the group's equity. These shares were sold in their entirety in 2018 to a value of SEK 4.5 million.

Other paid-up capital

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

Reserves

Reserves consist entirely of exchange rate differences from conversions from foreign operations.

Note 22 Long-term liabilities

None of the group's long-term liabilities are due later than five years from the balance sheet date.

In September 2017, the parent company was granted a 3-year loan, amounting to SEK 50 million. The loan has a fixed rate of interest. The agreement surrounding this loan also includes the emission of share warrants to the lender, the share warrants are provided remuneration free with an issue rate of SEK 20. The number of share warrants amounts to 4,349,311 (4,349,311) and every share warrant entitles the holder to subscribe to one share in the company.

In February 2018, the subsidiary Clavister AB was granted a loan from EIB of EUR 10 million, another loan was granted in November 2018 of EUR 5 million from the same lender. These loans run for 5 years with a fixed interest rate. These loans are also linked to free options, the issue rate for these is SEK 0.10. The number of share warrants amounts to 1,770,079 and every share warrant entitles the holder to subscribe for one share in the company.

Note 23 Accrued expenses and prepaid income

	12/31/2018	12/31/2017
Accrued salaries and vacation pay	10,265	7,572
Accrued social security contributions	5,395	4,764
Accrued interest	8,523	678
Accrued maintenance expenses	140	1,620
Accrued commissions	495	724
Accrued royalty expenses	1,353	1,653
Accrued consultancy expenses	297	289
Accrued license income from 2017 due to IFRS 15	34,116	0
Accrued board remuneration	366	637
Accrued audits fees	530	480
Accrued costs for market expenses	1,516	408
Other items	920	541
Recognized value	**63,916**	**19,366**

Consolidated notes.

Note 24 Cash flow analysis

Adjustment for non-cash-flow items	2018	2017
Depreciation	35,884	22,137
Capital gain	856	0
Impairments	0	1,100
Unrealized exchange rate differences	18	0
Estimated interest on convertible loans	499	953
Recognized value	**37,257**	**24,190**

Note 25 Pledged assets

	12/31/2018	12/31/2017
Company mortgages	50,000	50,000
Pledged subsidiary shares	66,611	76,825
Cash and cash equivalents	853	11,457
Total	**117,465**	**138,282**

Note 26 Contingent liabilities

	12/31/2018	12/31/2017
No contingent liabilities	0	0
Total	**0**	**0**

Note 27 Business combinations

Combinations 2018

Clavister GmbH was established in April 2018. Clavister AB has a 100% ownership in Clavister GmbH. The purchase price consists of stock capital amounting to SEK 288 thousand.

Combination 2017

No business combinations took place in 2017.

Note 28 Transactions with related parties

Subsidiaries	Sale of goods/services	Purchase of zgoods/services	Miscellaneous	Receivables on the balance sheet date	Liabilities on the balance sheet date
2018	6,679	6,679	0	0	23,319
2017	7,629	7,629	0	19,845	0

The companies in the group have few transactions between them.

Transactions with the Board, aside from agreed board remuneration, comprise consultancy fees and salary, see Note 7 regarding remuneration as salary. Former board member Jan Ramkvist has invoiced the group, through a company (during his time as a board member), a total of SEK 587 thousand (1,349) over the year for attorney fees. The Chairman of the board, Viktor Kovacs, has through a company invoiced the group SEK 2,048 thousand (740) for performed consultancy services regarding the development of company processes and structures, mainly within sales. Board member Jan Frykhammar has through a company invoiced the group SEK 136 thousand (0). These fees are considered proportional to market rates.

For more information regarding remuneration for executives, see Note 7 Employee and personnel costs.

Note 29 Financial risks

The group is, through its operations, subject to different forms of financial risk: credit risks, market risks and liquidity risks. The group's general risk management is focused on the unpredictability of the financial markets and strives to minimize potentially adverse effects on the group's financial results.

Credit risk
Credit risk is the risk that the group's counterparty in a financial instrument will not be able to fulfil its obligation, which in turn would cause the group a financial loss. The group has a limited concentration of credit risks.

