

INTERIM REPORT
CLAVISTER HOLDING AB (PUBL)
OCTOBER – DECEMBER 2020



SUMMARY

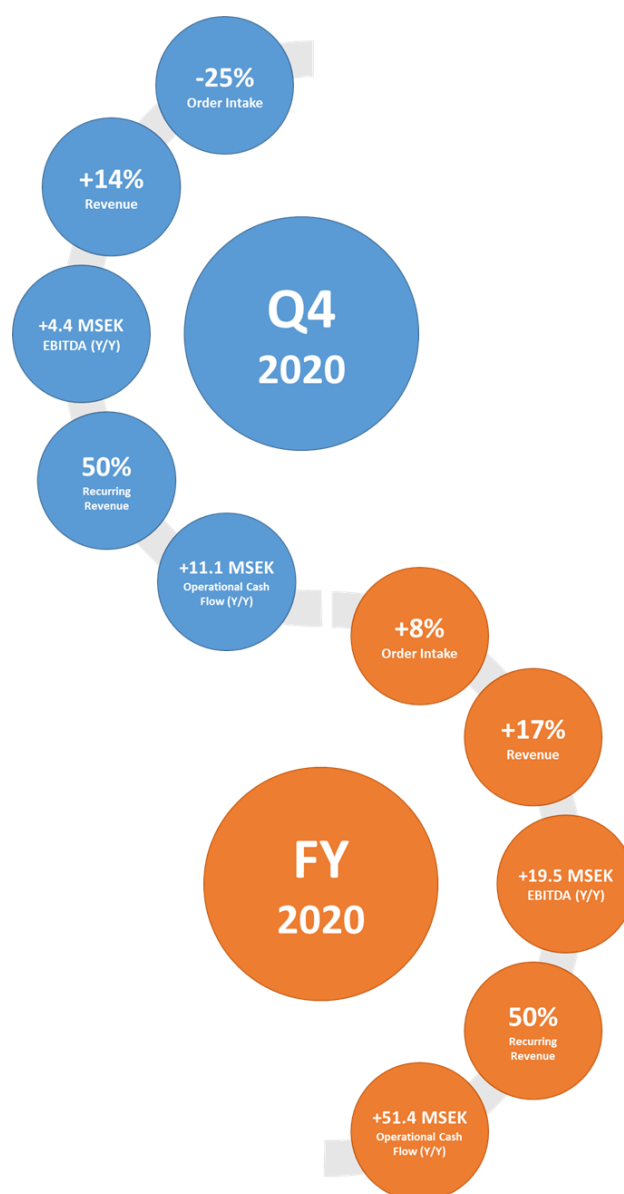
The Fourth Quarter

- Revenue amounted to 36.4 (31.9) MSEK, an increase of 14%. Revenue adjusted for FX effects amounted to 37.2 (31.6) MSEK, an increase of 18%.
- Net sales amounted to 30.9 (31.6) MSEK.
- Order intake amounted to 31.8 (42.3) MSEK.
- Gross profit amounted to 32.1 (25.3) MSEK, corresponding to a gross margin of 88.3 (79.3)%.
- EBITDA amounted to -14.9 (-19.3) MSEK.
- EBIT amounted to -23.3 (-29.5) MSEK.
- Net profit amounted to -20.1 (-108.6) MSEK and earnings per share to -0.52 (-4.23) SEK.
- Operating cash flow amounted to 2.0 (-9.1) MSEK.

Full Year 2020

- Revenue amounted to 140.2 (123.5) MSEK, an increase of 17%. Revenue adjusted for FX effects amounted to 141.1 (120.8) MSEK, an increase of 21%.
- Net sales amounted to 128.1 (123.1) MSEK.
- Order intake amounted to 153.9 (146.7) MSEK.
- Gross profit amounted to 122.4 (99.5) MSEK, corresponding to a gross margin of 87.3 (80.6)%.
- EBITDA amounted to -19.5 (-39.0) MSEK.
- EBIT amounted to -56.5 (-80.5) MSEK.
- Net profit amounted to -81.9 (-188.2) MSEK and earnings per share to -2.10 (-7.65) SEK.
- Operating cash flow amounted to 8.3 (-43.1) MSEK.
- The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the 2020 fiscal year.

Comparative figures are according to the adopted Annual Accounts of 2019. Numbers within parentheses refer to the corresponding period or date of last year, unless otherwise specified. Growth numbers concerning revenue are adjusted for the divestment of the Chinese operations, unless otherwise specified. Revenue for the Chinese entity amounted to 4.4 MSEK in 2019.



“Our full year 2020 saw a solid revenue growth of 17% and halved EBITDA losses compared to 2019.”



John Vestberg,
President and CEO, Clavister

COMMENTS BY THE CEO

Our full year 2020 saw a solid revenue growth of 17% and halved EBITDA losses compared to 2019. Our order backlog and sales funnel are strong, despite negative impact from the Covid-19 pandemic during the second half of the year. I would like to express my gratitude to all Clavister colleagues, partners and our shareholders for the relentless commitment in building business and supporting our customers throughout this turbulent year.

FINANCIAL DEVELOPMENT

Since early 2020 the corona virus has dominated the agenda of most businesses. Early in the year, the cybersecurity industry stood out as the one industry projected to not suffer from the pandemic, but actually to benefit from it. Towards the end of June, however, analyst firm Gartner made a drastic cut in their cybersecurity spending growth prediction for the year. The new growth forecast came in at a mere 2.4%, down from the 8.7% growth projected in December 2019.

