Annual report & Consolidated Financial Statements for Clavister Holding AB

Financial year . 2019

CIN. 556917-6612

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

A summary of Clavister

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

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

Clavister's solutions 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 Europe's leading cybersecurity supplier.

+22% incoming orders

Ratios

- The value of incoming orders for the entirety of 2019 increased by 22% to a total of MSEK 146.7 (120.2).
- Operating income for the year amounted to MSEK 123.5 (112.5).
- Gross profit amounted to MSEK 99.5 (86.0), the equivalent to a gross margin of 81 (76) percent.
- Operating loss prior to depreciation and amortization amounted to MSEK-39.0 (54.2).
- Adjusted operating profit before depreciation and amortization and before items affecting comparability amounted to MSEK-28.8 (-54.2).
- Operating loss amounted to MSEK-80.5 (-90.1).
- Profit before tax amounted to MSEK-112.5 (-118.2).
- Earnings per share amounted to MSEK-7.33 (-5.22).
- Cash flow from the operating enterprise amounted to MSEK-57,6 (-68,7).

Increased growth in 2020

"For 2020, my main goal is to achieve a higher growth in both incoming orders and sales compared to growth in 2019.

We strive to keep operating expenses at the same level as in 2019, which overall is expected to provide a significant improvement in both operating profit and operating cash flow."

John Vestberg, CEO and President

150 employees

Words from the CEO .

When I summarize the whole calendar year of 2019, I look back at an incredibly exciting and eventful year for Clavister.

The overall goal as we entered the year was continued growth based on the investments and changes we implemented in 2018. I can conclude that this resulted in increased sales, especially during the three initial quarters of the year, with growth rates between 24% and 38%. However, the fourth quarter showed less growth, but nevertheless a new highpoint for our sales.

We had set a goal to reach MSEK 162 in incoming orders and an operating profit of MSEK-27 before depreciation for the calendar year.

The outcome for 2019 was MSEK 147 in incoming orders. In other words 91% of the goal was achieved. The deviation can mainly be attributed to the restructuring that took place in the Nordic sales operations. Thanks to corresponding adjustments of the cost base, we were still able to reach an adjusted operating profit of MSEK-28.8, which is in line with the years goal.

At the time of this report’s publication, the world is focused on the ongoing COVID-19 pandemic. In additional human suffering caused by the pandemic, many companies and businesses are severely affected.

Clavister is privileged to operate in an industry that many analysts are predicting to be vastly less impacted than other industries. We are of course nevertheless taking the situation seriously. Our priorities are first and foremost ensuring that our employees are safe and secure given the situation, that our customers are receiving the continued support they need from us, and that we have sufficient liquidity to handle any negative impacts on sales. Therefore, we are implementing a comprehensive program aimed at strengthening the company's liquidity without affecting our ability to deliver pursuant to our plan.

The underlying business model showed good and improved ratios during the year, which reinforces my confidence that the growth strategy we have established is correct. More than half of the year's turnover originated from our ongoing license and maintenance contracts, among other things. More than 92% of our clients chose to extend their contracts with Clavister. This is in addition to a gross margin of 81%.

In the past year, we launched our new product portfolio "Clavister Aurora Security Framework". The launch marked the beginning of a strategically important move for Clavister, taking us from a niche one-product company to a more complete cybersecurity supplier. The broader product portfolio allows us the opportunity to address larger clients with more complex security needs. It also means that we receive a greater volume generally, thereby becoming a more attractive supplier for distributors and retailers.

Words from the CEO .

We chose to restructure our sales operations in the Nordic region to create growth over time. This change created a disruption in the sales curve in the second half of 2019, but we are entering 2020 in a growing market with a stronger sales team and a stronger product range than ever before. We also chose to divest our sales operations in China in order to focus more on our core markets. Finally, we discontinued our development unit in Umeå at the end of the year to enable a continued sales and marketing effort within the framework of our current cost situation.

Over the course of the year, the sharp increase in sales to the Communication Service Provider segment has been particularly positive. We have made significant investments into the area for a number of years and are now pleased to see that the first operators have started their 5G network roll-outs, which provides us with strong growth potential. Initially, these roll-outs involve limited installations of 5G-based radio equipment. When these operators subsequently supplement with 5G-based mobile core networks, virtualization is a prerequisite and virtualized security is an important component.

I see no signs indicating that the cybersecurity market is slowing down. On the contrary, increasing digitization, along with government regulations and a generally tense geopolitical climate, are factors that contribute to a market that is growing faster and faster.

In light of the many and renowned clients Clavister manages to attract, I am confident that our solutions are commercially and technically viable. Our products have unique technical characteristics that enable license deals with good scalability. We continue to invest in innovation and product development to maintain and increase our long-term competitiveness. We believe that our positioning as an independent European cybersecurity provider is becoming an increasingly important differentiating factor as we grow our market share.

For 2020, my main goal is to achieve a higher growth in both incoming orders and sales compared to growth in 2019. We strive to keep operating expenses at the same level as in 2019, which overall is expected to provide a significant improvement in both operating profit and operating cash flow.

Thank you to our Clavister shareholders, who continue to follow us on our journey of growth!

John Vestberg, CEO and President

Market.

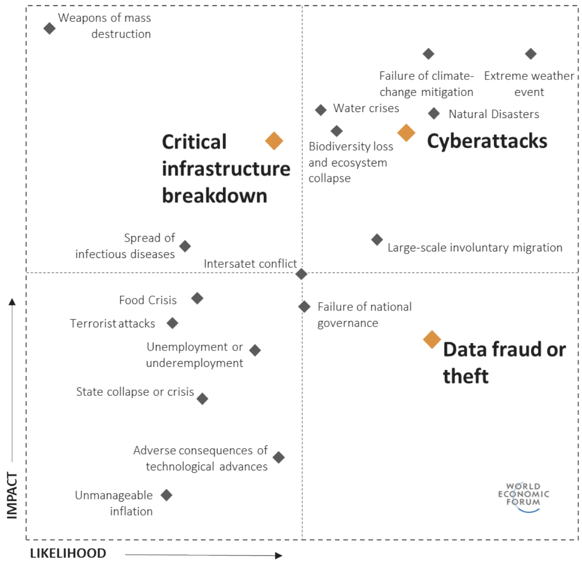
Market overview

The cybersecurity market continues to grow rapidly and is valued at over BUSD 131 in 2020 [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, up from 3 trillion in 2015.

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: Global Risks Report, World Economic Forum*

Clientele

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 the group are characterized by a long-term approach in their supplier relationship, which is largely derived from the extensive integration projects that underlie 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. Successful 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.

The latest vertical, Industrial IoT & Transportation, focuses on the security applications 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.

Market.

Finally, within the target group Communication Service Providers, mobile operators and broadband providers are addressed

faced with an increasing need for cybersecurity as their infrastructure grows in size and complexity, with most new networks being built being software-driven and widely using virtualization technology. A number of actors within the field choose to also offer their end customers security as a service, 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 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.

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, see figure 1 below.

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.
- Device Security – with the product Clavister One-Connect, which offers user equipment security and safe connection to datacenters, and Clavister One-Touch & OneTouch, 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 was supplemented in 2019 with Clavister NetEye offering Advanced Threat Protection
- Cloud Services – The majority of Clavister products are well suited to be offered as cloud services. The first service launched is Clavister's InCenter Cloud, and in 2019, it was supplemented with Clavister NetEye Cloud and Sandboxing.

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.

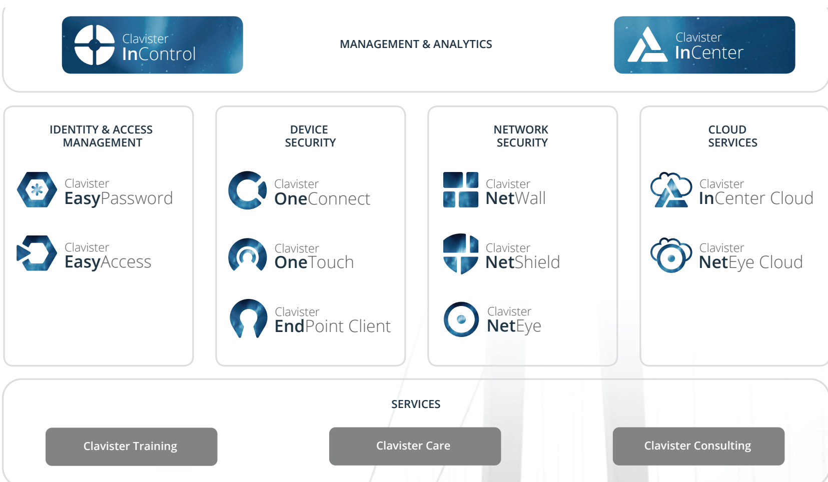


Figure 1, Clavister's product portfolio at the end of 2019.

Market.

Addressable Market

Clavister's updated product portfolio addresses a total global market with an estimated worth of BSEK 250 in 2020, which is estimated to grow to almost BSEK 280 by 2022, see Figure 2 below. The worth of Clavister's three geographic focus markets are estimated at around BSEK 36 for 2020, and is estimated to grow to around BSEK 40 by 2022, see figure 3 below

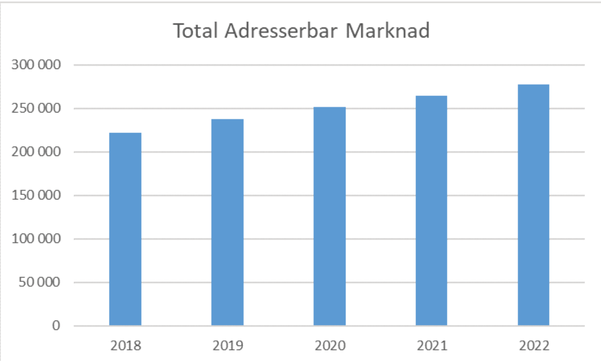


Figure 2. The total addressable market for Clavister's product portfolio 2018–2022 (MSEK). Source: Gartner, Forecast: Information Security, Worldwide 2017-2023, 4Q19 Update.