Credit risk in customer receivables
The largest share of turnover takes place in the subsidiary Clavister AB, where there are guidelines for ensuring that the selling of products and services is done to customers with an approved credit background. The credit assessment is made by an external party based on the estimated sales or credit limit and takes place within the scope of a signed framework agreement. If the customer is approved by the factoring company, the invoice is purchased and a settlement equivalent of 90% of the invoice's value is paid to Clavister AB in the currency in which the invoice is issued. Credit limit is withdrawn by the supplier if the customer invoice has been overdue for more than 30 days. A credit insurance is linked to the customer invoice through the company's factoring agreement. The factoring agreement makes the company free of liability to 90% in the case of bankruptcy (non-payment). Once the customer has paid the factoring company, the remaining 10% are paid. The client's payment conditions varies between prepayment, 30 and 60 days depending on the credit background. For our subsidiary, PhenixID, where around 90% of sales are conducted with Nordic customers and the remaining portion to northern Europe, the credit risk is considered very low as the customers are stable and recurring, and the relationship has lasted for a long time. The credit losses amount to SEK 497 thousand (14). The majority of this year's anticipated credit loss relates to withheld taxes from a customer in Tunisia amounting to SEK 444 thousand. It is possible that we will be able to offset this against corporate tax in the coming years, but we have decided to be cautious and deduct this as a credit loss.

Age analysis for non-impaired receivables on the balance sheet date.

	12/31/2018	**31/12/2017**
Immature accounts receivable	23,483	14,232
Mature receivables 1–30 days	986	885
Mature accounts 31–90 days	578	219
Mature receivables >90 days	215	286
Recognized value	**25,262**	**15,622**

Over the years, provisions have been made for bad debts. These provisions have been made following individual review of bad debts.

Provisions for accounts receivable	**12/31/2018**	**12/31/2017**
Opening value	336	289
Reversal of previously made provisions	31	0
Adjustment due to exchange rate changes	-29	7
Provisions for the year	528	40
Closing value	**866**	**336**

The credit quality of receivables not overdue or impaired is assessed as good.

Credit risks due to prepayments, suppliers
The subsidiary Clavister AB issues prepayments for suppliers for the purchase of hardware, so called appliances. The suppliers are Asian (Taiwan) and Swedish and payments are made in USD and SEK. Advance payments can be made in cases where the supplier relationship is relatively new and in cases of larger orders. Other companies in the group do not make advance payments.

Consolidated notes.

Market risks

Market risk is the risk of fluctuations in fair value or future cash flows from a financial instrument due to changes in market prices. IFRS divides market risks into three types: currency risks, interest risks and other pricing risks. The market risks primarily affecting the group mainly consists of currency risks.

Currency risk

Currency risk is the risk of fluctuations in fair value or future cash flows from a financial instrument due to changes in foreign exchange rates. The main exposure is derived from the group's sales and product purchases, and royalty payments in foreign currencies. This exposure is called transaction exposure. Currency risks can also be found in the translation of foreign operation's assets and liabilities to the parent company's functional currency, so called translation exposure. Translation exposure originates through the company's subsidiaries Clavister GmbH, Clavister APAC, Clavister Technology (ASIA) and PhenixID UG as the assets and liabilities are translated from USD, CNY (the Chinese yuan) and EUR to SEK.

Transaction exposure

For the Swedish companies in the group, a risk arises as payments for conducted sales are made in foreign currencies such as USD and EUR. Personnel costs are primarily counted in Swedish currency. The group's financial transaction exposure is however limited by the fact that sales are made in the currencies SEK, USD and EUR, regulated in customer agreements. Regarding the import of products, this is mainly done in USD, which can be cleared against the company's cash flow/customer payments in USD. The group's overarching goal for financial risks is to minimize them by netting the incoming and outgoing flows of payment.

For Clavister Technology (ASIA) Ltd, the absolute portion of both sales and purchasing of products are done in China using CNY, which means that the transaction exposure is considered limited. Currency risk related to changes in expected and contracted payment flows are deemed as affecting the group.

	2018		2017	
Currency exposure (%)	**Operating income**	**Operating expenses**	**Operating income**	**Operating expenses**
SEK	49%	76%	40%	75%
EUR	38%	12%	36%	10%
USD	8%	9%	15%	10%
CNY	5%	3%	9%	5%

EUR	**Changes in EUR exchange rate**	**Impact on gross profit**
2018 (vs 2017)	4.3%	786
2017 (vs 2016)	2.4%	473

USD	**USD exchange rate**	**Impact on gross profit**
2018 (vs 2017)	9.0%	-755
2017 (vs 2016)	-9.9%	384

CNY	**Changes in CNY exchange rate**	**Impact on gross profit**
2018 (vs 2017)	3.4%	-68
2017 (vs 2016)	-4.2%	4

Interest risk
"Interest risk is the risk that fair value or future cash flows from a financial instrument varies due to changes in market interest rates. A major factor affecting the interest risk is the fixed interest term.

