Annual report & Consolidated Financial Statements for Clavister Holding AB

Financial Year . 2020

Corporate ID number 556917-6612

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Content.

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.
- 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 in 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 be the leading cybersecurity supplier in Europe.

+8%

incoming orders

(excl. China)

Ratios

- Order intake for the full year 2020 increased by 8% to total MSEK 153.9 (146.7).
- Operating income for the year totaled MSEK 140.2 (123.5).
- Gross profit totaled MSEK 122.4 (99.5), equivalent to a gross margin of 87% (81).
- Operating profit before depreciations and impairments totaled MSEK-19.4 (-39.0).
- Operating loss for the year totaled MSEK-56.4 (-80.5).
- Earnings before income tax totaled MSEK-80.9 (-112.5).
- Earnings per share totaled SEK-2.08 (-7.33).
- Cash flow from operating activities totaled MSEK 24.1 (-43.2).

132

employees

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 word from the CEO.

For Clavister, fiscal year 2020 was an exciting combination of growth, improved margins and major business contracts, but of course also a significant impact from the Covid-19 pandemic. The revenue increase for the year was 17%, resulting in total revenue of MSEK 140. Our EBITDA loss was halved from MSEK -39 to MSEK -19.4 as a consequence of the increase in revenue, improved gross margins and optimization of the cost base. I would like to express my appreciation to all Clavister staff, partners and shareholders for their tireless commitment during an exciting, but turbulent, year!

Our revenues for full-year 2020 totaled MSEK 140, which represents an increase of 17% over the previous year, adjusted for the divested operation in China. The corresponding order intake grew by 8% compared with 2019. We have a growing order book with a value of MSEK 20.7 on December 31, 2020, which represents an increase of MSEK 11 year-over-year.

We continued to optimize our cost structure in order to accelerate our path to profitability. This has produced results in the form of significantly improved gross margins and reduced operating costs for the full year. As a result, EBITDA improved by MSEK 19.6 for the full year. Thus our EBITDA loss decreased by 50% compared to 2019, an important step toward stable EBITDA profit.

Operating cash flow was positive for full-year 2020, and improved by MSEK 51.4 compared to 2019.

The pandemic and its effects on Clavister

Since the beginning of the year, the coronavirus dominated day-to-day life in most companies, as it did for Clavister. During the first quarter, we set up an action plan to manage a scenario in which Clavister would be negatively affected by the pandemic, with a weaker cash flow as a consequence. The action plan involved liquidity-boosting measures such as reduced external costs, deferred tax and fee payments, frozen salaries and preparedness for furloughs. In retrospect, we can see we were fortunate in not having to carry out every part of the plan, even though our sales were negatively affected by many deferred customer projects.

On the other hand, as a natural consequence of new ways of working during the pandemic, some areas, such as cloud-based security and teleworking solutions, have gained ground during the crisis, which is why we have noted increased demand for our solutions in identity and access, cloud security and virtualized SD WAN . As businesses become increasingly familiar with teleworking, we expect this demand to continue growing steadily in the years ahead.

The market for network security equipment was forecast to be negatively affected by budget cuts in 2020. According to Gartner, it was expected to decline by 12.6% compared to 2019. For many companies, the focus on survival meant that investments in e.g. IT and network equipment had to be put on hold.

A word from the CEO.

Even though firewall products form a large part of Canister's business, we were still able to show a sales increase for such solutions, albeit with an increase that was lower than we expected before the pandemic hit. But happily, we noted few customer losses during the year. As the investment rate picks up again with a decrease in the impact of the pandemic, we expect our firewall sales to gain stronger momentum.

SASE – An important part of Clavister's future offering
One of the new concepts currently attracting a lot of attention in the cyber security market is the Secure Access Service Edge (SASE). SASE can be seen as an amalgamation of Wide Area Network (WAN) technology and security features into a single holistic solution, primarily delivered as a cloud service. According to Gartner, more than 40% of companies will review the possibility of implementing SASE by 2024.

We launched our first 'as-a-service' pilot offering to a limited selection of customers during the early fall. The launch sought to determine market interest and evaluate how our technology can be used in a new context. The results of the pilot were overwhelmingly positive with more than 500 agreements active in the new model.