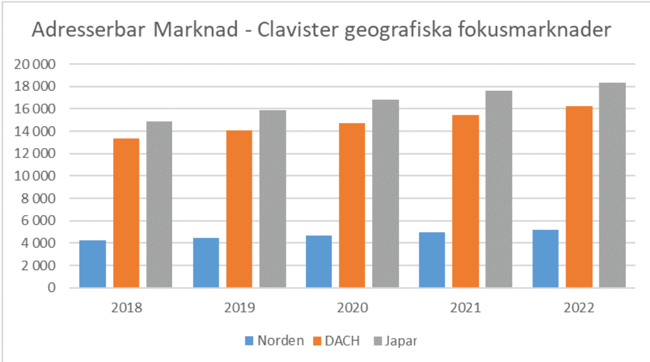


Figure 3. The total addressable market for Clavister's product portfolio for 2018–2022 (MSEK) in Clavister's geographic focus markets. Source: Gartner, Forecast: Information Security, Worldwide 2017-2023, 4Q19 Update.

A letter from the chairman of the board.

As I write this letter to our shareholders, the world is experiencing an unprecedented wave of financial and commercial uncertainty unlike anything imagined at the close of 2019, and our thoughts are with all of those affected by this wide-ranging and deadly pandemic. While it is still highly unlikely that the global economy will collapse as a result of the COVID-19 pandemic, it is certain that we will feel the impact of this event for years to come. We've seen some industries and supply chains grind to a halt, yet at the same time we've witnessed the importance of the internet and global data fabric which holds the world together during these troubling times. Clavister and its data security products play an increasingly important role in this effort, primarily based on its proven track-record of innovation at scale.

Clavister's 2019 financial year showed great promise in many areas, while making us keenly aware of challenges in some elements of our business. The platform for growth in the global enterprise software space is based first and foremost on proving commercial and technical viability of solutions, then developing the execution platforms to drive growth. Clavister has invested 10's of millions of Euros into the R&D required to offer a comprehensive European-based cyber-security platform to a discerning market which demands the innovation, quality and customer focus that we provide. During fiscal year 2019, Clavister has proven time and time again our ability to attract customers, partners and sales channels from around the globe to help us scale our platform and business. Although we could not make public all of the names, some of the relationships we have announced like ARM, Digital Cloak and Tieto have offered us a means of scaling our business into the future.

Thomas Edison once said that vision without execution is hallucination. For Clavister to achieve its vision of sustainable profitability it is crucial that we remain focused on organizational discipline and sales execution. The greatest challenge we have witnessed in our business during 2019 is the speed in which we can convert a vast array of opportunities into revenue-generative growth engines through focused investment in sales resources. In some areas, such as the German enterprise market and Global Key Accounts, we have seen the benefits of sales headcount investment. In other areas, such as the Nordics, we have witnessed the challenges which have arisen as we restructured a sales organization with limited organic depth. Fortunately for Clavister, our product viability and flexible commercial model has proven to overcome temporary disruption to our business and as a result we have achieved record growth in a number of areas of the business in 2019.

The current health and economic crisis shall pass and as a result we expect to see huge changes in the global technology landscape. The companies that had proven technical and commercial viability, coupled with serious growth prospects, going into the crisis will be the ones most likely to survive and thrive afterwards. The Clavister mission, to deliver business continuity to its customers across the globe, is more essential now than ever before. Clavister's staff, the Executive Management Team and the Board of Directors all understand the importance of this mission and are committed to delivering it. For that reason, I am very optimistic about the prospects and future of this great company.

Victor Kovacs, chairman of the board

Annual report.

The board and the CEO of Clavister Holding AB (556917-6612) will hereby submit an annual report and consolidated financial statements for the fiscal year of 2019. The company has its head office in Örnsköldsvik. Unless stated otherwise, all amounts are reported in SEK thousands. Figures in brackets refer to the previous year.

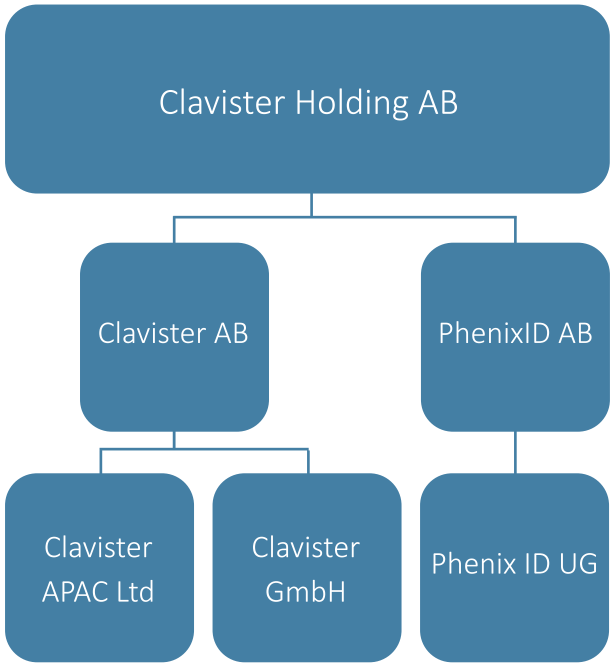
Information about the business operations

The Clavister Group houses 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 technological services. Sales are primarily done under the company's own brand of Clavister, but also through OEM, i.e. the software being added to customer's own product concept.

The Clavister Group was listed on Nasdaq First North 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 five wholly owned subsidiaries of the parent company Clavister Holding AB (see figure). The majority of Clavister AB's activities are carried out in this company. The head office in Örnsköldsvik conducts product and software development, maintenance, product management, consulting services, customer training, product purchasing, logistics and inventory management, customer support, marketing, finance and other administration. The company's sales offices are located in Örnsköldsvik and Stockholm. Clavister AB owns 100% of Clavister GmbH in Germany, which carries out a marketing and sales enterprise in the DACH area, and also Clavister APAC Ltd, a holding company in Hong Kong, currently without any operations.

Clavister Holding AB acquired the company PhenixID AB in 2016 and now has 100% ownership. PhenixID is a competent actor within the field of Identity & Access Management (IAM) solutions and thus an important supplement to Clavister's other products on offer. Besides knowledge and expertise in the areas of IAM and MFA (Multi-Factor Authentication), PhenixID supplements the Group with good client references and a stable customer base. 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 focused on sales and marketing.



Clavister Group:

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

The year's important events

- In 2019, Clavister continued to win initial market shares for virtualized cybersecurity ahead of the big expected technological shift to 5G in the coming years, a sign that the telecoms industry is now entering an important phase for building 5G infrastructure. Volumes increased in 2019 and sales from this segment amounted to MSEK 18.7 compared to the previous year of MSEK 6.0.
- The company launched two new security solutions, Clavister NetEye and Clavister NetEye Cloud, for the corporate market. Clavister NetEye is an advanced protection that protects end users from threats embedded in encrypted traffic flows. This type of threat scanning will become increasingly important as encryption will encompass virtually all traffic in the years to come. Clavister's solution offers integrated scanning for viruses and malware, with predictive blocking based on artificial intelligence. It can also perform controlled access to files that have been flagged as potential risks.
- The product is being launched at a time when threats are increasingly hidden within encrypted traffic, and many authorities, schools, and companies are now looking at how to protect their users and digital assets more effectively.
- During the year, Clavister announced that it had signed a distribution and OEM agreement with Digital Cloak, an American system integrator specializing in cybersecurity for the U.S. Department of Defense.

  Based in Washington, Digital Cloak works closely with the U.S. Department of Defense to ensure accurate threat and incident analysis, further development, and adaptation of security solutions. By adding Clavister's cybersecurity platform to its product portfolio, Digital Cloak will create new applications for various applications in the armed forces.

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The collaboration means that Digital Cloak will market and implement Clavister's identity and network security products to U.S. government agencies, including the Department of Defense.

- The company conducted a directed share issue of 2,097,500 shares on the basis of the annual general meeting's emission authorization from 14 May 2019, thereby adding approximately MSEK 35.7. The subscription price of SEK 17 per share was set by the Company board of Directors, in consultation with Handelsbanken Capital Markets, based on the assessed investment interest from investors of an institutional nature. The board therefore considers that the subscription price has been ensured to be market-based.
- At the end of the third quarter, the company divested its Chinese operations, in line with the company's strategy to have a clearer geographical focus on the Nordic region and the DACH area.

  The operation in China, with some 20 employees, focused on selling Clavister's products. The target group has primarily been universities and clients in the transport sector. For the full year 2018, the Chinese subsidiary had a turnover of approximately MSEK 6.7 and contributed a net loss to the group.
- In October 2019, the company received the third and final tranche of MEUR 5 from the existing loan agreement with the European Investment Bank (EIB). The total loan agreement amounting to MEUR 20 was signed in December 2017.
- During the last quarter of 2019, the company decided to discontinue its operations in Umeå, with a total of 18 employees affected. The company's research and development is focused on the head office in Örnsköldsvik.

Events following the end of the fiscal year

The company continuously monitors how the situation surrounding the coronavirus (COVID-19) develops. Group management continuously monitors and evaluates the possible impact on operations and has established various packages of measures depending on how this develops over time. - *See further information in Note 31.*

Clavister's CFO will leave their position in early April 2020.