The convertible subordinated debenture of SEK 10 million expires 03/31/2022. The assessment is that there is only a limited interest risk, and as in the years prior, the year has not resulted in any interest payments as the interest rate dictated by the central bank, linked to STIBOR 90 fn, is negative.

The group is not subject to interest risk with regards to the group's loan of a total of SEK 48,503 thousand as the interest is regulated (fixed) until the loan expires on 09/27/2020, as well as the loan of a total of SEK 154,130 thousand expiring 01/31/2020.

Given interest-bearing liabilities on the balance sheet date, an interest rate increase of 2% on the balance sheet date will have an impact on net interest income before tax of SEK 200 thousand.

In the table below, the conditions and repayment times for each respective interest-bearing liability is specified:

	Currency	Maturity	Interest	Recognized value 12/31/2018	Carrying amount 12/31/2017
Convertible debt	SEK	31/3-22	Variable	w8 011	7,512
Liabilities to external funders	SEK	27/9-20	Fixed	48,503	48,933
Liabilities to external funders	EUR	31/1-23	Fixed	102,753	0
Liabilities to external funders	EUR	31/1-23	Fixed	51,377	0
Total				**210,643**	**56,445**

Price risk
The company's product purchases make up a smaller part of the actual product cost. Software development costs, consisting of staff costs (which is also activated according to the requirements in IAS38) is absolutely dominant. Customer price lists are updated with the customer being notified three months in advance. This means that both increased prices and currency changes can affect the costs of product purchasing and royalty costs. Royalty costs are paid in EUR.

Liquidity risk
Liquidity risk is the risk that the group will have trouble fulfilling its obligations related to financial liabilities. The company's previous loans in EUR linked to an external financer has been fully regulated in 2018. For the new convertible loan taken in 2017, the conversion cost, according to the agreement, is set to SEK 48.82 per share to compare against Clavister Holding AB's closing price as of 12/31/2018 at SEK 23.90, the convertible loan expires in 2022. The loan of SEK 48.5 million expires in 2020, however there is no agreement regarding offsetting of the amortization and interest of shares, which means it will have no impact on the liquidity.

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

Maturity analysis	<1 year	1–5 years	>5 years	Total
		12/31/2018		
Interest-bearing liabilities	0	269,322	0	269,322
Liabilities to leasing companies in accordance with IFRS 16	6,144	25,999	0	32,143
Trade accounts payable	9,647	0	0	9,647
Other short-term liabilities	69,814	0	0	69,814
	85,605	**295,321**	**0**	**380,926**

Maturity analysis	<1 year	1–5 years	>5 years	Total
		31/12/2017		
Interest-bearing liabilities	0	63,293	0	63,293
Other liabilities to leasing companies (financial lease agreements)	429	853	0	1,282
Trade accounts payable	6,740	0	0	6,740
Other short-term liabilities	27,407	0	0	27,407
	34,576	**64,146**	**0**	**98,722**

Refinancing risk

Refinancing risk is the risk that liquid funds are not available and that financing may only be obtained in part or not at all, or at an increased cost.

If the group cannot obtain, or only obtains financing on unfavorable terms, it would have a severely negative impact on the company's operations, profit and financial position.

The group's refinancing risk can be the taking of loans, convertible loans or through the issuance of new stocks as decided by the general meeting.

In order to limit the refinancing risk, the group uses multiple sources of funding and makes an effort to spread out the maturities for the loans. For one of the loans that the group has taken out, repayment shall be made by issuing new shares through the financiers obtaining of new options in connection with the payment of the loan, which means that the liquidity will remain unaffected in this case.

The group works continuously to ensure the possibility to take out new loans when needed, as well as renegotiate current loans and agreements.

Liquidity is ensured both through the inclusion of interest-bearing liabilities and share warrants and issuing new shares. There has been no change to the group's management of capital over the course of the year. External capital requirements leveled against the group regarding indebtedness and new loans potentially being taken.

Note 30 Events following the end of the fiscal year

Nothing to report.

Parent company's income statement.