Strengthened by this experience, we have moved toward implementation of a full-scale SASE solution for launch in multiple stages, starting 2021. Our SASE solution is built on our existing Aurora Security Framework technology platform, which provides an exceptional mechanism, using proven technology, to scale up our revenues without any major increase in our development costs.

Optimizing operations
During the fourth quarter, we carried out a major reorganization aimed at sharpening Clavister's commercial focus. All customer-facing functions such as sales, consulting and customer support were gathered under a unified commercial division with a clear growth and performance agenda. Through the new organization, we have established a structure that scales well, thus supporting Clavister on its continued growth journey.

Another important change is taking place within the framework of our sales operation, where our focus moving forward will be on reinforcing our end customer relations in order to increase our sales volume, while continuing to ensure that our partners can deliver value-adding services built around our solutions.

Continued development of 5G security
So far, Clavister security solution for the 5G network has been delivered to more than 25 Mobile operators that have rolled out non-standalone 5G networks. In the second half of 2020 we were also able to secure our first customer contract for standalone 5G networks, which is a great testimony to the relevance of our solution even in this context.

During the year we developed our collaborations with market operators such as Tata Communications, Arm and Telco Systems, moving with them from business development to the commercial phase. We are currently collaborating with these operators on a number of qualified business opportunities, and we hope to secure commercial gains during the first half of 2021.

We will be introducing a number of new improvements to our security solution in 2021 in order to continue taking 5G market share. Among other things, we will offer container support to enable the use of our solution on purely cloud-based 5G networks. We will also launch improved, extended virtualization capabilities to address extremely high capacity requirements. To summarize, we will continue to pursue our price and performance advantages, not only for virtual applications, but also on dedicated hardware and in the cloud.

IMPORTANT BUSINESS EVENTS IN THE DEFENSE MARKET
During the year we concluded an extensive framework agreement with BAE Systems, Europe's biggest and the world's third biggest defense industry group. The agreement provides BAE Systems with the opportunity to integrate versions of Clavister's firewall product adapted for defense purposes into vehicles developed and manufactured by BAE Systems.

After year-end, we announced our first end-customer transaction resulting from the framework agreement. The transaction is part of an extensive vehicle upgrade program in a European defense force and is worth at least MSEK 50 to Clavister. Deliveries will begin in the second half of 2021, with most of the products delivered between 2022 and 2024. The expected long combat vehicle service life and possible additions will create further business opportunities that could extend the business value to MSEK 90.

Through BAE Systems, there are further significant business opportunities with other defense customers, some with the potential to materialize as early as 2021.

At year-end, we announced the forthcoming trial installation of our identity and access solution for the US Marine Corps. The installation work is now under way and will continue during the first two quarters of 2021, following which the customer is expected to take a decision on how the project should proceed.

Stronger balance sheet
During the third quarter, we announced a proposed new share issue to capitalize Clavister with the aim of strengthening the balance sheet, thereby reducing operational and financial risk. Capital acquisition was completed during the fourth quarter and resulted in an MSEK 204 cash injection for the company before transaction charges.

Prospects

The global cyber security market is expected to grow by up to 10% in 2021 as the global economy slowly recovers from the pandemic. The record levels of cyber attacks in 2020 are considered to be another important reason for a recovery in growth. Furthermore, these forecasts are based on the continued impact from lockdowns and furloughs in the first half of 2021, while the successful rollout of the vaccination program will promote recovery from the middle of the year onwards.

Our ambition in the short to medium-term is to report growth higher than the underlying market trend. This will mean improved sales growth in 2021 compared to 2020, and an average organic sales growth of at least 20% over the next three years.

Provided there is no significant Covid-related impact on our operations, we intend to achieve sustainable positive EBITDA in 2021, as well as a positive free cash flow from 2022.

I would like to express my appreciation to all Clavister staff, partners and shareholders for their tireless commitment during an exciting, but turbulent, year!

John Vestberg, CEO and President

Market.

Market overview

The coronavirus dominated day-to-day operations for most businesses during the major part of 2020. Early in the year, it became clear that the cybersecurity industry was one that would not be affected negatively by the pandemic, but would rather draw benefit from it.

However, toward the end of June business analyst firm Gartner1 drastically revised down its forecast for growth during the year. The new growth figure fell to a modest 2.4% from the 8.7% that was forecast in December 2019.

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.