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. 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 in marketing and sales, as well as product development, 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.

Pandemics or other natural disasters can have a significant direct or indirect impact on the company. The ongoing procurement may be suspended or postponed indefinitely. Customers' ability to invest can significantly deteriorate as a consequence of the impact on the world economy.

Financial risk

The majority of sales are made in SEK, USD and EUR and are regulated in agreements with the customer where the EUR dominates followed by SEK. Product payments are regulated 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. Currency exposure in CNY was eliminated during the year following the divestment of the subsidiary in China that took place during the third quarter of 2019.

Currency hedging is done by offsetting in and outgoing payments in equal currency. When it comes to the overall currency distribution, the sales in EUR in 2019 account for 59% of the sales, followed by SEK, USD and CNY. Operating expenses are dominated by SEK to 76% and the remaining portion is divided between USD, EUR.

Interest-rate risks are associated with the consolidated financing through the convertible loan which is due 22/03/2022, 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.

Annual report.

Environmental and sustainability efforts

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

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 20 nationalities, which creates good opportunities and competitive advantages. 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, information policy (and also MAR*) is done through the consent of all employees. The issues above are also highlighted in connection to recruitment and the introduction for new employees.

Customer satisfaction surveys are carried out year-by-year and for customer support, the result is well above the targets set.

* EU Market Abuse Regulation 596/2014/EU aims to ensure the integrity of financial markets and improve investor protection and confidence in the markets.

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. 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. In 2017, Clavister has appointed 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 and improved quality. 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.

Employees

The number of employees as of 31/12/2019 amounted to 150

(176), which is a 15% increase. Of which the proportion of women is at the same level as in the previous year, i.e. 14%, and as of 31/12/2019, 22 employees (26) are employed. In addition to permanent employees, Clavister also engages consultants in fields such as of customer projects and sales equivalent to 5 (7) full-time employees. The total number of group employed, including consultants, was 155 (183) as of December 31, 2019.

Clavister's success is dependent on motivated, committed and result-oriented employees. Talents and skills are therefore crucial to Clavister's success, and here 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 2019, the Board has had 20 recorded meetings.

Profit and loss account

The group's total reported revenues for the year amounted to MSEK 123.5 (112.5).

The focus markets for the group are the Nordic countries, the DACH region (Germany, Austria and Switzerland) and Japan. The year has included a restructuring of the Nordic sales organisation. The assessment is that in the medium to long-term perspective, there is no reason to believe sales in the Nordic region cannot return to previously stable growth levels. The Nordic region delivered strong sales growth in identity and access solutions of 31% in the full year compared to the previous year.

The DACH region continued to build momentum and noted a good influx of new end customers and retailers. Sales in the DACH region increased by 18% to MSEK 17.7 (15.0) for the full year.

Japan has had declining sales for some time from one of the company's partners, mainly due to tight margins in the complex Japanese sales channels towards SMB customers. Therefore, at the end of the year, the company chose to cut back on cooperation with the partner in question in order to be able to refocus resources towards the other major Japanese customer, NTTBP. Sales to Asia have decreased, mainly due to the fact that the company sold the subsidiary in China during the year.

Global key customers experienced the largest sales growth and growth over the course of the year. Sales in the specific vertical Communication Service Providers (CSP) increased in 2019 compared to the previous year from MSEK 6.0 to MSEK 18.7. The roll-out of 5G, and more specifically the build-up of "mobile core" networks based on the 5G standard, is expected to be a strong driving force for our sales of virtualized security solutions. During 2019, a significant number of operators announced their launches of 5G networks. Initially, these are delimited installations of 5G-based radio equipment. When these operators subsequently supplement with 5G-based mobile core networks, virtualization is a prerequisite and virtualized security is an important component. For the full year of 2019, sales to the operator market have grown by 230% compared to 2018

The group's gross profit amounted to MSEK 99.5 (86.0). The total reported gross margin for the year was 81 (76)%. The difference in gross margin between the years is due to a difference in product mix, lower third party costs and the divestment of the operations in China, which had a lower gross margin.

The year has been laden with an item affecting comparability due to the closure of the Umeå office of MSEK 6.2. This item consists of personnel costs, MSEK 2.6, and rent of premises attached to the closed establishment of MSEK 3.6.

The group's operating profit amounted to MSEK-80.5 (-90.2).

Fundraising

Through a funding agreement made in 2017, Clavister has a 3-year loan of MSEK 50 with Tagehus. Additional financing was obtained in December 2017 through a five-year loan agreement with the EIB, the European Investment Bank, amounting to MEUR 20, with funds disbursed in 2018-2019. See additional information under the heading "Significant events during the year", and Note 30.

Going concern

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 2020, 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 2020, and that the expense basis for 2020 will not exceed the costs of 2019, which means that Clavister can take significant steps towards profitability over the year. The loan from Tagehus of MSEK 56, including interest, will expire in September 2020 and Clavister is currently dependent on the refinance of this loan for its continued operation. Work on such refinancing has begun and the Board of Directors and the CEO believe that the company is well placed to carry out this refinancing in 2020. Should Clavister fail to refinance the loan from Tagehus, there is a material risk regarding the company's continued operation. 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, that Clavister Holdings AB is deemed to have the necessary liquidity and cash flow to continue its operations in 2020.

Financial position

Liquid assets at the end of the period amounted to MSEK 70.9 (82.2). Equity capital amounted to MSEK -89.3 (66.7) as of 31/12/2019.

The Group's total assets decreased by 21% compared to the previous year and amounted to MSEK 303.3. Fixed assets decreased by MSEK 86.0 compared with the previous year to MSEK 167.8, of which capitalized expenses for development work increased by MSEK 12.9, right-of-use assets decreased by MSEK 6.3 for leases for premises.

Current assets increased by MSEK 3.5 to MSEK 135.4 (131.9), of which liquid assets accounted for MSEK 70.9 (82.2) by the end of the period.

The group's equity amounted to MSEK 89.3 (66.7) by the end of the year. The loss for the period decreased equity by MSEK -188.2 (-122.9). Equity increased by MSEK 33.2 in respect of the rights issue and decreased by MSEK 1.0 for changes attributable to warrants.

Investments, depreciation and development expenses

During 2019, the Group has continued to invest product development and activates time spent. The total amount of activated expenses and internal development for the year have been balanced by MSEK 46.6 (39.6). The outgoing value of the development efforts in the balance sheet amounts to MSEK 76.5 (63.6) in 2019.

Depreciations of intangible assets regarding activations for the year amounted to MSEK 33.7 (28.3).

Investments in tangible fixed assets for the whole year amounted to TSEK 1,593 (2,239).

Annual report.

Ownership

The number of shareholders amounts to 5,130 and the number of registered shares, as of 31/12/2019, was 25,659,550 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
HSBC Trinkhaus and Burkhardt AG (Lloyds)	2,563,268	10%
Försäkringsaktiebolaget, Avanza Pension	2,343,871	9%
Goldman Sachs International Ltd, W8IMY	1,237,500	5%
RGG Adm-Gruppen AB	1,113,006	4%
Pension, Danica	1,068,273	4%
Clearstream Banking S.A, W8IMY	1,016,473	4%
Fondita 2000+	753,000	3%
RBC Investor Services Bank	600,000	2%
Nordnet Pensionsförsäkring AB	579,221	2%
Vidar Stenberg	567,324	2%
Other shareholders	13,817,614	54%
Registered number of shares according to the Swedish Company Registration Office 12/31/2019	25,659,550	100%

Shareholdings for board of directors and senior executives

Board of Directors	Number of shares
Viktor Kovács	10,000
Kimberly Matenchuk	0
Jan Frykhammar	29,941
Staffan Dahlström	439,536
Bo Askvik	16,000
	495,477

Senior executives	Number of shares
John Vestberg*	484,520
Håkan Rippe	0
Andreas Åsander	7,000
Jenny Ramkrans	3,000
Adrianne Edblad	0
Przemek Sienkiewicz	7,777
Håkan Wallberg	2,200
Johan Edlund	0
Peter Laurén*	814,872
	1,319,369

Indirect ownership through their own company, or capital insurance

Annual report.

Multi-year review

Group	2019	2018	2017	2016	2015
Operating income	123,467	112,517	100,206	78,116	64,191
Net sales growth (%)	10%	12%	28%	22%	3%
Gross profit	99,490	86,037	77,512	53,466	44,773
Gross margin (%)	81%	76%	77%	68%	70%
Profit before tax	-112,505	-118,236	-83,642	-71,712	-55,655
Balance sheet total	303,275	385,791	-302,110	-277,169	144,693
Equity ratio (%)	Negative	17%	69%	75%	63%
Number of employees	150	176	155	160	124
Parent company					
Operating income	430	500	6,000	4,200	3,400
Balance sheet total	526,981	527,408	622,973	517,102	320,764
Equity ratio (%)	67%	84%	91%	97%	97%
Number of employees	2	2	2	1	1

Proposed appropriation of profits

The following parent company assets (SEK) is at the annual general meeting's disposal

Share premium reserve	31,381,427
Accumulated profit or loss	439,597,821
Profit for the year	-153,896,295
	317,082,953

The Board of Directors suggests that the entire share premium reserve of SEK 31,381,427 be transferred to balanced earnings. In the new calculation, SEK 317,082,953 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 statement of operations