SEK n thousands	Note	2018	2017
Net sales	3	500	6,000
Other external costs	4.5	10,408	-4,871
Employee benefit expenses	6	-8,601	-3,537
Operating profit		**-18,508**	**-2,407**
Profit/loss from shares in group companies	9	-98,000	0
Other interest income and similar profit/loss items	7	0	346
Interest expenses and similar profit/loss items	7	-8,136	-3,022
Profit/loss before appropriations and taxes		**-124,645**	**-5,083**
Tax on the year's earnings	8	93	378
Profit for the year		**-124,552**	**-4,705**

Parent company's comprehensive income report

SEK n thousands	Note	2018	2017
Profit for the year		-124,552	-4,705
Other comprehensive income		0	0
Total comprehensive income for the year		**-124,552**	**-4,705**

Parent company’s balance sheet .

SEK n thousands	Note	12/31/2018	12/31/2017
ASSETS			
Fixed assets			
Shares in group companies	9	513,295	578,217
Receivables with group companies	10	0	19,845
Long-term receivables	11	3,815	8,255
Deferred tax asset	8	361	268
Total fixed assets		**517,471**	**606,585**
Current assets			
Other receivables	12	3,776	38
Prepaid expenses and accrued income	13	5,174	4,879
Liquid funds	14	987	11,471
Total current assets		**9,937**	**16,388**
TOTAL ASSETS		**527,408**	**622,973**

SEK n thousands	Note	12/31/2018	12/31/2017
EQUITY AND LIABILITIES			
Equity	15		
Restricted equity			
Share capital		2,356	2,356
		2,356	2,356
Non-restricted equity			
Share premium reserve		510,533	510,413
Accumulated profit or loss		53,059	57,139
Profit for the year		-124,552	-4,705
		439,040	562,847
Total equity		**441,396**	**565,203**
Liabilities			
Long-term liabilities	16		
Liabilities to credit institutions	16	48,503	47,647
Convertible debt instruments	16	8,011	7,512
Liabilities with group companies	10	23,319	0
Deferred tax liabilities	8	0	0
Total long-term liabilities		**79,832**	**55,159**
Current liabilities			
Trade accounts payable		379	730
Current tax liabilities	8	27	2
Other liabilities	17	662	115
Accrued expenses and prepaid income	18	5,112	1,765
Total short-term liabilities		**6,179**	**2,611**
Total liabilities		**86,012**	**57,770**
TOTAL EQUITY AND LIABILITIES		**527,408**	**622,973**

Parent company's report of changes in equity

	Restricted equity		Non-restricted equity		
SEK n thousands	Share capital	Share premium reserve	Accumulated profit or loss	Profit for the year	Total equity
Opening equity as at January 1, 2017	**2,275**	**499,900**	**381**	**-525**	**502,031**
Reversal of previous year's earnings	0	0	-525	525	0
Profit for the year	0	0	0	-4,705	-4,705
Other comprehensive income for the year	0	0	0	0	0
Comprehensive income for the year	**0**	**0**	**0**	**-4,705**	**-4,705**
Current capital issue	0	-4,478	0	0	-4,478
Equity, convertible share	0	0	2,870	0	2,870
Deposits relating to share warrants	0	940	0	0	940
Share-based compensation	0	0	54,413	0	54,413
New capital issue	81	14,397	0	0	14,478
Issue costs	0	-346	0	0	-346
Total transactions with owners	**81**	**10,513**	**57,283**	**0**	**67,877**
Closing equity as at December 31, 2017	**2,356**	**510,413**	**57,139**	**-4,705**	**565,203**
Opening equity as at January 1, 2018	**2,356**	**510,413**	**57,139**	**-4,705**	**565,203**
Reversal of previous year's earnings	0	0	-4,705	4,705	0
Profit for the year	0	0	0	-124,552	-124,552
Other comprehensive income for the year	0	0	0	0	0
Comprehensive income for the year	**0**	**0**	**0**	**-124,552**	**-124,552**
Deposits relating to share warrants	0	121	0	0	121
Share-based compensation	0	0	625	0	625
Total transactions with owners	**0**	**121**	**625**	**0**	**746**
Closing equity as at December 31, 2018	**2,356**	**510,533**	**53,059**	**-124,552**	**441,397**