1) Source: Gartner, Information Security, Worldwide 2018-2024, 4Q20 Update

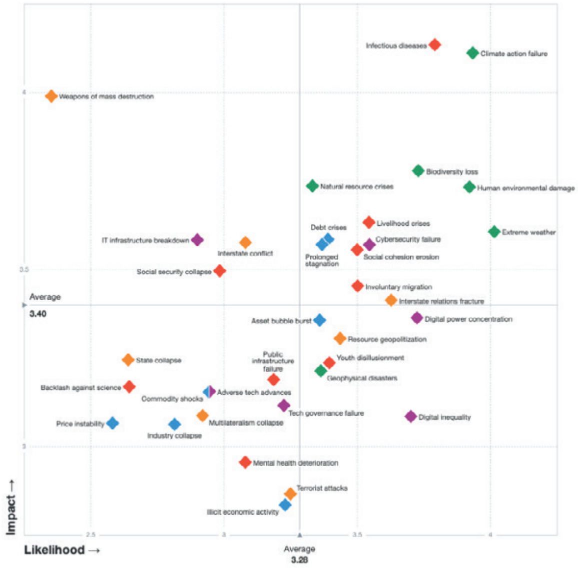


Figure 1: The Global Risks Report 2021 – World Economic Forum

Clavister and the market

For Clavister, the pandemic meant that many major customer projects were deferred, as customers' IT budgets were reallocated to cope with the increased amount of remote working instead. Even if remote working per se creates a greater need for cybersecurity, it does not have a positive effect on Clavister until a later stage, depending on where Clavister's product portfolio figures in its customers' investment plans.

The market for Clavister's products for 2021 and onwards is expected to return to higher growth equal to, or even higher than, before the Covid-19 pandemic.

Addressable market

Clavister's updated product portfolio addresses a total global market that is estimated to be worth almost SEK 280 billion in 2022; see figure 2 below. When limited to the markets in Clavister's geographical focus areas, value is estimated to grow to SEK 21 billion in 2022.

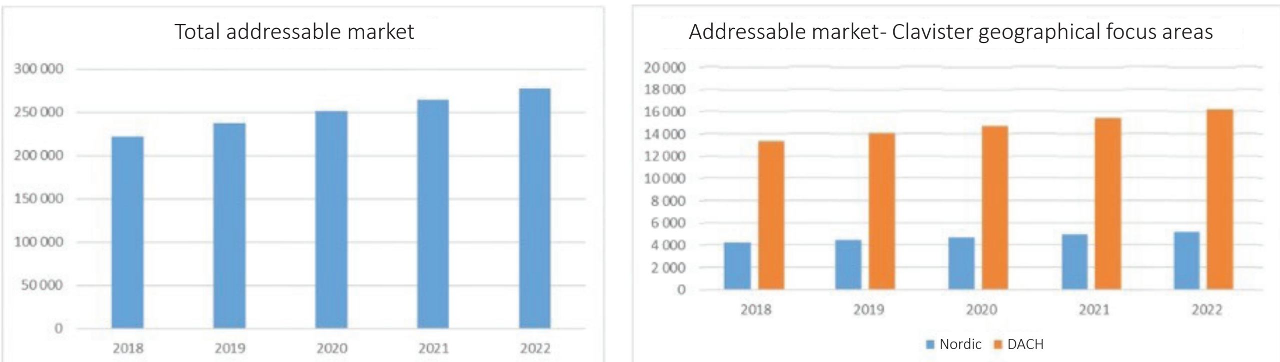


Figure 2. The total addressable market for Clavister's product portfolio 2018–2022 (MSEK). Source: Gartner, Information Security, Worldwide 2017-2023, 4Q19 Update.

Market.

Focus areas and solutions

Mobile operators

4G/5G Security

Public sector

Next Generation Firewall

Elastic Sercure SD-WAN

Identity & Access Management

Defense industry

Cyber Armor

During 2020, Clavister made extensive efforts to update its strategy, including clearer focus areas and solutions. The following focus areas were chosen:

- Mobile operators – where the 4G/5G Security solution forms the basis for continued collaboration with existing partners to reach an increasing number of mobile operator. In collaboration with these partners, the solution has been adapted in recent years to become the perfect answer for those carriers who will be undergoing the transition from 4G to 5G – Clavister security software is ideal for hardware, virtual applications or as a container. This is in line with market requirements for supporting the NSA (non-standalone) 5G concept to the more complete SA (standalone) 5G – a journey that all mobile operator will have to undertake in the years ahead.
- Public sector – Clavister continues to develop and package solutions for this customer group and is introducing a solution specifically created for schools, colleges and universities to ascertain user identities and for protecting users from harmful content. The solutions – 'IAM (Identity & Access Management)' and 'Elastic Secure SD-WAN' are founded on many years development and specialization in the field, and Clavister's domain skills are a strength. The third solution area – NGFW (Next-Generation FireWall) suffered , as mentioned above, major negative impact from the pandemic as customer IT budgets were reallocated during 2020; however, things are anticipated to return to normal in 2021.
- Defense industry – during 2020, Clavister signed a multi-year framework agreement with one of the biggest suppliers of land-borne defense vehicles – BAE System/Hägglunds. The agreement concerns the Cyber Armour solution whose strength is hardware adapted for military use combined with cybersecurity software to protect vehicles against external digital threats, which are among the biggest threats in existence according to World Economic Forum. In the years ahead, Clavister will provide the solution to BAE System/Hägglunds' customers, where yet again cybersecurity constitutes a major strength in the transactions.

A letter from the Chairman of the Board.

Dear Clavister Shareholders,

If 2020 has taught us anything, it's that you can't over-use the word 'unprecedented'. The last 12 months have tested the strength and resilience of the global socio-economic fabric, and we have witnessed great upheaval as a result. Last year at this time, the pandemic was already a known quantity as lockdowns ensued across China, Europe and eventually the rest of the world. As a result, we've seen the adoption of technology at a pace never before experienced, primarily driven by new ways of working such as on-line collaboration and video conferencing. This trend is not expected to end any time soon as high-bandwidth connectivity becomes more commonplace across the planet, driven by the roll-out of 5G mobile technologies.

With every new internet connection lies a potential security threat which needs to be addressed, and Clavister's primary mission is to protect its customers and partners from such threats.

We started our 2020 financial year, before the outbreak of COVID-19 with a strong funnel and appetite for growth. The pandemic and ensuing lockdowns had significant repercussions not just for Clavister, but for our customers and partners as well. When the Covid 19 pandemic first hit us, our first priority was to protect the health, safety and wellbeing of our people. We quickly deployed a company-wide work-from-home strategy, and redesigned our fulfillment and logistics capabilities to make them COVID-secure and compliant with social distancing guidelines.

We also took significant steps to protect the business financially. As early as March, we kicked-off a number of initiatives to protect the company's cash flow and reduce operating expenses. We also made appropriate use of government support, including payment deferrals and job retention programs, but we did so with the intention always to do the right thing and not take advantage of funding support which we did not require. In Q3, we announced a rights issue to strengthen our balance sheet, reduce our debt, and position us for long-term growth. This included an issue of ordinary shares, which raised 204 MSEK. As close to 50% of these new shares were allocated to our existing shareholders, I wish to thank these investors for their continued confidence in Clavister's future and team.

The only constant in our industry is change, so despite the market upheaval caused by the pandemic, Clavister's Executive team had embarked on a comprehensive reorganization of the business in Q4. This reorganization is based on our "Customer First" mentality, whereby all professionals in the Clavister team who engage with our customers – sales, pre-sales, support, training and marketing – now operate under one management umbrella with clear lines of accountability. We hope this new structure will not only increase the value and depth of our customer engagements, but will maintain the quality and satisfaction levels our customers have grown accustomed to from Clavister. In addition to reorganization, the team had kicked-off an ambitious initiative to leverage our successes in key vertical segments such as 5G Mobility, Defense, and Public Administration to deliver our suite of mission-critical cyber-defense products at greater scale – resulting in impressive customer wins with BAE Systems and Nokia.

Delivering a fiscal year with growth levels above the global cyber-security market would not have been possible without the expert leadership and judgment shown by our Executive team, who have been able to adapt at speed during this critical time. Their quick and commendable decision-making has impressed me, and I am sure they will emerge from this experience with many valuable lessons learned for the future. The past year has been one of significant challenges, but Clavister has emerged a better business for it. With our internal capabilities aligned to our highly focused growth ambitions, we are ready for whatever the future may hold.