SEK n thousands	Note	2019	2018
Net sales	3.4	123,061	111,772
Other earnings		406	744
Operating income		**123,467**	**112,517**
Goods for resale		-23,977	-26,480
Gross profit		**99,490**	**86,037**
Work performed by the company for its own use and capitalized	16	46,613	39,573
Employee benefit expenses	7.8	-140,988	-131,768
Other external costs	5.6	-39,409	-47,982
Other operating expenses	9	-766	-94
Depreciation	10.11	-41,433	-35,884
Results from shares in subsidiaries	12	-3,971	0
Operating profit		**-80,464**	**-90,118**
Financial income	13	1,638	86
Financial costs	8.13	-33,680	-28,205
Profit before tax		**-112,505**	**-118,236**
Tax on the year's earnings	14	-75,663	-4,693
Profit for the year		**-188,169**	**-122,929**
Profit for the year attributable to:			
Parent company owners		-188,169	-122,929
Non-controlling interest		0	0
Profit per share:	15		
Basic earnings per share		-7.33	-5.22
Diluted earnings per share		-7.33	-5.22

Consolidated comprehensive income report

SEK n thousands	Note	2019	2018
Profit for the year		-188,169	-122,929
Other comprehensive income for the year:			
Items which can later be reclassified for the statement of operations			
Translation difference		-2	40
Other comprehensive income for the year, net total after tax		**-2**	**40**
Total comprehensive income for the year		**-188,171**	**-122,889**
Comprehensive income for the year attributable to:			
Parent company owners		-188,171	-122,889
Non-controlling interest		0	0

Consolidated balance sheet

SEK n thousands	Note	12/31/2019	12/31/2018
ASSETS			
Fixed assets			
Goodwill	16	51,875	52,569
Software rights	16	0	0
Balanced expenses for development work	16	76,499	63,610
Client relationships	16	1,667	2,667
Access rights assets	10.17	20,451	26,827
Equipment	17	0	117
Other long-term receivables	18	16,901	31,334
Deferred tax asset	14	478	76,771
Total fixed assets		**167,870**	**253,894**
Current assets			
Inventories	1	8,000	5,444
Accounts receivable	18	38,092	25,262
Tax asset		324	79
Other receivables	18	2,184	2,254
Prepaid expenses and accrued income	18.19	15,862	16,681
Liquid funds	18.20	70,942	82,176
Total current assets		**135,404**	**131,897**
TOTAL ASSETS		**303,275**	**385,791**

Consolidated balance sheet .

SEK n thousands	Note	12/31/2019	12/31/2018
EQUITY AND LIABILITIES			
Equity	22		
Capital stock		2,566	2,356
Other capital contributions		591,702	559,762
Reserves		131	133
Retained earnings, including profit for the year		-683,681	-495,513
Equity attributable to parent company shareholders		-89,283	66,738
Total equity		**-89,283**	**66,738**
Liabilities			
Long-term liabilities			
Liabilities credit institutions	18,23,30	220,451	202,632
Convertible debt instruments	18.30	8,545	8,011
Leasing liabilities	10,18,30	15,987	21,502
Deferred tax expenses	14	814	1,302
Total long-term liabilities		**245,796**	**233,448**
Current liabilities			
Liabilities credit institutions	23.30	53,709	0
Leasing liabilities	10,18,30	5,992	6,144
Advances from clients	18.30	0	0
Trade accounts payable	18.30	5,169	9,647
Current tax liabilities	14	79	0
Other liabilities	18.30	6,867	5,898
Accrued expenses and prepaid income	18,24,30	74,946	63,916
Total short-term liabilities		**146,762**	**85,605**
Total liabilities		**392,558**	**319,053**
TOTAL EQUITY AND LIABILITIES		**303,275**	**385,791**

Consolidated report of changes in equity.

SEK n thousands	Equity capital	Other capital contributions	Reserves	Retained earnings, incl. profit for the year	**Equity attributable to parent company's shareholders**	**Total equity**
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	0	0	-25,302	-25,302	-25,302
Adjusted opening equity 01/01/2018	**2,356**	**554,561**	**93**	**-372,584**	**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 remuneration value of free 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**	**559,762**	**133**	**-495,513**	**66,737**	**66,737**
Opening equity as at January 1, 2019	**2,356**	**559,762**	**133**	**-495,513**	**66,737**	**66,737**
Profit for the year	0	0	0	-188,168	-188,168	-188,168
Other comprehensive income for the year	0	0	-2	0	-2	-2
Comprehensive income for the year	**0**	**0**	**-2**	**-188,168**	**-188,170**	**-188,170**
New capital issue	210	35,448	0	0	35,658	35,658
Issue costs	0	-2,500	0	0	-2,500	-2,500
Equity, convertible share	0	0	0	0	0	0
Overdue non-redeemed warrants	0	-1,566	0	0	-1,566	-1,566
Share-based remuneration value of free warrants	0	558	0	0	558	558
Total transactions with owners	**210**	**31,940**	**0**	**0**	**32,150**	**32,150**
Closing equity as at December 31, 2019	**2,566**	**591,702**	**131**	**-683,681**	**-89,283**	**-89,283**

Consolidated cash flow report

SEK n thousands	Note	2019	2018
Cash flow from operating activities	25		
Profit before tax *		-112,505	-118,236
Adjustment for non-cash-flow items	25	42,624	37,257
Paid income tax		-25	-2,202
Cash flow from operating activities prior to changes in working capital		**-69,906**	**-83,181**
Cash flow from changes in working capital			
Changes in inventories		-2,977	2,612
Changes in operating receivables		-15,214	-10,195
Changes in operating liabilities		30,477	22,055
Cash flow from operating activities		**-57,621**	**-68,709**
Investment activities			
Divestment of subsidiaries, net impact on cash flow		-298	0
Acquisition of tangible fixed assets		0	-2,250
Acquisition of activated development work		-46,613	-39,915
Restitution in financial fixed assets		14,433	10,075
Increase in financial fixed assets		0	0
Cash flow from investments		**-32,478**	**-32,090**
Financing activities			
Borrowings		53,904	162,525
Amortization of lease liabilities		-7,247	-11,261
Share-based compensation		558	625
Sale of equity		0	4,455
New capital issue		34,092	121
Issue costs		-2,500	0
Cash flow from financing activities		**78,806**	**156,465**
Cash flow for the year		**-11,292**	**55,666**
Liquid funds at the beginning of the year		82,176	26,492
Exchange rate difference in liquid funds		58	18
Liquid funds at the end of the year	20	**70,942**	**82,176**

* The item “Profit before taxation” includes interest received of TSEK 71 (TSEK 85) and interest paid by TSEK 1,941 (TSEK 268).

Group 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 27, 2020 and they will be presented to be adopted at the annual general meeting on May 19, 2020.

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, 2019

The group pre-applied IFRS 16 Leasing starting January 1, 2018, see further information below under the heading "Leasing" and Note 9. The following standards were applied by the group for the first time for the fiscal year starting January 1, 2019:

- Amendment of IFRS 9 concerning pre-payable financial assets with negative remuneration
- Alteration of IAS 28 Long-term holdings in associates and joint ventures
- Annual amendments to IFRS's standards in the improvement cycle 2015-2017
- Alteration of IAS 19 Staff Benefits
- Interpretation of IFRIC 23- Uncertainty on income tax assessment

New or changed financial reporting standards after 2019

During 2020, no new standards will be implemented. On January 15, 2020, alterations to IFRS 9 and IFRS 17 were adopted as a result of the reference rate reform. The changes shall apply from 1 January 2020, but earlier adaptation is permitted. Clavister has chosen not to implement these changes early.

Clavister does not expect any significant effects on the group resulting from any of the amendments to the existing standards.

Revenue recognition

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 and maintenance 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.

Group notes.

The group has two primary incomes from licensing, Clavister Security Subscription (CSS) and Clavister Product Subscription (CPS), which are accrued over the duration of the agreement which can vary between 12 and 72 months. Additionally, CSS revenues consist of subcontracting compensation. 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.

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 the previous year.

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 of IFRS 8 is a part of the Group that conducts operations from which it can generate revenue and incur costs, where operating profit is audited by the company's chief executive decision-makers and for which independent financial information is available. The Clavister management evaluates the company's revenue development at a total level as a whole, as well as broken down into geographic markets. However, costs are not measured by geographic market but on the basis of function and at a total level as a whole. Therefore, management does not analyze operating profits based on any segment, so segment reporting is not included in the annual report.

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.

Group 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.

Share-based compensation

The Group has a share-based remuneration plan in the form of employee stock options where the company obtain services from employees as consideration for the Group's equity instruments. More information about these plans can be found in Note 8. Information about the employee stock option programs:The true value of the service entitling employees to the allotment of options through Clavister's employee stock option program is reported as a personnel cost with a corresponding equity increase. The total amount to expense is based on the true value of the options allotted:

• including all market-related conditions (e.g. share target price)
• excluding any impact of terms of service and non-market-related vesting conditions (e.g. profitability, sales increase targets, and retention of the employee in the company's service for a specified period of time),
• including the impact of conditions that do not constitute vesting conditions (e.g. requiring employees to save or retain the shares for a specified period of time).

The total cost is reported over the vesting period; the period over which all the specified vesting conditions are to be met. At the end of each reporting period, the group reviews its assessments of how many shares are expected to be earned based on the non-market vesting conditions and conditions of employment. Any deviation from the initial assessments resulting from the review is recognised in the profit and loss account and corresponding adjustments are made to the group's equity.
The social security contributions incurred on the allotment of share options are considered an integrated part of the allotment, and the cost is treated as a cash-settled share-based payment.

The company's plan for share option is administered by Clavister. When the options are redeemed, Clavister transmits the correct number of shares to the employee. Payments received, after deduction of any directly attributable transaction costs, are credited to equity.

Leasing

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 under Note 10.

The group's leasing agreements are mainly linked to 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 right-of-use assets 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 lease agreement are reported depending on the contract design as either a new lease agreement with a date of entry into force or the original lease is changed to take account of the contract.