Parent company’s cash flow report

SEK n thousands	Note	2018	2017
Cash flow from operating activities			
Profit before tax		-124,645	-5,083
Adjustment for non-cash-flow items	19	99,355	0
Cash flow from operating activities prior to changes in working capital		**-25,290**	**-5,083**
Cash flow from changes in working capital			
Changes in operating receivables		-4,032	-4,526
Changes in operating liabilities		3,566	-2,921
Cash flow from operating activities		**-25,756**	**-12,530**
Investment activities			
Investments in subsidiary shares	9	-33,078	-130,262
Investments in other financial fixed assets		4,440	-8,255
Cash flow from investments		**-28,638**	**-138,517**
Financing activities			
Increase in loans		0	47,647
Decrease/increase in convertible loans		0	-1,916
Issue costs		0	-346
Contributions due to share-based compensation		625	54,413
New capital issue		121	13,810
Decrease of receivables from subsidiaries		43,163	0
Increase of receivables from subsidiaries		0	-11,589
Cash flow from financing activities		**43,909**	**102,019**
Cash flow for the year		**-10,485**	**-49,028**
Liquid funds at the beginning of the year		-11,472	60,500
Liquid funds at the end of the year		**987**	**11,472**

Parent company notes .

Note 1 The parent company's accounting principles

The parent company has prepared its annual financial report in accordance with the Annual Accounts Act (1995:1554) and recommendation RFR 2 "Redovisning för juridisk person" (Reporting for legal person) by Rådet för finansiell rapportering (The Board for Financial Reporting).

The differences between the group's and the parent company's accounting principles are listed below. The accounting principles listed below have been consistently applied for all periods presented in the parent company's financial reports, unless otherwise stated.

Subsidiaries
Shares in subsidiaries are reported in the parent company in accordance with the cost method, reduced by any impairments.

Financial instruments
Due to the relationship between reporting and taxation, the rules for financial instruments pursuant to IFRS 16 in the parent company as a legal person are not applied. Instead, the parent company applies the cost method in accordance with the Annual Accounts Act. This means that in the parent company, financial fixed assets are valued at the acquisition cost minus any impairments and financial current assets according to the principle of lowest value .

Group contributions and shareholder contributions
Group contributions are transferred to the statement of operations as an appropriation. Shareholder contributions are transferred directly to the equity of the recipient and activated in shares and shares belonging to the donor, to the extent that impairment is not required.

Note 2 Significant estimates and assessments

In preparing its financial reports, the parent company has made substantial assumptions regarding the future results of all subsidiaries and their ability to generate returns. As the parent company essentially only has shares in the subsidiaries, it is also affected by the material estimates and assessments made by the group companies. For information regarding the group's material estimates and assessments, see group note 2.

Note 3 Net sales distribution

The parent company net sales consist entirely of invoicing between the parent company and Clavister AB regarding management fee, all sales made in Sweden.

Note 4 Other external costs

Other expenses costs mainly consist of board remuneration SEK 1.529 thousand (1,219), attorney fees of SEK 2,436 thousand (1,413), expenses for damages to Nasdaq SEK 1,512 thousand (0), costs for hiring of consultant as part of financing SEK 1,807 thousand (740), as well as fee to Certified Advisor of SEK 168 thousand (197).

Note 5 Auditor fees

A smaller portion of the auditor fees have been reported in the parent company, SEK 254 thousand (86), with the remaining portion being reported in the subsidiaries Clavister AB and PhenixID AB, as specified in group note 5.

Note 6 Employees and personnel costs

For salaries and remuneration for employees and senior executives, as well as information about the number of employees, see group note 7.

Parent company notes .

Note 7 Financial income and expenses

Interest income and similar profit/loss items	2018	2017
Profit/loss from non-redeemed warrants	0	346
Interest income	0	0
Total	**0**	**346**

Interest expenses and similar profit/loss items	2018	2017
Other financial costs	-897	-214
Interest costs	-7,239	-2,807
Total	**-8,136**	**-3,022**

Note 8 Taxes

Income statement

Current tax expense	2018	2017
Tax expense for the year	0	-15
Change in deferred tax liability referring to deficit deduction	-17	0
	-17	-15
Deferred tax		
Deferred tax relating to temporary differences	110	-507
Deferred tax on deficit deductions	0	899
	110	393
Tax recognized in the income statement	**93**	**378**

Deferred tax recognized under other comprehensive income for the year.