Looking ahead to our priorities for 2021, we will continue our progress towards becoming the European cyber-security leader, and we are positioned to capitalize on the accelerated shift in demand for cloud-based and subscription deployment models. The full implications of COVID-19 on customer demand and the wider economy remain to be seen, but we are in a strong position to face any challenges that come our way. As we finish this period with a positive set of results, I want to take this opportunity to thank you all for your unwavering resolve and support during a very turbulent year. The professional and constructive response from everyone in the Clavister family as well as our business partners, has ensured that we have come through 2020 stronger together. Your talent, passion and enthusiasm is what drives our success.

Victor Kovacs, Chairman of the Board

Report of the Board of Directors.

The Board of Directors and the CEO of Clavister Holding AB (556917-6612) hereby submit the annual report and the consolidated financial statements for fiscal year 2020. 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

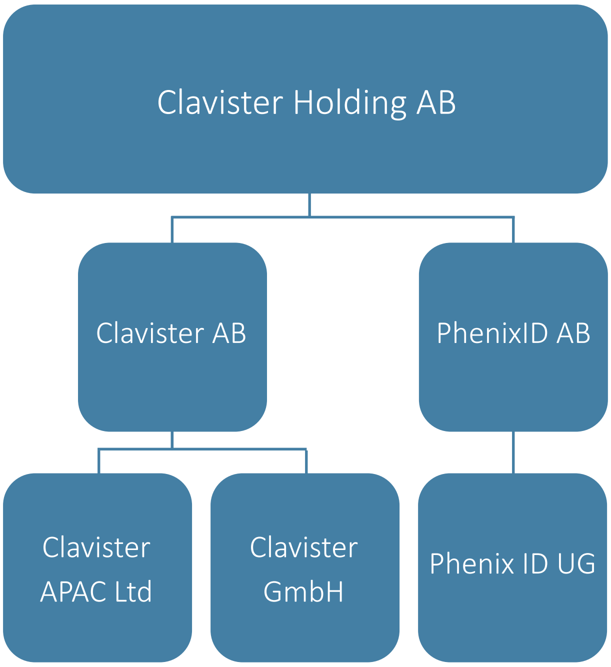
Research, product R&D and sales of cybersecurity solutions for both physical products and virtual environments take place in-house within the Clavister group. The products are characterized by high quality and performance, but also by a large product range. The group's offer also includes specialized 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 in May, 2014. A limited portion of the business is performed within the parent company Clavister Holding AB, such as managing the company stock and activities aimed at investors.

The group comprises six companies, of which Clavister Holding AB wholly owns the subsidiary Clavister AB. The majority of the business activities are carried out in this company. The head office in Örnsköldsvik conducts product and software development, maintenance, product management, 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 the company Clavister GmbH in Germany, which pursue sales and marketing in the DACH region. It also owns a holding company in Hong Kong, Clavister APAC Ltd.

Clavister Holding also owns the subsidiary PhenixID AB with offices in Nacka, Sweden, and a similar departmental set up as Clavister AB. PhenixID is a significant cybersecurity player and an important complement to Clavister's offering in the IAM (Identity & Access Management) field. In addition to its know-how and expertise in the fields of IAM and 2FA (two-factor authentication) the PhenixID group can boast good customer references and a stable customer base. PhenixID operates in Stockholm and its operations consists of sales and development. PhenixID AB has a wholly-owned subsidiary in Germany – PhenixID UG.

During the year, liquidation was begun regarding the holding company in Hong Kong, Clavister APAC Ltd and PhenixID UG in Germany, both scheduled for completion in 2021.



Clavister Group:

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

Significant events during the year

- Clavister received a new order from an American mobile operator. The order was secured together with one of the world's biggest suppliers of wireless infrastructure, which means Clavister now has access to the wireless carrier market through two of the three predominant infrastructure players. The carrier chose Clavister as the supplier for a three-stage project. The initial order concerns the delivery of Clavister's NetWall products for security in the carrier's data center. The virtualized security solution offers high-performance, scalable cybersecurity in what is known as a mobile core network. Complete implementation will take place over several years and will also create opportunities for Clavister to introduce additional services and further products for the solution.
- Clavister received an order from a Japanese data center for multiple Clavister NetWall products for use in securing the network infrastructure in a number of Japanese data centers. The order comes from one of our most dedicated Japanese customers, which uses Clavister in a number of different fields of application in the infrastructure they build and maintain.
- During the year, the company concluded an agreement with IWG (International Working Group) worth MEUR 2. IWG is a multinational company that provides office hotels, business lounges, virtual offices, conference facilities and videoconferencing solutions in more than 3,300 places in over 120 countries. Clavister's distributed office and remote working offering is an important part of its Elastic Secure SD-WAN solution which addresses the needs of customers such as IWG by providing secure connections and flexible remote working for companies large and small. Clavister has been an established IWG supplier for many years.