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.

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.

Group notes.

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

- Right-of-use assets are amortized at the shortest useful life and lease term

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
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.

Trade 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.

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.

Group notes.

Liquid funds
Liquid funds 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 16 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 MSEK 135 (98). 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 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. For more information, see group note 16.

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, 2019, these deficit deductions amounted to MSEK 504 (450) with a reported value of MSEK 0 (76.8). In connection with the financial statements, Clavister AB is conducting impairment checks, which resulted in a impairment of deferred tax claims of MSEK 76,4. Any additional deferred tax assets attributable to the deficit deduction have not been recorded as assets in 2019 despite the deficit deduction having increased, as the assessment that they will not be used until 2024 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.

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 MSEK 54.8. 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 amounts for the options regarding the loan to TageHus amounts to MSEK 14.8, the cost of the loan to EIB amounts to MSEK 40.0. 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.

Group notes.

Note 3 Operating segments

An operating segment according to IFRS 8 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. Management primarily evaluates the company's development through order development, totally broken down by geographical market, in combination with the company's functional cost development. Therefore, segment reporting is not applicable.

The group's different forms of revenue consist of products and services. Under 2019 the portion of products amounts 42% (37%) of sales and services amounts to 58% (63%).

The group has revenue from one major customer, the total amount of sales in that group of customers amounts to TSEK 13,082 (11,212), i.e. 11% (10) of total sales.

Geographic distribution of operating revenue	2019	2018
Sweden	51,717	43,846
Rest of Europe	51,449	33,491
Asia	12,116	15,966
Rest of the world	8,185	19,214
	123,467	**112,517**

Note 4 Revenue from Contracts with Customers

Group 2019

Income from client agreements Per operating segment	Group	Internal Transactions	Eliminations	Total in the group
Products	52,001	0	0	52,001
Licenses	49,663	0	0	49,663
Service revenues	21,397	0	0	21,397
Internal turnover	0	8,656	-8,656	0
Net sales	**123,061**	**8,656**	**-8,656**	**123,061**
Time of revenue recognition				
Products transferred to a customer at a given point in time.	52,001	0	0	52,001
Services transferred to a customer over time	49,663	0	0	49,663
Services transferred to a customer at a given point in time.	21,397	0	0	21,397

The group 2018

Income from client agreements Per operating segment	Group	Internal Transactions	Eliminations	Total in the group
Products	41,197	0	0	41,197
Licenses	61,271	0	0	61,271
Service revenues	9,304	0	0	9,304
Internal turnover	0	6,679	-6,679	0
Net sales	**111,772**	**6,679**	**-6,679**	**111,772**
Time of revenue recognition				
Products transferred to a customer at a given point in time.	41,197	0	0	41,197
Services transferred to a customer over time	61,271	0	0	61,271
Services transferred to a customer at a given point in time.	9,304	0	0	9,304

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

Agreement assets	2019	2018
Accounts receivable	38,092	25,262
Accrued income from client contracts	0	0
	38,092	**25,262**

Agreement liabilities	2019	2018
Prepaid income from customer contracts	49,040	34,116
	49,040	**34,116**

Note 5 Auditor fees

Ernst & Young	2019	2018
Auditor assignments	628	692
Auditing activities outside of the audit assignment	34	101
Tax advice	15	67
Other services	0	0
Recognized value	**677**	**860**

SKY CPA & Co, Hong Kong	2019	2018
Auditor assignments	16	15
Recognized value	**16**	**15**

Shaanxi Pumeihengzhen Accountants Firm Ltd, Kina	2019	2018
Auditor assignments	0	6
Recognized value	**0**	**6**

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	2019	2018
Costs for premises	5,504	2,056
Consultancy expenses	12,630	18,871
Travel expenses	5,277	6,555
Administration	3,741	3,622
Market and sales	6,269	14,304
Miscellaneous	5,988	2,574
Recognized value	**39,409**	**47,982**

Group notes.

Note 7 Employees and personnel costs

Average number of employees	2019 Average number employees	2019 Of which men, percent %	2018 Average number employees	2018 Of which men, percent %
Subsidiaries in Sweden	140	86%	144	86%
Subsidiaries in China	0	0%	24	79%
Subsidiaries in Germany	8	63%	6	66%
Total in subsidiaries	148	0%	174	84%
Parent company	2	100%	2	100%
Total in the group	**150**	**85%**	**176**	**85%**

Gender balance, board and Senior executives	2019 Number of Balance sheet date	2019 Of which men, percent %	2018 Number of Balance sheet date	2018 Of which men, percent %
Board members	5	80%	5	80%
Chief Executive Officer and others Senior executives	7	71%	8	100%
Total in the group	**12**	**75%**	**13**	**91%**

Employee benefit expenses	2019	2018
Parent company		
Board and other senior executives		
Salaries and other remunerations	4,051	5,783
Social security contributions	1,530	2,158
Pension expenses	437	649
Total	6,019	8,590
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	8,464	8,221
Social security contributions	2,659	2,575
Pension expenses (defined pension contribution plans)	1,264	750
Total	12,387	11,546
Other employees		
Salaries and other remunerations	87,742	73,200
Social security contributions	26,016	22,929
Pension expenses (defined pension contribution plans)	6,633	6,456
Total	120,391	102,585
Other employee benefit expenses	2,191	9,047
Total employee benefit expenses	**140,988**	**131,768**

2019	Basic salary, board fee	Variable compensation	Pension expenses	Variable compensation	Total
Chair of the Board					
Viktor Kovács	425	0	0	1,692	2,117
Board Member					
Bo Askvik	235	0	0	0	235
Jan Frykhammar	210	0	0	0	210
Staffan Dahlström	210	0	0	0	210
Kimberly Matenchuk	140	0	0	0	140
Annika Andersson, former	95	0	0	0	95
CEO and other senior executives					
John Vestberg	1,819	810	254	0	2,883
Other senior executives (9 people)	10,011	3,374	1,467	0	14,852
Of which refers to subsidiaries	*8,464*	*2,343*	*1,264*	*0*	*12,071*
Total	**13,145**	**4,184**	**1,721**	**1,692**	**20,742**

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**

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 29. 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 remuneration

In 2016, an option program was issued to employees, the subscription price at redemption is SEK 72, these were due on 30/06/2019. 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 7,065,249 shares equivalent to around 28% of the total number of registered shares, 25,659,550.

Group notes.

Number of outstanding share warrants	12/31/2019	12/31/2018
Share warrants 2016–2026	19,801	19,801
Share warrants 2016 – 06/30/2019	0	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)	2,793,666	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	36,703
Share warrants 2018 – 05/31/2021	50,000	50,000
Share warrants 2018 – 05/31/2021	700,000	700,000
Total	7,065,249	7,864,991

Number of outstanding share warrants	12/31/2019	12/31/2018
Peter Dahlander, former member of the board	0	25,000
Victor Kovacs, chairman of the Board	50,000	50,000
John Vestberg, CEO	125,000	150,000
Management, excl. CEO (5)	335,000	425,000
Harbert, former creditor	19,801	19,801
EIB, creditor	1,806,782	1,806,782
TageHus, creditor	4,043,666	4,312,608
Other	685,000	1,075,800
Total	7,065,249	7,864,991

	2019		**2018**	
	Number of options	**Weighted Average strike prices**	**Number of options**	**Weighted Average strike prices**
At the start of the period	7,864,991	19	7,078,288	20
Assigned	0	0	750,000	36
Assigned remuneration free options	0	0	36,703	0.1%
Redeemed	0	0	0	0
Invalidated	-268,942	20	0	0
Matured	-530,800	72	0	0
Outstanding at the end of the period	7,065,249	15	7,864,991	19
Redeemable at the end of the period	0	0	0	0

No share options have been redeemed in 2018-2019.
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 the previous year. The fair value of issued options has been established at SEK 0.16 per option. Important input in the model was a stock price of SEK 14.60 in the allotment date, redemption price listed above, volatility at 36%, expected operational duration of 3 years and an annual risk free interest of-0.4%. 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 MSEK 55.4, also see Note 2.

Note 9 Other operating expenses

Other operating expenses	2019	2018
Exchange rate differences in operating receivables and operating liabilities	766	94
Total	**766**	**94**

Note 10 Leasing

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. 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.

Access rights assets	12/31/2019	12/31/2018
Opening acquisition value	**32,702**	**0**
Acquisition for the year	1,593	2,239
Reclassification	0	-2,933
Transition to IFRS 16	0	29,225
Sales/ disposals	-2,587	0
Reclassifications from inventories due to IFRS 16	0	4,171
Closing accumulated acquisition values	**31,708**	**32,702**
Opening depreciations	**-5,875**	**0**
Sales and disposals	1,310	0
Reclassification	0	2,933
Reclassifications from inventories due to IFRS 16	0	-2,667
Depreciation for the year	-6,693	-6 141
Translation effects	0	0
Outgoing accumulated depreciations	**-11,257**	**-5,875**
Recognized value	**20,451**	**26,827**

right-of-use assets mainly relate to cars, office furniture, and computers. Debt regarding leasing agreements among interest-bearing debt in the group's balance sheet. More under Note 18.

Leasing liabilities	12/31/2019	12/31/2018
Opening value	27,646	0
Adaptation to IFRS 16 “Leasing” as at 01/01/2018	0	26,246
New liabilities	1,594	6,183
Amortization	-7,261	-4,783
Recognized value	21,979	27,646
Short-term leasing liabilities	5,992	6,144
Short-term leasing liabilities	15,987	21,502
Total leasing liabilities	21,979	27,646

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 right-of-use assets 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 lease agreement are reported depending on the contract design as either a new lease agreement with a date of entry into force or the original lease is changed to take account of the contract.