With these projections in mind, and considering that Clavister was negatively impacted by many postponed customer projects, I'm delighted to see that we were still able to demonstrate solid growth for the year. Our revenues in the fourth quarter increased by 14% compared to the same quarter last year. For the full year 2020, we achieved a year-on-year growth of 17%, adjusted for our divested operations in China.

Even though this was above our communicated target, I am certain that we have more growth to leverage from our current customer base and from our continued business development. This is why, during the fourth quarter, we have launched a number of initiatives to improve efficiency across the company.

Our order intake for the fourth quarter was 31.8 (42.3) MSEK. This decrease is driven mainly by delayed purchase decisions within the network security product family attributed to the covid-19-related IT budget reallocations, and partly by challenging year-on-year comps within the identity and access management product family. Order intake for full year 2020 grew 8% over 2019, adjusted for China.

Clavister's order intake metric is by nature of our current business fluctuating and will continue to be so until we reach an order volume where a single customer contract will not be as impactful as it is today.

The company is carrying a growing order backlog from previous quarters, resulting in an order backlog per the end of the quarter of 20.7 MSEK, an increase of 11 MSEK from the end of 2019.

To accelerate our path to profitability we have continued to optimize our cost structure. This is visible both in terms of significantly improved gross margins and reduced operating expenses, both in the fourth quarter as well as for the full year.

As a consequence, EBITDA for the fourth quarter was improved by 4.4 MSEK compared to the same quarter last year. For the full year 2020, we have improved EBITDA by 19.5 MSEK. Our EBITDA

losses have been reduced by over 50% compared to 2019, which is a major positive leap towards our profitability target.

Our operational cash-flow was positive both in the fourth quarter as well as for the full year 2020 and increased year-on-year by 11.1 MSEK and 51.4 MSEK, respectively.

LARGEST DEAL TO DATE

After the quarter ended, we announced our first end-customer win, a major Western European military organization, through our partnership with BAE Systems. The deal is part of a mid-life upgrade of combat vehicles and has a minimum value for Clavister of 50 MSEK, representing our largest deal to date.

Shipments will commence during the second half of 2021 and the bulk of products will be delivered from 2022 through 2024. The long-projected lifespan of each vehicle and several add-on options provide further opportunities, potentially increasing the deal value to 90 MSEK.

The deal funnel with BAE Systems holds sizable opportunities with other defense customers, some with the potential to materialize as wins already in 2021.

In the fourth quarter we announced an upcoming proof-of-concept integration of our identity and access management solution for the United States Marine Corps. The integration is now in progress and will continue throughout the first two quarters of 2021, after which the customer will decide on the scope and breadth of the ensuing roll-out.

5G SECURITY

Our 5G security solution has been shipped to more than 25 mobile operators deploying non-standalone 5G networks. During the second half of 2020, we were able to secure our first contract wins for standalone 5G networks, a proof-point for Clavister's product viability in this space.

Our relationships with go-to-market partners such as Tata Communications, Arm and Telco Systems have moved from business development phase to a commercial roll-out in the fourth quarter. We are now jointly executing on qualified service provider opportunities together with these partners, and hope to be able to secure commercial wins in the first half of 2021.

As per the end of the fourth quarter, we have increased our funnel to include more than 20 qualified opportunities, our largest funnel to date.

To continue to capture market share in this highly relevant 5G market, we are introducing several new enhancements to our 5G security offering in 2021. We will expand our deployment options including containerization of our software to support cloud-native 5G scenarios. We are also launching enhanced virtual capabilities to support massive capacity demands. In short, we will continue to drive our price/performance advantage virtually, on dedicated hardware, and in the cloud.

A CLOSER LOOK AT THE PANDEMIC'S EFFECTS ON CLAVISTER

For Clavister, the Covid-19 pandemic has been a double-edged sword, with both positive and negative effects on the business in 2020.

As a natural consequence of the new ways of working, certain submarkets such as cloud adoption and remote working technologies have gained momentum during the crisis. To that end, we have seen strong demand for our identity and access management solutions, cloud security and virtualized SD-WAN solutions. As companies get even more accustomed to the new remote working reality, we anticipate this demand to continue grow steadily.

The Network Security Equipment submarket, on the contrary, was predicted to be most severely impacted by the spending cuts in 2020. According to Gartner, this submarket was expected to decline by 12.6% year-on-year. As businesses across the globe were fighting for survival, budgets for IT and networking equipment naturally got temporarily reallocated to other areas.

Even though firewall solutions are in fact a large part of Clavister's business, we were still able to demonstrate year-on-year sales growth from these solutions, albeit lower than what we expected before the pandemic hit. The good news is that we have experienced few actual customer losses. Once IT budgets get restored and the pandemic begins to subside, we expect our firewall business to gain stronger momentum again.

CYBERSECURITY MARKET EVOLUTION

One of the concepts gaining most attention on the cybersecurity market right now is Secure Access Service Edge (SASE). SASE is the convergence of WAN (Wide Area Networking) and network security services into one holistic service model, predominantly cloud-delivered. According to Gartner, over 40% of all business will look at implementing SASE by 2024.

In the early autumn of 2020, we launched our first as-a-service pilot offering to a limited set of customers. The scope was to explore market appetite and technical viability of our technology in this service-based context. The results from this pilot has been overwhelmingly positive. Over 500 customer contracts are now active in this scheme, with no churn to date.