Report of the Board of Directors.

Under the agreement, Clavister supplies security products, support and integration services to create safe, automated and fully integrated network services for IWG's more than 2.5 million customers. The new contract, which will run for 36 months, is partly an extension of the existing services that Clavister provides to IWC, and partly an increase in the scope of the collaboration, which is now supplemented with completely new tools and services.

- The company is expanding with the Southeast Asian wireless carrier, and during the year it was engage to supply additional functionality to the carrier's network. The Southeast Asian wireless carrier, which recently launched its first 5G service, began its roll-out of Clavister's virtualized cybersecurity solution last year, i.e. 2019. The initial installation was limited to protecting the carrier's ABC and control system.

  As a result of the successful roll-out, the wireless carrier has now decided to expand Clavister's solution to also secure its Gi/SGi between the carrier's core network and the public Internet.

  The Gi/SGi interface is not just one of the most traffic-intensive interfaces in a wireless network, but also one of its most critical points and one which a carrier needs to secure.

- As a consequence of the Covid 19 pandemic, remote working has increased and led to new business for Clavister. A European customer will be using a multi-factor authentication solution to raise its security level in connection with remote working. Multi-factor authentication is regarded as one of the hottest trends in cybersecurity. Analyst firms such as Gartner and Omdia consider multi-factor authentication to be among the best methods for increasing a company's cyber protection as weak passwords still constitute one of the biggest security problems. Research suggests 80% of all intrusions take place because of stolen usernames and passwords. Clavister's multi-factor authentication solution provides the customer with a flexible tool for enhancing security. The solution works with all telephones and without the need to install specialized apps.

- During the year, the company was entrusted with providing the United States Marine Corps with Clavister's identity and access solution (IAM). Delivery and integration will take place in collaboration with Clavister's partner Digital Cloak, an American systems integrator specialized in cybersecurity. Digital Cloak has an extensive supplier relationship with the Marine Corps as well as with other branches of the American military.

  Clavister's collaboration with Digital Cloak provides the United States Marine Corps with access to an ultramodern IAM solution which will be used to enhance cybersecurity surrounding the information the Marine Corps uses to protect its bases, programs and assignments. The Clavister EasyAccess solution will be used in both production and development environments to support the Marine Corps throughout the lifecycles of its digital systems.

Annual report.

Clavister's solution will be a central point for authentication and will include e.g:

- Integration with existing Marine Corps systems
- Improve security checks for logins
- Support for cybersecurity accreditation and authorization checks

  The project is the first step on the way to integrating Clavister's products in the United States Armed Forces, and also provides excellent exposure for Clavister's solutions for senior officers within the USA's Department of Defense (U.S. DoD). Through its collaboration with Digital Cloak, Clavister provides the Marine Corps with the product licenses necessary for the initial concept tests.

- In September 2017, Clavister took a loan from Tagehus Holding AB in the amount of MSEK 50 with a term of three years. The loan was repaid using group funds of MSEK 15 and a bridging loan of MSEK 35. The bridging loan had a maturity of 3 months, and was repaid during the fourth quarter of 2020.
- During the year, the company carried out a rights issue and a targeted new share issue that brought in a total of MSEK 204 before deductions for issue expenses. At MSEK 149.8, the outcome of Clavister's rights issue shows that 12,670,402 shares equivalent to around 59% of the rights issue was subscribed to with the support of shareholder preferences (including subscription commitments). In addition, notifications were received for subscription without preferential rights for 1,747,133 shares, equivalent to around 8% of the rights issue. Underwriters subscribed to 6,988,963 shares, equivalent to around 33% of the rights issue. The targeted issue, which totaled MSEK 54, was aimed at a limited number of institutional and qualified investors, including Stena Finans, Consensus Asset Management, Adrigo and SPSW Capital as asset managers for most of the German funds (UCITS and AIF).
- During the year, Clavister engaged David Nordström as group CFO. David has a background as an authorized public accountant.
- At the end of the year, the company appointed Przemek Sienkiewicz as Chief Commercial Officer. Sienkiewicz, who joined Clavister almost 3 years ago to take up the position of the company's head of strategy, was a major contributory factor in scaling up Clavister's key customer sales and building up an extensive portfolio of global business opportunities.
- During the year, Clavister was elected as a member of the European cybersecurity organization (ECSO). ECSO was founded in 2016 as a public-private partnership project (PPP) to develop a competitive European cybersecurity ecosystem. The objective is to protect the European digital internal market by providing domestic cybersecurity solutions and in this way contributing to the development of a digitally autonomous Europe. ECSO, which comprises 250 members with thousands of workgroups, has an increasingly prominent role as the threat to Europe rises. ECSO and Clavister are convinced that the European alternative for cybersecurity will contribute to a safer, better cybersecurity landscape.