Interest for leasing liabilities has in 2019 been reported at TSEK 1,521 and amounted to 5.2% (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 TSEK 0 for the year concluding on December 31, 2019. 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 of leasing agreements with a contract term of less than 12 months amounted to TSEK 0 for the year that ended December 31, 2019. 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 TSEK 49 for the year which concluded on December 31, 2019.

Note 11 Depreciation

	2019	2018
Capitalized development expenditure	33,723	28,311
Software rights	0	63
Equipment	17	369
Access rights assets	6,693	6,141
Other intangible assets	1,000	1,000
Total	**41,433**	**35,884**

Note 12 Results from shares in subsidiaries

	2019	2018
Loss due to disposal of subsidiary	3,971	0
Total	**3,971**	**0**

Within the amount of loss due to the disposal of the subsidiary a translation of difference of SEK 101 thousand is included.

Note 13 Financial income and expenses

Financial income	2019	2018
Non-redeemed warrants	1,566	0
Interest income	72	86
Total	**1,638**	**86**

Financial costs	2019	2018
Interest expenses	30,721	21,694
Other financial costs	2,246	1,624
Net exchange rate fluctuations	713	4,887
Total	33,680	**28,205**

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

Note 14 Taxes

Income statement

Current tax expense	**2019**	**2018**
Tax expense for the year	15	79
	15	79
Deferred tax		
Deferred tax relating to temporary differences	-762	-595
Impairment of deferred tax asset	76,410	0
Adjustment of deferred tax asset relating to changed tax rates	0	5,209
	75,649	4,614
Tax recognized in the income statement	**75,663**	**4,693**

Reconciliation of effective tax rate	**2019**	**2018**
Profit before tax	**-112,505**	**-118,236**
Tax according to the rate applicable to the parent company 21,4% (22%)	-24,076	-26,012
Tax effect of:		
Non-deductible interest expenses	9,110	0
Other non-deductible expenses	122	2,310
Unused deficit deduction for which deferred tax assets have not been recognized.	14,212	23,295
Adjustment of deferred tax attributable to tax rate changes	0	5,210
Temporary differences	-117	-110
Unused tax deficits previously recognized as deferred tax, for which no deferred tax asset is recognized anymore	76,412	0
Reported tax	**75,663**	**4,693**
Effective tax rate (%)	-67,3%	-4.0%

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

Deferred tax asset	**2019**	**2018**
Deferred tax asset for loss carried forward	882	77,292
Convertible debt instruments	-404	-521
Tangible fixed assets	-814	-1,302
Recognized value *	**-336**	**75,469**

Specification of changes in deferred tax asset:

	2019	**2018**
Opening value	75,469	80,080
Changes in temporary differences	117	110
Impairment of deferred tax asset	-76,410	0
Effect of business combinations	487	489
Additional tax assets relating to deficit deductions	0	-5,210
Closing value for deferred tax asset*	**-336**	**75,469**

Further information can be found under Note 2 and the heading "Deferred tax asset/tax liability for loss deduction". *Deferred tax asset above refers to net of deferred tax asset and deferred tax liability on the balance sheet.

Note 15 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	2019	2018
Profit for the year attributable to parent company shareholders	-188,168	-122,929
Average number of outstanding common stock.	25,659,550	23,562,050
Basic earnings per share	**-7.33**	**-5.22**

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	2019	2018
Profit for the year attributable to parent company shareholders	-188,168	-122,929
Interest expense for convertible debt instruments (after tax)	417	357
Net profit	**-187,752**	**-122,572**
Average number of outstanding common stock.	25,659,550	23,562,050
Adjustment for:		
Convertible debt	204,834	204,834
Stock options	7,065,249	7,864,991
Average number of outstanding common stock after dilution effects	32,929,633	31,631,875
Diluted earnings per share	**-5.70**	**-3.87**
Effect of limitation	**-7.33**	**-5.22**

Note 16 Intangible Assets

Purchase price	Goodwill	Software-rights	Balanced expenditure on development work	Customer relationships	Total
As at January 1, 2018	**58,560**	**1,240**	**186,481**	**5,000**	**251,281**
Additions - internally generated	0	0	39,573	0	39,573
As at December 31, 2018	**58,560**	**1,240**	**226,054**	**5,000**	**290,854**
Additions - internally generated	0	0	46,613	0	46,613
Disposal during the year	-6,685	0	0	0	-6,685
As at December 31, 2019	**51,875**	**1,240**	**272,667**	**5,000**	**330,782**
Depreciations and impairments					
As at January 1, 2018	**-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**
Depreciation	0	0	-33,724	-1,000	-34,724
Reversed previous impairment due to divestment	5,991	0	0	0	5,991
As at December 31, 2019	**0**	**-1,240**	**-196,168**	**-3,333**	**-200,742**
Recognized value					
As at December 31, 2019	**51,875**	**0**	**76,499**	**1,667**	**130,040**
As at December 31, 2018	**52,569**	**0**	**63,610**	**2,667**	**118,845**

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

Impairment testing goodwill
The group’s goodwill has a reported value of TSEK 51,875 (52,569) and originates from two different acquisitions. During the year, Clavister Technology Ltd was divested, therefore the goodwill value has decreased. 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 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:
- test of Clavister AB 14,6% (13,4)
- test of PhenixID 13,9% (13,9)

2) A forecast for cash flows in the next 5 years (2020 till 2024) has been calculated for Clavister AB, and PhenixID. The forecast is based on previous experiences and own assessments. The most important variable is annual sales growth, and in both companies it has been calculated in connection to the impairment test to between 10%- 30% per year.

3) The terminal value is recognized with a growth of 2% after 2024 in the conducted impairment tests.

The conducted impairment testing over the year has not resulted in any impairment affecting the group.
The parent company’s recorded stock value in the subsidiary Clavister AB has been impaired by MSEK 100, based on the market value as of the end of the accounting period. The parent company’s equity amounted to MSEK 355 by the end of the year.

Group notes.

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 on these variables. An increase in the discounting factor by 1% would also not lead to any needs for impairment, with other parameters untouched.

Note 17 Tangible fixed assets

Equipment	**12/31/2019**	**12/31/2018**
Opening acquisition value	**2,532**	**6,880**
Acquisition for the year	0	0
Reclassifications to beneficial interest assets due to IFRS 16	0	-4,171
Sales/ disposals	-2,532	-206
Translation difference	0	29
Closing accumulated acquisition values	**0**	**2,532**
Opening depreciations	**-2,415**	**-5,246**
Sales and disposals	2,432	206
Reclassifications to beneficial interest assets due to IFRS 16	0	2,667
Depreciation for the year	-17	-27
Translation effects	0	-15
Outgoing accumulated depreciations	**0**	**-2,415**
Recognized value	**0**	**117**

Note 18 Financial Instruments

Valuation of financial assets and liabilities as at December 31, 2019

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	16,901	0	16,901	16,901
Accounts receivable	38,092	0	38,092	38,092
Other short-term receivables	2,184	0	2,184	2,184
Accrued income and prepaid expenses	15,862	0	15,862	15,862
Liquid funds	70,942	0	70,942	70,942
	143,981	**0**	**143,981**	**143,981**
Financial liabilities				
Convertible debt instruments*	0	8,545	8,545	8,545
Liabilities to credit institutions*	0	274,160	274,160	274,160
Leasing liabilities	0	21,979	21,979	21,979
Trade accounts payable	0	5,169	5,169	5,169
Other short-term liabilities	0	6,867	6,867	6,867
Accrued cost	0	74,946	74,946	74,946
	0	**391,665**	**391,665**	**391,665**

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
Other long-term liabilities*	0	202,632	202,632	202,632
Leasing 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**

* The fair value and the carrying amount are the same amount, even though we have fixed interest rates on these liabilities, as the effect of the differences is not material.

Note 19 Prepaid expenses and accrued income

	12/31/2019	12/31/2018
Prepaid rent for premises	1,744	1,829
Prepaid leasing fees	595	310
Prepaid insurance premiums	170	153
Prepaid expenses regarding financing	0	3,170
Estimated expenses relating to options for lenders	12,082	10,536
Other items	1,271	683
Recognized value	**15,862**	**16,681**

Note 20 Liquid funds

	12/31/2019	12/31/2018
Cash and bank balances	70,942	82,176
Recognized value	**70,942**	**82,176**

Note 21 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 2019	Share 2018
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%
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 TSEK 73.446 as of 12/31/2019.

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 22 Equity

Capital stock
As of December 31, 2019, the registered stock capital comprised 25,659,550 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 MSEK 7.9 as of 31/12/2017 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 MSEK 4.5.

Other capital contributions
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 23 Long-term liabilities/liabilities to credit institutions

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

In September 2017, the parent company was granted a 3-year loan, amounting to MSEK 50. 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 (4,312,608) and every share warrant entitles the holder to subscribe to one share in the company. This loan is due during 2020.

In 2018, the subsidiary Clavister AB received two loans from the EIB, one for MEUR 10, and one for MEUR 5. In October 2019, an additional loan was received from the same lender for MEUR 5. These loans run for 5 years with a fixed interest rate. These loans are linked to free options, the issue rate for these is SEK 0.10. The number of share warrants amounts to 1,815,782 and every share warrant entitles the holder to subscribe for one share in the company.

The interest liability (MSEK 17.8) that is linked to the long-term part of liabilities to credit institutions is included in that item. Interest liabilities in current liabilities are included in the item liabilities to credit institutions with MSEK 4.3.