On the back of this go-to-market success, we are moving ahead with implementing a full-scale SASE solution which we will take to market in multiple stages, starting in 2021. Our solution is built using our existing Aurora Security Framework, thereby providing an excellent revenue growth mechanism with proven technology and without the need to materially increase our R&D expenses.

Further, Clavister plans to consolidate our highly diverse business and license models into one unified business model dominated by recurring revenue. Today, Clavister is generating approximately 50% recurring revenues on average, a figure which is expected to grow by the end of 2022 on the back of this transition. We might see an impact on recognized revenues and cash flow in the short term, while benefitting over time from predictable high-margin recurring revenue and customer retention.

OPTIMIZING OUR OPERATIONS

Accelerated growth requires a stream-lined organization with a strong commercial focus. To that end, we have carried out a comprehensive reorganization during the fourth quarter. All our customer-facing functions, be that sales, professional services or

technical support, are now part of a cohesive commercial department with a strict growth and contribution agenda.

An important change is a refined go-to-market model where we focus on establishing stronger customer engagements, thereby increasing our qualified business development while ensuring our partners' value-added services delivery.

We may experience a short-term, temporary impact on sales productivity until the new structure is fully implemented, after which I expect this change to start yielding long-term positive effects on revenue growth.

CAPITAL RAISE CONCLUDED

In the third quarter, we announced a proposal of new issues of shares to capitalize Clavister to strengthen its balance sheet and thereby reducing operational and financial risk.

The capital raise was concluded during the fourth quarter with a final outcome of 204 MSEK raised before deduction of issue related costs.

OUTLOOK

According to recent analyst predictions, the worldwide cybersecurity market is set to grow by up to 10% in 2021 as the global economy slowly recovers from the pandemic compounded by claims that 2020 saw record high levels of data breaches, compromised records and ransomware attacks.

That prediction would see the first half of the year continue to be impacted by lockdown restrictions and furloughs, but vaccine approvals and vaccination programs would have a knock-on effect from the middle of the year onward.

Our ambition in the short to mid-term is to out-perform the underlying cybersecurity market growth. This translates into us demonstrating an improved revenue growth in 2021 over 2020 and an organic revenue growth of at least 20% on average over the next three years.

Assuming there are no severe Covid-related impacts to our business, we plan to reach a sustainable EBITDA profitability level during 2021, and to demonstrate positive Free Cash Flow (FCF) by 2022.

We are also excited about Clavister's position as a player in virtualized security for 5G and IoT as well as opportunities that new verticals such as defense will bring.

I would like to express my gratitude to all Clavister colleagues, partners and our shareholders for their relentless commitment to building business and supporting our customers throughout this turbulent year.

John Vestberg,

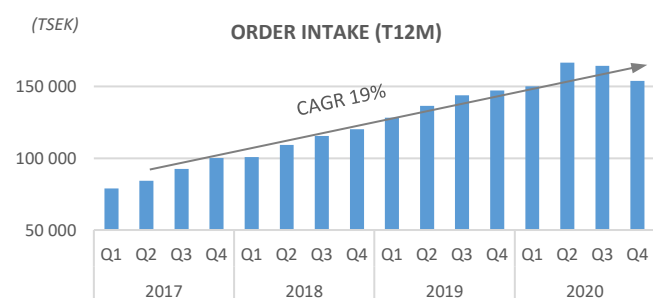
President and CEO

Örnsköldsvik Sweden, 10 February 2021

COMMENTS ON CLAVISTER'S INTERIM FINANCIAL STATEMENTS

ORDER INTAKE

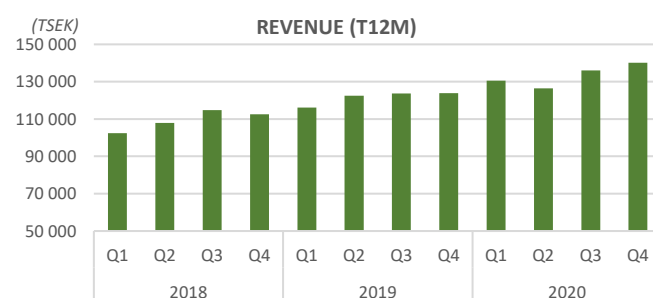
Order Intake in the quarter amounted to 31.8 (42.3) MSEK, a decrease driven partly by delayed purchase decisions within the network security product family due to the Covid-19 pandemic, and partly by challenging year-on-year comps within the identity and access management product family.



The order book balance on 31 December 2020 amounted to 20.7 (9.7) MSEK.

REVENUE

Total revenue for the quarter amounted to 36.4 (31.9) MSEK, a year-on-year increase of 14%. Adjusted for currency effects revenue amounted to 37.2 (31.6) MSEK an increase of 18%.



Recurring revenue grew by 9% in the quarter and represented 50% of total revenue. Revenue from Product and Perpetual Licenses decreased by 37% in the quarter.

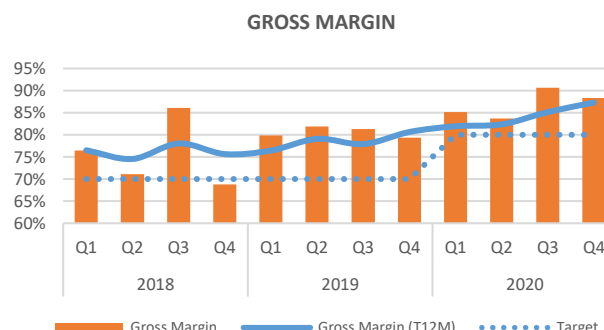
Revenue from pre-paid contracts recognizable over contract term (deferred revenue) amounted to 62.9 (49.0) MSEK on 31 December 2020.