	0	0
Tax recognized in other comprehensive income	**0**	**0**

Reconciliation of effective tax rate	2018	2017
Profit before tax	**-124,645**	**-5,083**
Tax according to the rate applicable to the parent company (22%)	27,422	1,118
Tax effect of:		
Non-deductible expenses	-2,425	-219
Tax on profit from earlier years that has not been previously recognized.	0	-15
Temporary differences	110	-506
Adjustment of deferred tax attributable to tax rate changes	-17	0
Increased deficit deductions not recognized as a receivable	-24,997	0
Tax	**93**	**378**
Effective tax rate (%)	-21.4%	-21.4%

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

Deferred tax asset/tax liability	2018	2017
Convertible debt instruments	-521	-631
Miscellaneous	882	899
Recognized value	**361**	**268**

Specification of changes in deferred tax liability:

	2018	2017
Opening carrying amount	268	-126
Changes in temporary differences	110	126
Additional tax assets relating to deficit deductions	-17	268
Closing carrying amount for deferred tax asset/tax liability	**361**	**268**

Note 9 Shares in group companies

	12/31/2018	12/31/2017
Opening acquisition value	578,217	447,955
Acquisitions for the year	0	40,262
Shareholder's contributions for the year	33,078	90,000
Closing accumulated acquisition values	**611,295**	**578,217**
Impairment loss for the year	-98,000	0
Closing carrying amount	**513,295**	**578,217**

Further information is found in Note 2 (KC) and under "Shares in group companies". Impairment testing has been conducted in Clavister AB. More under Note 15 (KC)

Company and C.I.N.	Registered office	Capital share	Equity on 12/31/2018	Profit 2018	Carrying amount on 12/31/2018	Carrying amount on 12/31/2017
Clavister AB (556546-1877)	Örnsköldsvik	100%	79,651	-92,487	427,795	492,717
PhenixID AB (556987-6310)	Stockholm	100%	4,200	-3,584	85,500	85,500

Parent company notes .

Note 10 Receivables/liabilities with group companies

	Counterparty	12/31/2018	12/31/2017
Opening acquisition value	Clavister AB	19,845	8,254
Additional receivables	Clavister AB	0	11,590
Outgoing receivables	Clavister AB	-37,181	0
Closing liability/receivable Clavister AB		**-17,336**	**19,845**

	Counterparty	12/31/2018	12/31/2017
Opening acquisition value	PhenixID AB	0	0
Additional liabilities	PhenixID AB	-5,983	0
Outgoing liabilities	PhenixID AB	0	0
Closing liability/receivable PhenixID AB		**-5,983**	**0**
Closing liability/receivable group companies		**-23,319**	**19,845**

Note 11 Long-term receivables

	12/31/2018	12/31/2017
Accrued expenses relating to options for lenders	3,815	8,255
Recognized value	**3,815**	**8,255**

Note 12 Other receivables

	12/31/2018	12/31/2017
Tax asset	1	23
VAT receivable	3,775	15
Recognized value	**3,776**	**38**

Note 13 Prepaid expenses and accrued income

	12/31/2018	12/31/2017
Certified Advisor	44	0
Consultancy expenses for report	105	60
Insurance premium	99	99
Accrued expenses relating to options for lenders	4,925	4,720
Recognized value	**5,174**	**4,879**

Note 14 Cash and cash equivalents

	12/31/2018	12/31/2017
Cash and cash equivalents	987	11,471
Recognized value	**987**	**11,471**

Parent company notes

Note 15 Equity

As of December 31, 2018, the stock capital consists of 23,562,050 (23,562,050) shares with a quota value of SEK 0.10 (0.10). See also disclosures in group note 21 Equity.

Shareholders have provided unconditional shareholder contributions amounting to SEK 318,077,833 (285,000,000).

Note 16 Long-term liabilities

None of the parent company's long-term liabilities are du later than five years from the balance sheet date.

Additional information about the loan's maturity and the convertible promissory note can be found under group Note 29.