Note 24 Accrued expenses and prepaid income

	12/31/2019	12/31/2018
Accrued salaries and vacation pay	9,324	10,265
Accrued social security contributions	3,077	5,395
Accrued interest	0	8,523
Accrued maintenance expenses	268	140
Accrued commissions	59	495
Accrued royalty expenses	1,606	1,353
Accrued consultancy expenses	318	297
Accrued license income (from 2017 due to IFRS 15)	49,040	34,116
Accrued board remuneration	450	366
Accrued audits fees	480	530
Accrued costs for market expenses	1,778	1,516
Accrued cost of dispute with consultant	2,000	0
Accrued cost of closing down the office in Umeå	6,200	0
Other items	346	920
Recognized value	**74,946**	**63,916**

Note 25 Cash flow analysis

Adjustment for non-cash-flow items	2019	2018
Depreciation	41,416	35,884
Reversal of accrual financial cost loans	-5,145	856
Reversal of exchange rate difference	572	18
Retrenchment of rights of use	1,276	0
Reversal result of shares subsidiaries	3,971	0
Reversal estimated interest on convertible loans	534	499
Recognized value	**42,624**	**37,257**

Note 26 Pledged collateral

	12/31/2019	12/31/2018
Company mortgages	50,000	50,000
Pledged shares in subsidiaries	64,846	66,611
Liquid funds	8,597	853
Total	**123,443**	**117,465**

The above collateral refers to the liabilities the Group owed to the companies.

Note 27 Contingent liabilities

	12/31/2019	12/31/2018
Contingent liabilities, civil cases	3,532	0
Total	**3,532**	**0**

The company received a subpoena from a consultant in October 2019. The non-essential dispute concerns the interpretation of a consultancy contract. The claimed amount is TEUR 465. The company has made a provision in the balance sheet of TSEK 1,500 and the remaining amounts up to the amount claimed are entered as a contingent liability portion. Furthermore, the company has made a provision of TSEK 500 in the balance sheet for legal costs in connection with the abovementioned dispute. This provision, totaling at MSEK 2, can be found in Note 24 for accrued costs.

Note 28 Business combinations

Combination 2019

No business combinations took place in 2019.

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 TSEK 288.

Note 29 Transactions with related parties

Subsidiaries	Sale of goods/services	Purchase of goods/services	Miscellaneous	Claim on Balance sheet date	Debt of Balance sheet date
2019	8,656	8,656	0	0	28,006
2018	6,679	6,679	0	0	23,319

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 6 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 TSEK 0 (587) over the year for attorney fees. The Chairman of the board, Viktor Kovacs, has through a company invoiced the group TSEK 1,692 (2.048) 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 TSEK 172 (136). These fees are considered proportional to market rates.

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

Note 30 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 TSEK 9 (497). The majority of the previous year's anticipated credit loss relates to withheld taxes from a customer in Tunisia amounting to TSEK 444. 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.

	12/31/2019	12/31/2018
Immature accounts receivable	19,118	23,483
Mature receivables 1–30 days	6,921	986
Mature accounts 31–90 days	2,966	578
Mature receivables >90 days	9,087	215
Recognized value	**38,092**	**25,262**

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

Provision credit loss receivables	12/31/2019	12/31/2018
Opening value	866	336
Reversal of previously made provisions	-362	31
Adjustment due to exchange rate changes	6	-29
Provisions for the year	42	528
Closing value	**552**	**866**

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.

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. Currency exposure in CNY was eliminated during the year following the divestment of the subsidiary in China that took place during the third quarter of 2019.

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.

Group notes.

Currency exposure (%)	2019 Operating-Earnings	2019 Operating-Costs	2018 Operating-Earnings	2018 Operating-Costs
SEK	32%	78%	49%	76%
EUR	58%	12%	38%	12%
USD	6%	8%	8%	9%
CNY	4%	2%	5%	3%

EUR	Change in EUR Rate	Impact on gross profit before tax
2019 (vs 2018)	1.5%	2097
2018 (vs 2017)	4.3%	786

USD	Change in USD Rates	Impact on gross profit before tax
2019 (vs 2018)	4.0%	-961
2018 (vs 2017)	9.0%	-755

CNY	Change in CNY course	Impact on gross profit before tax
2019 (vs 2018)	3.8%	-2
2018 (vs 2017)	3.4%	-68

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 MSEK 10 expires 31/03/2022. 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 90fn, is negative.

The group is not subject to interest risk with regards to the group's loan of a total of TSEK 50,000 as the interest is regulated (fixed) until the loan expires on 27/09/2020, as well as the loan of a total of TSEK 208,672 expiring 31/01/2023.

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 TSEK 400.

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

	Currency	Maturity	Interest	Carrying amount Value 12/31/2019	Carrying amount Value 12/31/2018
Convertible debt	SEK	31/3-22	Variable	8,545	8,011
Liabilities to external funders	SEK	27/9-20	Fixed	53,709	48,503
Liabilities to external funders	EUR	31/1-23	Fixed	112,869	102,753
Liabilities to external funders	EUR	31/1-23	Fixed	58,471	51,377
Liabilities to external funders	EUR	31/1-23	Fixed	49,110	0
				282,704	**210,643**

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 mainly 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 31/12/2018 at SEK 23.90, the convertible loan expires in 2022. There is an agreement regarding offsetting of the amortization and interest of shares, which means it will have no impact on the liquidity. The loan from Tagehus of MSEK 50 expires in September 2020. Currently, Clavister depends on the refinance of this loan. Work on such refinancing has begun and the board and the CEO believe that the company is well placed to carry out this refinancing in 2020.

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.

		12/31/2019		
Maturity analysis	<1 year	1–5 years	>5 years	**Tota**
Interest-bearing liabilities	53,709	228,996	0	282,705
Liabilities to leasing companies in accordance with IFRS 16	5,992	15,987	0	21,979
Trade accounts payable	5,169	0	0	5,169
Other short-term liabilities	104,022	0	0	104,022
	168,892	**244,982**	**0**	**413,874**

			12/31/2018	
Maturity analysis	<1 year	1–5 years	>5 years	**Tota**
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**

* All liabilities to leasing companies in accordance with IFRS 16 related to premises

Capital risk

The group's objective regarding the capital structure is to safeguard the group's ability to continue its operations, and to maintain a capital structure that keeps the cost of capital down, against this background. For a development company like Clavister, the asset-based collateral base for borrowing is limited. The Group's strategy in 2019, which remained unchanged from 2018, was to improve net cash. As of December 31, 2019, net financial cash amounted to MSEK-212 (MSEK-156 as of December 31, 2018).

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 31 Events following the end of the fiscal year

The company continuously monitors how the situation surrounding the Corona virus (COVID-19) develops. The group's management continuously monitors and evaluates any impact on operations.

The company has established a crisis preparedness team to handle the work environmental aspects resultant of COVID-19. Included amongst them are limiting the risk of infection at the company's various locations, assisting in infection detection under the Communicable Disease Act, and ensuring that the business can proceed in the best way possible even in a situation where individual employees or entire operational establishments are quarantined.

Group management has drawn up a contingency plan consisting of a number of different measures aiming to strengthen the company's liquidity in the event of a deterioration in the company's cash flow as a consequence of the pandemic.

The analysis company GlobalData has presented a forecast of how COVID-19 is affecting various segments in the technology, IT, and telecom industries. The forecast estimates that the segment where Clavister operates, Security Software, will only experience a nominal negative impact.

Parent company’s statement of operations.

SEK n thousands	Note	2019	2018
Net sales	3	430	500
Other external costs	4.5	-6,603	-10,408
Employee benefit expenses	6	-6,029	-8,601
Other operating expenses		-18	0
Operating profit		**-12,220**	**-18,508**
Profit/loss from shares in group companies	9	-135,000	-98,000
Other interest income and similar profit/loss items	7	1,567	0
Interest expenses and similar profit/loss items	7	-8,361	-8,136
Profit/loss before appropriations and taxes		**-154,014**	**-124,645**
Group contributions		0	0
Tax on the year’s earnings	8	117	93
Profit for the year		**-153,896**	**-124,552**

Parent company’s comprehensive income report

SEK n thousands	Note	2019	2018
Profit for the year		-153,896	-124,552
Other comprehensive income		0	0
Total comprehensive income for the year		**-153,896**	**-124,552**

Parent company's balance sheet

SEK n thousands	Note	12/31/2019	12/31/2018
ASSETS			
Fixed assets			
Shares in group companies	9	478,295	513,295
Receivables with group companies	10	0	0
Long-term receivables	11	0	3,815
Deferred tax asset	8	478	361
Total fixed assets		**478,773**	**517,471**
Current assets			
Other receivables	12	162	3,776
Prepaid expenses and accrued income	13	4,451	5,174
Liquid funds	14	8,594	987
Total current assets		**13,207**	**9,937**
TOTAL ASSETS		**491,981**	**527,408**

SEK n thousands	Note	12/31/2019	12/31/2018
EQUITY AND LIABILITIES			
Equity	15		
Restricted equity			
Capital stock		2,566	2,356
		2,566	2,356
Non-restricted equity			
Share premium reserve		31,381	510,533
Accumulated profit or loss		439,599	53,059
Profit for the year		-153,896	-124,552
		317,084	439,040
Total equity		**319,650**	**441,396**
Liabilities			
Long-term liabilities	16		
Liabilities to credit institutions	16	0	48,503
Convertible debt instruments	16	8,545	8,011
Liabilities with group companies	10	108,006	23,319
Deferred tax liabilities	8	0	0
Total long-term liabilities		**116,551**	**79,832**
Current liabilities			
Liabilities to credit institutions	16	49,358	0
Trade accounts payable		709	379
Current tax liabilities	8	39	27
Other liabilities	17	196	662
Accrued expenses and prepaid income	18	5,478	5,112
Total short-term liabilities		**55,781**	**6,179**
Total liabilities		**172,331**	**86,012**
TOTAL EQUITY AND LIABILITIES		**491,981**	**527,408**

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, 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**
Opening equity as at January 1, 2019	**2,356**	**510,533**	**53,059**	**-124,552**	**441,397**
Reversal of previous year's earnings	0	-510,533	385,981	124,552	0
Profit for the year	0	0	0	-153,896	-153,896
Other comprehensive income for the year	0	0	0	0	0
Comprehensive income for the year	**0**	**0**	**0**	**-153,896**	**-153,896**
Overdue non-redeemed warrants	0	-1,566	0	0	-1,566
Share-based compensation	0	0	558	0	558
New capital issue	210	35,448	0	0	35,658
Issue costs	0	-2,500	0	0	-2,500
Total transactions with owners	**210**	**31,382**	**558**	**0**	**32,150**
Closing equity as at December 31, 2019	**2,566**	**31,381**	**439,598**	**-153,896**	**319,650**

Parent company's cash flow report .