REVENUE BY TYPE – 2020 Q4

(TSEK)	2020 Oct - Dec	2019 Oct - Dec	Y/Y (%)	2020 Jan - Dec	2019 Jan - Dec
Recurring Revenue from Subscriptions	18 159	16 713	9%	70 042	60 040
Product and Perpetual License Revenue	6 623	10 553	-37%	38 504	40 921
Professional Services and Others	11 592	4 643	149%	31 613	22 506
Total	36 374	31 909	14%	140 159	123 467

GROSS MARGIN AND GROSS PROFIT

Gross margin increased to 88.3 (79.3)%. The increase relates to improved third-party licensing costs and to the product mix in general.



Gross profit for the quarter amounted to 32.1 (25.3) MSEK, an increase of 27%.

OPERATING EXPENSES AND OPERATIONAL RESULT

Total operating expenses amounted to -55.9 (-56.6) MSEK. Adjusted for non-recurring costs operating expenses amounted to 47.0 (50.4) MSEK. The period was negatively affected by non-recurring costs totalling to 8.9 MSEK. The corresponding quarter 2019 was affected by non-recurring costs of 6.2 MSEK.

Personnel expenses amounted to -39.0 (-40.8) MSEK. Organizational changes generated non-recurring costs of 1.9 (2.6) MSEK.

Other external expenses, consisting mainly of costs for marketing, IT and communications and external consultants amounted to -16.9 (-15.9) MSEK. The period was negatively impacted by a provision related to the closing of the Umeå office of 3.8 (3.6) MSEK. The costs refer to the remaining lease for the office, as the Covid-19 pandemic has delayed the process of subleasing the office.

A warranty provision has been introduced with an effect of to 3.2 MSEK in the quarter.

EBITDA amounted to -14.9 (-19.3) MSEK. The improvement is attributed to the higher gross profit with 6.8 MSEK, partly offset by -3.1 MSEK related to reduced capitalized development expenses. If considering non-recurring costs in the quarter a further improvement of EBITDA is noted.

Depreciation amounted to -8.4 (-10.2) MSEK, with -1.7 (-1.2) MSEK attributed to IFRS 16.

EBIT amounted to -23.3 (-29.5) MSEK.

FINANCIAL NET

Financial income and expenses amounted to 3.3 (-3.5) MSEK, where items impacting cash amounted to -3.3 (0.0) MSEK and refers to interest income and interest for bridge loan and factoring. 1.4 MSEK of the costs are non-recurring as bridge financing has been repaid during the quarter.

Currency revaluations for long-term liabilities had an impact of 10.1 (6.2) MSEK. Amortization of warrants costs had an impact of -2.8 (-4.0) MSEK. Long-term liability interest and leasing contracts under IFRS 16 amounted to -2.5 (-5.6) MSEK.

RESULT AFTER TAXES

Result after taxes amounted to -20.1 (-108.6) MSEK.

INVESTMENTS IN TANGIBLE ASSETS

No investments in tangible assets.

INVESTMENTS IN INTANGIBLE ASSETS

An intangible asset of 10.2 MSEK has been acquired in the quarter. The asset is depreciated over a ten-year period and permits perpetual use of several software IPRs, currently included in our offering. The asset lowers third-party licensing costs and supports future growth with improved margins.

CAPITALIZED DEVELOPMENT

Capitalized expenditures amounted to 9.0 (12.1) MSEK. Capitalization of development costs are driven by development work for our growing product portfolio.

CAPITALIZED DEVELOPMENT – 2020 Q4

(TSEK)	2020 Oct - Dec	2019 Oct - Dec	2020 Jan - Dec	2019 Jan - Dec
Capitalization of Development Costs	8 953	12 062	33 077	46 613
Amortization of Capitalized Development Costs	-5 805	-8 497	-27 305	-32 503
Change in Capitalization of Development Costs	3 148	3 565	5 772	14 110

BALANCE SHEET AND FINANCIAL POSITION**Shareholders' Equity and Liabilities**

Equity amounted to 10.7 (-89.3) MSEK. Equity has increased with 162.2 MSEK during the quarter as a result of the rights issue of 204 MSEK, before issue costs, done in the quarter.

Equity for the parent company Clavister Holding AB amounted to 456.8 (319.7) MSEK.

Interest-bearing Liabilities

On 31 December 2020, interest-bearing liabilities amounted to 257.6 (304.7) MSEK, distributed between long-term of 249.1 (245.0) MSEK and short-term of 8.6 (59.7) MSEK. Interest-bearing liabilities consist of loan from the European Investment Bank (EIB) and currency revaluations.

Financial Net Debt

On 31 December 2020, the financial net debt amounted to -114.5 (-233.7) MSEK. The reduced net debt is essentially due to the new share issue carried out during the quarter, where approximately 204 MSEK before deduction of issue costs was raised.

CASH-FLOW

Cash flow from operating activities amounted to 2.0 (-9.1) MSEK, the increase is mainly driven by changes in operating receivables.

Cash flow from investing activities amounted to -19.9 (-12.0) MSEK and is attributed to acquisition of intangible assets with 10.2 (0) MSEK, acquisition of utilization rights assets 0.7 (0) MSEK and capitalization of development costs 9.0 (12.1) MSEK.