Note 17 Other liabilities

	12/31/2018	12/31/2017
Employee withholding taxes	189	27
Accrued payroll tax	158	86
VAT liabilities	314	0
Other liabilities	2	2
Recognized value	**662**	**115**

Note 18 Accrued expenses and prepaid income

	12/31/2018	12/31/2017
Accrued salaries and vacation pay	1,373	56
Accrued social security contributions	517	40
Accrued interest	2,601	678
Accrued board remuneration	366	637
Accrued consultant fees	100	0
Accrued fee Remium	0	0
Attorney fees	156	354
Recognized value	**5,112**	**1,765**

Note 19 Cash flow analysis

Adjustment for non-cash-flow items	2018	2017
Impairments	98,000	0
Estimated interest on convertible loans	1,355	0
Recognized value	**99,355**	**0**

Note 20 Pledged assets

	12/31/2018	12/31/2017
Pledged stock units in group companies	85,500	85,500
Pledged receivable on group companies	0	19,845
Cash and cash equivalents	987	11,457
Company mortgage	50,000	50,000
Total	**136,487**	**166,802**

Parent company notes

Note 21 Contingent liability

	12/31/2018	12/31/2017
No contingent liabilities	0	0
Total	**0**	**0**

Note 22 Transactions with related parties

Transactions with subsidiaries	**Counterparty**	**2018**	**2017**
Sale of services	Clavister AB	500	6,000
Purchase of goods/services	Clavister AB	0	0
Group contributions	Clavister AB	0	0
Change in settlement account	Clavister AB	-37,181	11,590
Receivables on the balance sheet date	Clavister AB	0	19,845
Liabilities on the balance sheet date	Clavister AB	-17,336	0
Change in settlement account	PhenixID AB	-5,983	0
Liabilities on the balance sheet date	PhenixID AB	-5,983	0

For more information regarding remuneration for executives, see group Note 7 Employee and personnel costs.

Note 23 Proposed appropriation of profits

The following parent company assets (SEK) is are at the annual general meeting's disposal	
Share premium reserve	510,533,470
Accumulated profit or loss	53,058,530
Profit for the year	-124,552,355
	439,039,645

The Board of Directors suggests that the entire share premium reserve of SEK 510,533,470 be transferred to balanced earnings.
In the new calculation, SEK 439,039,645 is transferred.

Board signatures

Örnsköldsvik, April 23, 2019

The consolidated financial statement and annual report have been approved for issuance by the Board on April 23, 2019. The Board of Directors and the CEO hereby verify that the consolidated financial statement and annual report have been prepared pursuant to International Financial Reporting Standards, IFRS, as adopted by the EU, and generally accepted accounting principles and that they provide an accurate account of the group's and parent company's position and profit/losses; and that the statutory administration report provides an accurate overview of the development of the group's and parent company's operations, positions and profit/losses, as well as describing material risks and uncertainties facing the parent company and the companies included in the group.

Viktor Kovács
Chairman of the Board

Jan Frykhammar
Board Member

Annika Andersson
Board Member

Staffan Dahlström
Board Member

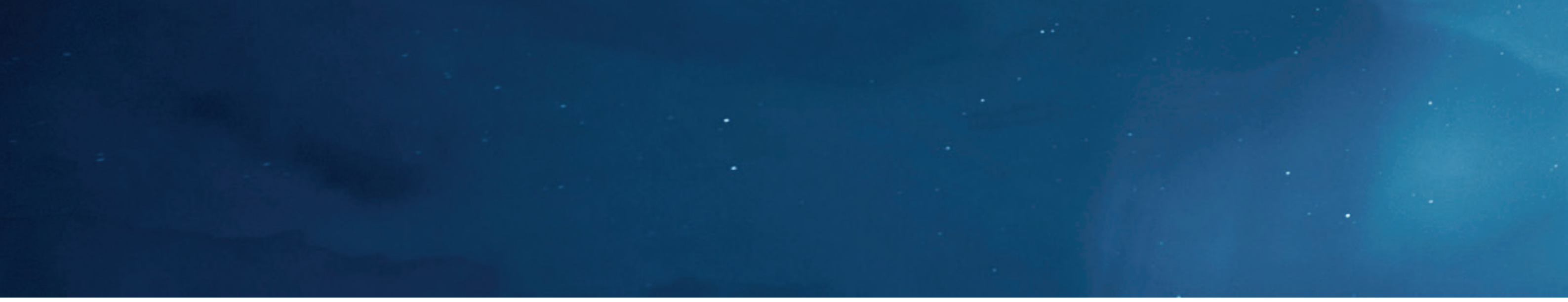
Bo Askvik
Board Member

John Vestberg
Chief Executive Officer

Our audit report has been submitted 23/04/2019

Ernst & Young AB

Rikard Grundin
Authorized public accountant



CONNECT . PROTECT

Sjögatan 6 J
SE-891 60, Örnsköldsvik
Sweden