Events following the end of the fiscal year

- The company, together with BAE Systems Hägglunds, part of BAE Systems, Europe's biggest and the world's third biggest defense industry group, have acquired their first joint end customer, a significant Western European defense force. The contract between BAE Systems Hägglunds and the end customer concerns the upgrade of CV90s (Combat Vehicle 90) to be carried out between 2021 and 2025. The transaction is Clavister's biggest to date with a value of at least SEK 50 million, with the possibility of a supplementary deal that will increase the transaction value to SEK 90 million.

  The extensive contract involves upgrading 122 CV90 combat vehicles, with an option for an additional 19 vehicles. The upgrades will involve equipping each vehicle with more robust, integrated cyber security features, including Clavister's military-rated RSG-400 Security Gateway and the RSW-400 Secure Switch. According to the customer's production plan, the first product deliveries will take place during the latter part of 2021, and the major part of the deliveries from 2022 to 2024. The expected long vehicle service life also affords Clavister the opportunity to deliver additional support and maintenance services stretching over several years following completion of product delivery.

- The company continuously monitors how the situation surrounding the coronavirus (Covid-19) develops. The company constantly 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.
- IT has drawn up a contingency plan comprising a variety of measures aimed at strengthening the company's liquidity in the event its cash flow deteriorates as a consequence of the pandemic.

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

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

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

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Financial risk

The majority of sales take place in EUR, SEK and USD and are governed by contracts in which EUR predominates, 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 hedging is done by offsetting in and outgoing payments in equal currency. When it comes to the overall distribution between various currencies, sales in EUR during 2020 accounted for around 47% of the group's sales, followed by SEK at 46% and USD at 6%. Operating expenses are dominated by SEK at 75%, with the remainder split between USD and 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.

Risks related to Covid 19

The spread of the coronavirus has entailed increased uncertainty and made assessment of the business situation and the group's prospects for the coming year difficult. In 2020 we saw how transactions in firewall security were deferred when investment decisions were tabled as our customers focused on solving the pandemic's immediate impact instead of adopting long-term investment decisions. The outbreak of the coronavirus has affected our distribution channels both in terms of component supply and lead times in shaping our physical products to customers. These distribution channel disruptions are anticipated to affect us and contribute to increased risk and uncertainty for as long as the virus and its impact on the world economy continue.

Many of the markets where we do business have seen restrictions to the ability of people to meet as societies have been locked down for periods of varying lengths. Such lockdowns have a negative impact on our ability to meet customers to market and sell our products and solutions.

Recurring lockdowns and restrictions in the ability of people to meet can be expected to have a negative effect on the group's earnings potential and profitability. The size of such effects are difficult to quantify.

In the long-term, we consider the pandemic to have highlighted risks and vulnerabilities in individual companies and the global economy alike. This can have positive long-term effects on demand for the group's products and solutions as they help safeguard operations and reduce the risk of disruptions in an organization's communications infrastructure.

An array of measures has been taken by the Board and group management to counter the risks the pandemic entail and protect the safety of our employees by switching to remote working and limiting travel and face-to-face meetings. Furthermore, we have switched to meeting our customers and partners digitally, working with extended long-term planning and increased stock buildup to safeguard the supply of hardware in order to manage an increase in disruptions in our supply chains.

Quality efforts

Clavister's efforts are based on the concept that increased quality through a sustainable conduct and continuous operational improvements intended to better meet the customer's needs. The quality of our products and services is a key factor to success in an age of increased digitalization and global competition. Deviations from the established process are documented, timed, rectified and followed-up on. Audits are carried out internally and by an external actor, DNV GL (Den Norske Veritas), which approves the renewal of the certification in accordance with the quality management system ISO 9001. Improvements to the management system was implemented in the fall of 2016 in order to comply with the ISO 9001:2015 requirements.