Cash flow from financing activities amounted to 129.5 (49.7) MSEK whereof 164.6 (-1.6) MSEK relates to new share issue, after issue costs, repayment of short term loans 35.0 (0) MSEK, and amortization of leasing liabilities by -0.8 (-7.2) MSEK.

Change in cash position was 111.7 (28.7) MSEK. Cash balance amounted to 143.2 (70.9) MSEK on 31 December 2020.

IMPAIRMENT TESTING

No impairment need with impact on the Group's consolidated results has been identified during the quarter.

MARKET

For market information, please refer to the latest annual report on Clavister's website.

PERSONNEL AND ORGANIZATION

On 31 December 2020, the number of full-time equivalent employees (FTE) amounted to 130 (150). The decrease in FTEs is mainly attributed to temporary short-term layoffs of parts of the organization which ceased in mid of December, and the closing of an R&D site in Umeå, Sweden. Clavister also engaged external consultants corresponding to 6 (6) persons at the end of the period.

DISPUTES AND LITIGATIONS

There were no disputes or legal proceedings of significant financial impact during the reporting period.

TRANSACTIONS WITH RELATED PARTIES

No significant business transactions between related parties and Clavister have occurred during the reporting period.

RISKS AND UNCERTAINTIES

Please see the Annual Report 2019, where an extensive summary is provided of risks and uncertainties in the business that could significantly affect the results and share performance.

MATERIAL POST-CLOSING EVENTS

After the quarter ended, we announced our first end-customer win, a major Western European military organization, through our partnership with BAE Systems. The deal is part of a mid-life upgrade of combat vehicles and has a minimum value for Clavister of 50 MSEK, representing our largest deal to date.

AMBITIONS AND PLANNING ASSUMPTIONS

Clavister's ambition in the short to mid-term is to out-perform the underlying cybersecurity market growth. This translates into an improved revenue growth in 2021 over 2020 and an organic revenue growth of at least 20% on average over the next three years.

Assuming there are no severe Covid-related impacts to our business, Clavister's ambition is further to reach a sustainable EBITDA profitability level during 2021, and to demonstrate positive Free Cash Flow (FCF) by 2022.

The ongoing Covid-19 pandemic contributes to higher uncertainty in assessing the development of the global cyber security industry.

The FY2021 ambition is based on the following assumptions:

- Increased revenue growth in FY 2021 over FY 2020
- 80%+ gross margin; variations over quarters due to product mix and transition to recurring revenue business model
- Operating expenses on same levels as for FY 2020
- Controlled mid-term impact by the COVID-19 pandemic

Clavister's long-term ambition is to provide industry-leading profitability and Free Cash Flow.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

(TSEK)	2020	2019	2020	2019
	Okt - Dec	Okt - Dec	Jan - Dec	Jan - Dec
Net Sales	30 854	31 641	128 081	123 061
Other Revenue	5 520	268	12 078	406
Total Revenue	36 374	31 909	140 159	123 467
COGS	-4 251	-6 597	-17 799	-23 977
Gross Profit	32 123	25 312	122 360	99 490
Capitalized Development	8 953	12 062	33 077	46 613
Personnel Expenses	-38 998	-40 785	-136 014	-140 988
Other External Expenses	-16 932	-15 852	-38 908	-44 146
EBITDA	-14 854	-19 263	-19 485	-39 031
Depreciation and Amortization	-8 442	-10 210	-37 015	-41 433
EBIT	-23 296	-29 473	-56 500	-80 464
Financial Items	3 273	-3 542	-24 471	-32 042
Result after Financial Items	-20 023	-33 015	-80 971	-112 506
Taxes	-83	-75 617	-951	-75 663
Net Profit/Loss	-20 106	-108 632	-81 922	-188 169
<i>Average number of shares before dilution</i>	<i>38 981 281</i>	<i>25 659 550</i>	<i>38 981 281</i>	<i>24 610 800</i>
<i>Average number of shares after dilution</i>	<i>43 140 407</i>	<i>32 929 633</i>	<i>45 319 713</i>	<i>32 280 754</i>
<i>Earnings per share before dilution, SEK</i>	<i>-0,52</i>	<i>-4,23</i>	<i>-2,10</i>	<i>-7,65</i>
<i>Earnings per share after dilution, SEK</i>	<i>-0,52</i>	<i>-4,23</i>	<i>-2,10</i>	<i>-7,65</i>
Net Profit relating to Shareholders of the Parent Company	-20 106	-108 632	-81 922	-188 169
<i>Total Results of the Group:</i>				
Net Profit/Loss End of the Period	-20 106	-108 632	-81 922	-188 169
Other Profit	-22	1 099	-531	-2
Net Profit/Loss	-20 128	-107 533	-82 453	-188 171