SEK n thousands	Note	2019	2018
Cash flow from operating activities			
Profit before tax		-154,014	-124,645
Adjustment for non-cash-flow items	19	136,390	99,355
Cash flow from operating activities prior to changes in working capital		**-17,624**	**-25,290**
Cash flow from changes in working capital			
Changes in operating receivables		4,337	-4,032
Changes in operating liabilities		242	3,566
Cash flow from operating activities		**-13,045**	**-25,756**
Investment activities			
Investments in subsidiary shares	9	-100,000	-33,078
Investments in other financial fixed assets		3,815	4,440
Cash flow from investments		**-96,185**	**-28,638**
Financing activities			
Issue costs		-2,500	0
Contributions due to share-based compensation		558	625
New capital issue		34,092	121
Decrease of receivables from subsidiaries		0	43,163
Increase of debt from subsidiaries		84,688	0
Cash flow from financing activities		**116,838**	**43,909**
Cash flow for the year		**7,607**	**-10,485**
Liquid funds at the beginning of the year		987	11,472
Liquid funds at the end of the year		**8,594**	**987**

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 9 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 external costs mainly consist of board remuneration TSEK 1.452 (1,529), attorney fees of TSEK 389 (2,436), expenses for damages to Nasdaq TSEK 0 (1.512), costs for hiring of consultant as part of financing TSEK 1,692 (1.807), as well as fee to Certified Advisor of TSEK 176 (168).

Note 5 Auditor fees

A majority of the auditor fees have been reported in the parent company, TSEK 605 (254), 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.

Note 7 Financial income and expenses

Interest income and similar profit/loss items	2019	2018
Profit/loss from non-redeemed warrants	1,566	0
Interest income	1	0
Total	**1,567**	**0**

Interest expenses and similar profit/loss items	2019	2018
Other financial costs	-856	-897
Interest costs	-7,506	-7,239
Total	**-8,361**	**-8,136**

Note 8 Taxes

Income statement

Current tax expense	2019	2018
Tax expense for the year	0	0
Change in deferred tax liability referring to deficit deduction	0	-17
	0	-17
Deferred tax		
Deferred tax relating to temporary differences	117	110
Deferred tax on deficit deductions	0	0
	117	110
Tax recognized in the income statement	**117**	**93**

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	2019	2018
Profit before tax	**-154,014**	**-124,645**
Tax according to the rate applicable to the parent company 21,4% (22%)	32,959	27,422
Tax effect of:		
Non-deductible expenses	-14	-2,425
Impairment of shares in subsidiaries	-28,890	0
Non-deductible interest expenses	-2,249	0
Tax on profit from earlier years that has not been previously recognized.	0	0
Temporary differences	117	110
Adjustment of deferred tax attributable to tax rate changes	0	-17
Increased deficit deduction not recognized as a receivable	-1,806	-24,997
Reported tax	**117**	**93**
Effective tax rate (%)	-21.4%	-21.4%

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

Deferred tax asset/tax liability	2019	2018
Convertible debt instruments	-404	-521
Miscellaneous	882	882
Recognized value	**478**	**361**

Specification of changes in deferred tax liability:

	2019	2018
Opening value	361	268
Changes in temporary differences	117	110
Additional tax assets relating to deficit deductions	0	-17
Closing carrying amount for deferred tax asset/tax liability	**478**	**361**

Parent company notes .

Note 9 Shares in group companies

	12/31/2019	12/31/2018
Opening acquisition value	513,295	578,217
Acquisitions for the year	0	0
Shareholder's contributions for the year	100,000	33,078
Closing accumulated acquisition values	**613,295**	**611,295**
Impairment loss for the year	-135,000	-98,000
Closing value	**478,295**	**513,295**

Companies and Corp. C.I.N.	Registered office	Equity- share	Equity 12/31/2019	Profit 2019	Book value 12/31/2019	Book value 12/31/2018
Clavister AB (556546-1877)	Örnsköldsvik	100%	11,808	-167,843	392,795	427,795
PhenixID AB (556987-6310)	Stockholm	100%	4,156	-44	85,500	85,500

Note 10 Liabilities with group companies

	Counterparty	12/31/2019	12/31/2018
Opening acquisition value	Clavister AB	-17,336	19,845
Additional receivables	Clavister AB	0	0
Additional liabilities	Clavister AB	-84,688	-37,181
Closing debt Clavister AB		**-102,023**	**-17,336**

	Counterparty	12/31/2019	12/31/2018
Opening acquisition value	PhenixID AB	-5,983	0
Additional liabilities	PhenixID AB	0	-5,983
Outgoing liabilities	PhenixID AB	0	0
Closing debt PhenixID AB		**-5,983**	**-5,983**
Closing liability/receivable group companies		**-108,006**	**-23,319**

Parent company notes .

Note 11 Long-term receivables

	12/31/2019	12/31/2018
Accrued expenses relating to options for lenders	0	3,815
Recognized value	**0**	**3,815**

Note 12 Other receivables

	12/31/2019	12/31/2018
Tax asset	57	1
VAT receivable	105	3,775
Recognized value	**162**	**3,776**

Note 13 Prepaid expenses and accrued income

	12/31/2019	12/31/2018
Certified Advisor	45	44
Leasing costs	162	0
Consultancy expenses for report	0	105
Insurance premium	99	99
Accrued expenses relating to options for lenders	4,078	4,925
Other accrued costs	67	0
Recognized value	**4,451**	**5,174**

Note 14 Liquid funds

	12/31/2019	12/31/2018
Cash and bank balances	8,594	987
Recognized value	**8,594**	**987**

Note 15 Equity

As of December 31, 2019, the stock capital consists of 25,659,550 (23,562,050) shares with a quota value of SEK 0.10 (0.10). See also disclosures in group note 22 Equity.

Shareholders have provided unconditional shareholder contributions amounting to SEK 418,077,833 (318,077,833).

Note 16 Long-term liabilities/liabilities to credit institutions

The parent company's liabilities to the credit institution will expire in 2020.

Additional information about the loan's maturity and the convertible promissory note can be found under group Note 30.

Note 17 Other liabilities

	12/31/2019	12/31/2018
Employee withholding taxes	85	189
Accrued payroll tax	106	158
VAT liabilities	0	314
Other liabilities	5	2
Recognized value	**196**	**662**

Note 18 Accrued expenses and prepaid income

	12/31/2019	12/31/2018
Accrued salaries and vacation pay	191	1,373
Accrued social security contributions	186	517
Accrued interest	4,351	2,601
Accrued board remuneration	421	366
Accrued consultant fees	116	100
Accrued fee Remium	214	0
Attorney fees	0	156
Recognized value	**5,478**	**5112**

Note 19 Cash flow analysis

Adjustment for non-cash-flow items	**2019**	**2018**
Impairments	135,000	98,000
Estimated interest on convertible loans	1,390	1,355
Recognized value	**136,390**	**99,355**

Note 20 Pledged collateral

	12/31/2019	12/31/2018
Pledged stock units in group companies	85,500	85,500
Pledged receivable on group companies	0	0
Liquid funds	8,597	987
Company mortgage	50,000	50,000
Total	**144,097**	**136,487**

Note 21 Contingent liabilities

There are no contingent liabilities, nor any contingent liabilities from the previous year.

Note 22 Transactions with related parties

Transactions with subsidiaries	Counterparty	2019	2018
Sale of services	Clavister AB	430	500
Purchase of goods/services	Clavister AB	0	0
Group contributions	Clavister AB	0	0
Change in settlement account	Clavister AB	-84 688	-37,181
Receivables on the balance sheet date	Clavister AB	0	0
Liabilities on the balance sheet date	Clavister AB	-102,023	-17,336
Change in settlement account	PhenixID AB	0	-5,983
Liabilities on the balance sheet date	PhenixID AB	-5,983	-5,983

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	31,381,427
Accumulated profit or loss	439,597,821
Profit for the year	-153,896,295
	317,082,953

The Board of Directors suggests that the entire share premium reserve of SEK 31,381,427 be transferred to balanced earnings. In the new calculation, SEK 317,082,953 is transferred.

Board signatures .

Örnsköldsvik, April 27, 2020

The consolidated financial statement and annual report have been approved for issuance by the board on April 27, 2020. 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 Kovacs
Chairman of the Board

Jan Frykhammar
Board Member

Kimberly Matenchuk
Board Member

Staffan Dahlström
Board Member

Bo Askvik
Board Member

John Vestberg
Chief Executive Officer

Our audit report has been submitted 2020-

Ernst & Young AB

Rikard Grundin
Authorized public accountant

clavister®

CONNECT. PROTECT

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