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

(TSEK)	2020-12-31	2019-12-31
ASSETS		
<i>Subscribed but unpaid share capital</i>	17 665	0
Non-Current Assets		
Intangible assets	102 073	78 166
Goodwill	51 875	51 875
Right of use Assets	15 454	20 451
Deferred Tax Asset	0	478
Other Long-term Receivables	9 517	16 901
Total Non-Current Assets	178 919	167 871
Current Assets		
Inventories	7 240	8 000
Current Receivables	53 436	56 462
Cash and Bank Balances	143 189	70 942
Total Current Assets	203 865	135 404
TOTAL ASSETS	400 449	303 275
EQUITY AND LIABILITIES		
Equity		
Equity	10 748	-89 283
Total Equity	10 748	-89 283
LIABILITIES		
Long-term Liabilities		
Convertible Debentures	9 116	8 545
Liabilities to Credit Institutions	230 845	220 450
Lease Liabilities	9 115	15 987
Deferred Tax Liabilities	1 178	814
Total Long-term Liabilities	250 253	245 796
Current Liabilities		
Liabilities to Credit Institutions	0	53 709
Lease Liabilities	8 574	5 992
Accounts Payable	17 640	5 169
Other Liabilities	22 995	6 946
Deferred Revenues	62 936	49 040
Accrued Expenses	27 303	25 906
Total Current Liabilities	139 448	146 762
TOTAL LIABILITIES	389 701	392 558
TOTAL EQUITY AND LIABILITIES	400 449	303 275

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHANGES IN EQUITY				
(TSEK)	2020	2019	2020	2019
	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec
Equity, Beginning of Period	-151 419	19 694	-89 283	66 738
New share of issue	186 177	0	186 180	0
Issue Expenses	-21 547	0	-21 947	-2 500
Non-registered Issue	17 665	0	17 665	35 658
Due, not Redeemed Warrants	0	0	-940	-1 566
Share-based Compensation	0	0	1 527	558
Other total Income for the Period	-22	-345	-531	-2
Result for the Period	-20 106	-108 632	-81 922	-188 169
Equity, End of Period	10 748	89 283	10 748	-89 283

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT

(TSEK)	2020	2019	2020	2019
	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec
Profit/Loss before Taxes	-20 023	-33 014	-80 972	-112 505
Reversal of Depreciation and Write-downs	8 442	10 194	37 015	41 416
Other Adjustments for Non-cash Items, etc ^{*)}	-7 296	-6 965	6 550	10 518
Disposal of Subsidiaries - Equity	0	-237	0	3 277
Disposal of Subsidiaries - Goodwill	0	0	0	694
Paid Taxes	-444	1 273	-1 793	-25
Cash Flow from Operating Activities before Working Capital Changes	-19 321	-28 749	-39 200	-56 624
Changes in Inventories	-1 721	2 668	760	-2 977
Changes in Operating Receivables	3 578	-18 469	458	-14 006
Changes in Operating Liabilities	19 511	35 496	46 310	30 478
Cash Flow from Operating Activities	2 047	-9 054	8 328	-43 129
Acquisition of intangible assets	-10 247	0	-21 223	0
Acquisition of utilization rights assets	-671	0	-1 664	0
Investment of Capitalized Development Work	-8 953	-12 061	-33 078	-46 612
Divestment of Subsidiaries	0	90	0	-298
Cash Flow from Investing Activities	-19 871	-11 971	-55 965	-46 910
Net Borrowings	-35 000	53 904	-50 000	53 904
Amortization of Leasing Liabilities	-759	-7 247	-4 110	-7 247
New Share Issue, incl Transaction Costs	164 633	-1 566	164 233	31 592
Other Changes in Financing Activities	643	4 650	9 761	557
Cash Flow from Financing Activities	129 517	49 741	119 884	78 805
Change in Cash Position	111 693	28 716	72 247	-11 234
Cash, Beginning of Period	31 496	42 226	70 942	82 176
Cash, End of Period	143 189	70 942	143 189	70 942

^{*)} "Other adjustments for non-cash items, etc " consists of exchange rate gains/loss for loans in other currencies, capitalized expenses associated with loans and interest for convertible loans.

Principles for recording non-cash items related to free of charge warrants to lenders have been updated and excluded from the cash-flow as these items are non-cash. Comparative figures have been restated to reflect the updated principle.

PARENT COMPANY CLAVISTER HOLDING AB

CONDENSED INCOME STATEMENT

<i>(TSEK)</i>	2020	2019	2020	2019
	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec
Net Sales	5 611	90	8 905	430
Total Revenue	5 611	90	8 905	430
Personnel Expenses	-1 281	-1 114	-6 217	-6 029
Other External Expenses	-2 031	-2 038	-7 005	-6 621
EBITDA	2 299	-3 062	-4 317	-12 220
Write-down of Shares in Subsidiaries	0	-135 000	0	-135 000
Financial Items	-1 558	-2 148	-8 679	-6 793
Result after Financial Items	741	-140 210	-12 996	-154 013
Group Contribution	-30 000	0	-30 000	0
Taxes	0	117	-842	117
Net Profit/Loss	-29 259	-140 093	-43 838	-153 896

PARENT COMPANY CLAVISTER HOLDING AB

CONDENSED BALANCE SHEET

(TSEK)	2020-12-31	2019-12-31
ASSETS		
<i>Subscribed but unpaid share capital</i>	17 665	0
Fixed Assets		
Shares in Group Companies	562 195	478 295
Long-term Receivables	0	0
Deferred Tax Asset	0	478
Total Fixed Assets	562 195	478 773
Current Assets		
Current Receivables	407	4 613
Cash and Bank Balances	32 282	8 594
Total Current Assets	32 690	13 207
TOTAL ASSETS	612 550	491 981
EQUITY AND LIABILITIES		
Equity		
Equity	456 768	319 650
Total equity	456 768	319 650
LIABILITIES		
Long-term Liabilities		
Convertible Debentures	9 116	8 545
Liabilities to Group Companies	130 000	108 006
Deferred tax	364	0
Total Long-term Liabilities	139 479	116 551
Current Liabilities		
Liabilities to Credit Institutions	0	49 358
Accounts Payable	13 320	709
Other Liabilities	1 658	234
Accrued Expenses	1 324	5 478
Total Current Liabilities	16 302	55 780
TOTAL LIABILITIES	155 782	172 330
TOTAL EQUITY AND LIABILITIES	612 550	491 981

NOTES

NOTE 1 ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by European Union (EU).

This report has been prepared in accordance with IAS 34, Interim Financial Reporting, ÅRL (the Swedish Annual Accounts Act) and RFR 2, Accounting for legal entities, issued by the Swedish Financial Reporting Board. The same accounting principles and methods of computation are followed in this interim financial statement, as in the most recent annual financial statements 2019.

NOTE 2 SEGMENT REPORTING

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

Management reviews the Group's business performance from an order intake perspective, totally and broken down into separate markets, in combination with a total and functional cost base breakdown. Hence, no segment reporting is applicable to the group.

NOTE 3 SHAREHOLDERS AND SHARES

The share capital amounts to 5,230,301 SEK, with a par value of 0.1 SEK per share. Clavister Holding's shares are listed on Nasdaq First North. There is only one type of share in existence. Each share represents one vote at the General Meeting.

At 31 December 2020, the number of shareholders amounted to 5,294 and the number of registered shares were 52,303,012.

THE 10 LARGEST SHAREHOLDERS

(Per 2020-12-31)	Number of Shares	% of Total
HSBC Trinkhaus and Burkhardt AG	5 237 862	10,0%
Försäkringsaktiebolaget, Avanza Pension	3 975 516	7,6%
Goldman Sachs International	3 395 536	6,5%
Tommy Forsell	2 103 441	4,0%
RBC Investor Services Bank	1 466 666	2,8%
Stena Finans	1 428 572	2,7%
RGG ADM-Gruppen AB	1 307 608	2,5%
Futur Pension	1 194 389	2,3%
Clearstream Banking	1 013 123	1,9%
Nordnet Pensionsförsäkring AB	908 890	1,7%
Other shareholders	30 271 409	57,9%
Total Number of Shares registered with the Companies Registration Office	52 303 012	100,0%
Right issue (registered 2021-01-11)	2 523 559	
Additional shares potentially issued in 2020 through 2038, due to warrants and convertible loan	2 883 222	
Total Number of Shares after Full Dilution	57 709 793	

NOTE 4 SHARE-RELATED PROGRAMS (WARRANTS) AND CONVERTIBLE LOAN

WARRANTS

There is one current incentive program addressed to key employees with a total of 750,000 warrants. Pricing is based on the Black & Scholes option-pricing model. Payment of the warrant options has been made in accordance with the extrapolated price according to the Black & Scholes model and has therefore not affected the Group's Income statement by any charges.

There are additionally four warrant programs with a total amount of warrants of 1,928,388, 19,801 warrants mature in 2026, 1,770,079 warrants mature in 2037 and 138,508 warrants mature in 2038.

Holders of warrants will be entitled to subscribe for one new share in the company for each warrant. The total number of issued warrants amounts to 2,678,388.

WARRANTS

	Number Issued	Redeemed / Due	Open	Share Price, SEK
TO 2016 – 2026*	19 801	0	19 801	0,1
TO 2017 – 2037*	1 770 079	0	1 770 079	0,1
TO 2018 - 2038-04-30*	36 703	0	36 703	0,1
TO 2018 - 2021-05-31**	750 000	0	750 000	36,3
TO 2020 - 2038-04-30*	101 805	0	101 805	0,1
TOTAL	6 722 054	4 043 666	2 678 388	

*) Warrants related to loan financing.

**) The strike price of the warrants have not been restated due to the ongoing rights issue as of 31 December 2020. The rights issue has not yet been registered. The table will be restated in the report for the first quarter 2021.

CONVERTIBLE LOAN

Norrlandsfonden currently has a convertible debenture of 10 MSEK, with a conversion price of 48.82 SEK and a maturity date in 2022. The interest rate is based on STIBOR 90 with a floor of 0%.

CONVERTIBLE LOANS

	Number issued	Redeemed / Due	Open	Share Price, SEK
Norrlandsfonden 2022-05-31	204 834	0	204 834	48,82
TOTAL	204 834	0	204 834	

The strike price of the convertible debenture has not been restated due to the ongoing rights issue as of 31 December 2020. The rights issue has not yet been registered. The table will be restated in the report for the first quarter 2021.

NOTE 5 KEY DATA AND FIGURES**KEY DATA AND FIGURES**

	2020	2019	2020	2019
	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec
Net Sales (TSEK)	30 854	31 641	128 081	123 061
Total Revenue (TSEK)	36 374	31 909	140 159	123 467
Gross Profit (TSEK)	32 123	25 312	122 360	99 490
Gross Margin (%)	88,3%	79,3%	87,3%	80.6%
EBITDA (TSEK)	-14 854	-12 263	-19 485	-39 031
EBIT (TSEK)	-23 296	-29 473	-56 062	-80 464
Net Profit/Loss (TSEK)	-20 106	-108 632	-81 922	-188 169
Earnings Per Share (SEK) before Dilution	-0,52	-4,23	-2,10	-7,65
Earnings per Share (SEK) after Dilution	-0,52	-4,23	-2,10	-7,65
Price per Earnings (SEK)	N/A	N/A	-3,30	-1,98
Equity per Share	0,21	-3,79	0,21	-3,79
Number of Shares before Dilution (EoP)	52 303 012	25 659 550	52 303 012	25 659 550
Number of Shares after Dilution (EoP)	57 709 793	32 929 633	57 709 793	32 929 633
Average Number of Shares before Dilution	38 981 281	25 659 550	38 981 281	24 610 800
Average Number of Shares after Dilution	43 140 407	32 929 633	45 319 713	32 280 754
Number of Employees (FTE) (EoP)	130	150	130	150
Average Numbers of Employees (FTE)	125	160	154	178
Number of Employees and External Resources (EoP)	136	156	136	156
Equity/Assets Ratio (%)	5%	Negativ	5%	Negativ
Quick Ratio (%)	720%	87%	720%	87%
Net Debt (-), Net Cash (+) (TSEK)	-114 460	-233 741	-114 460	-233 741

NOTE 6 PLEDGED ASSETS**PLEDGED ASSETS IN GROUP**

(TSEK)	2020-12-31	2019-12-31
Mortgage	0	50 000
Pledged Accounts Receivables	2 163	0
Pledged Shares in Subsidiaries	0	64 724
Cash and Cash Equivalents	0	8 597
TOTAL	2 163	123 321

PLEDGED ASSETS IN PARENT COMPANY

(TSEK)	2020-12-31	2019-12-31
Pledged Shares in Group Companies	0	85 500
Mortgage	0	50 000
Cash and Cash Equivalents	0	8 597
TOTAL	0	144 097

NOTE 7 CONTINGENT LIABILITIES**CONTINGENT LIABILITIES IN GROUP**

(TSEK)	2020-12-31	2019-12-31
Non-significant Disputes	0	3 532
TOTAL	0	3 532

CONTINGENT LIABILITIES IN PARENT COMPANY

(TSEK)	2020-12-31	2019-12-31
Non-significant Disputes	0	3 532
TOTAL	0	3 532

NOTE 8 ALTERNATIVE PERFORMANCE MEASURES

Clavister uses various key figures, including alternative performance measures (APMs), for internal analysis purposes and for external communication of the operations' results, performance and financial position.

The aim of these APMs is to illustrate the performance measures tailored to operations that, in addition to the other key figures, enable various stakeholders to more accurately assess and value Clavister's historical, current and future performance and position.

ALTERNATIVE PERFORMANCE MEASURES

(TSEK)	2020 Oct - Dec	2019 Oct - Dec	2020 Jan - Dec	2019 Jan - Dec
Order Intake	31 757	42 240	153 586	147 039
whereof China	0	0	0	4 366
Invoiced Sales (Billings)	33 140	43 077	143 039	138 288
whereof China	0	0	0	4 366
Recurring Revenue	18 159	16 713	70 042	60 040

NOTE 9 DEFINITIONS

Contract Retention Rate – Designates the percentage of customer contracts (e.g. term-based license contracts, support and maintenance contracts etc) Clavister has retained over a given time period.

Due to the ongoing transition to a unified recurring revenue business model, this metric is not applicable for Q4.

Free Cash Flow (FCF) – The sum of cash flow from operating activities and investment activities.

Order Intake – Total net sum of all legally binding customer orders in the period.

Invoiced Sales (Billings) – Total recognized revenue plus the change in deferred revenue during the period. We consider Invoiced Sales to be a useful metric for management and investors because it drives current and future revenue.

Recurring Revenue – The portion of revenues that is expected to continue in the future. Unlike one-off sales, these revenues are predictable, stable and can be counted on to occur at regular intervals going forward with a relatively high degree of certainty and with relatively low cost of sales.

NOTE 10 COVID-19 IMPACT AND MITIGATIONS

The Covid-19 pandemic has had the following impact on the Clavister business:

- Travel bans have restricted Clavister to deploy engineers to customer sites, thereby impacting professional services revenue which is normally generated through on-site deployments.
- A notable Clavister end-customer filed for Chapter 11 Restructuring in March. A number of other prospects and customers have delayed their investment decisions.

To mitigate the realized and potential impacts of Covid-19, Clavister has implemented a number of cash preservation actions, including travel restrictions and reduced external spending. From August 2020 and through December 2020, Clavister has implemented Short-Term Working for some of its employees.

Clavister is continuously monitoring the pandemic and actively pursuing relevant government-supported mitigation programs.

SHAREHOLDER INFORMATION

ABOUT CLAVISTER

Clavister is a leading European cybersecurity vendor with over 20 years of experience. Seated in Sweden, the company has customers in more than 150 countries; Communication Service Providers, Governments, Enterprises and Managed security service providers (MSSPs).

FINANCIAL CALENDER

Clavister intends to distribute financial reports on the dates below:

EVENT	DATE
Interim report January - March 2021	May 14, 2021
Annual General Meeting 2021	May 18, 2021
Interim report April - June 2021	August 26, 2021
Interim report July – September 2021	November 11, 2021

Financial reports, press releases, and other business information is available from the date of publication on Clavister's website.

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THE SHARE

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 ISIN-code: SE0005308558

Any forward-looking statements in this report are based on Clavister's best assessment at the time of the report. Actual result may materially different. Clavister does not publish any forecasts.

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

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

Örnsköldsvik, Sweden, 10th of February, 2021

Board of Directors
 Clavister Holding AB (Publ.)