Environmental and sustainability efforts

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

An attractive and sustainable workplace

The company shall be a an attractive place to work and a healthy, open and safe work environment (physically and mentally) for the employee. The work environment shall be characterised by a reasonable balance between requirements and challenges. Clavister shall encourage the employee to maintain and develop a good health and counteract tendencies which may result in a work environment where stress-related ailments or causes for long-term sick leave might develop. The company shall ensure that no employee is discriminated against. Clavister uses English as its group language and houses around 25 different nationalities, which creates good opportunities and competitive advantages. 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.

Annual report.

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. The manufacturer is located in Örnsköldsvik, Sweden, which has led to reduced shipping costs and lower environmental impact. 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 staff on 12/31/2020 totaled 132 (150), a reduction of 12%, with the proportion of women falling slightly to 12% (14) to total 19 (22) female staff members on 12/31/2020. In addition to permanent staff, Clavister also engages consultants in e.g. customer projects and sales equivalent to 6 (5) full-time positions. The number of people, including consultants, employed by the group on December 31, 2020, totaled 138 (156).

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 2020, the Board held 22 minuted meetings.

Annual report.

Order intake, net sales and earnings

Since the beginning of 2020, the coronavirus has dominated day-to-day operations for most businesses. Early in the year, it became clear that the cybersecurity industry was one that would not be affected negatively by the pandemic, but would rather draw benefit from it. However, toward the end of June business analyst firm Gartner drastically revised down its forecast for growth during the year. The new growth figure fell to a modest 2.4% from the 8.7% that was forecast in December 2019. In the light of this forecast and the fact that Clavister was negatively affected by the many deferred customer project, it is gratifying to note that the company could still deliver stable growth during the year.

For full year 2020, the company achieved growth of 17% adjusted for divested operations in China. Despite growth being higher than the announced goal, there is additional growth to be gained from the existing customer base and from ongoing business development. For this reason, the company began multiple initiatives toward the end of the year to improve efficiency throughout the company.

Order intake for full-year 2020 grew by 8% compared to 2019 and adjusted for China. In the current business model, Clavister's order entry fluctuates and will continue to do so until an order volume is achieved in which a single customer contract no longer has the same powerful impact it does today. During the year, the company created a growing order book with a value of MSEK 20.7 on December 31, 2020, which represents an increase of MSEK 11 year-over-year.

At year-end, the company announced a forthcoming trial installation of an identity and access solution for the US Marine Corps. Installation work will continue during the first two quarters of 2021, following which the customer is expected to take a decision on how the project should proceed.

So far, the company's security solution for the 5G network has been delivered to more than 25 mobile operators that have rolled out non-standalone 5G networks. In the second half of 2020, the company was able to secure its first customer contract for standalone 5G networks, which is a great testimony to the relevance of its solution, even in this context. Our collaborations with market players such as Tata Communications, Arm and Telco Systems transitioned from business development to the commercial phase during the fourth quarter. We are currently collaborating with these operators on a number of qualified business opportunities, and we hope to secure commercial gains during the first half of 2021. At year-end, the sales funnel had grown to contain a score or more qualified business opportunities in the 5G security field, which is the company's biggest volume of potential sales hitherto. We will be introducing a number of new improvements to the security solution in 2021 in order to continue taking 5G market share. Among other things, the company will offer container support to enable the use of its solution on purely cloud-based 5G networks. The company will also launch improved, extended virtualization capabilities to address extremely high capacity requirements. To summarize, the company will continue to pursue its price and performance advantages, not only for virtual applications, but also on dedicated hardware and in the cloud.

The group's net sales for the year totaled MSEK 128.7 (123.1) and total operating income was MSEK 140.2 (123.5). The group's focus markets are the geographical markets in the Nordics and DACH region (Germany, Austria and Switzerland) and key global customers.

The group's gross earnings totaled MSEK 122.4 (99.5). The total reported gross margin for the year was 87% (81). The difference in gross margin between the years depends chiefly on the difference in the product mix and lower third-party costs. The year was charged with an item affecting comparability relating to the closure of the office in Umeå in 2019, where remaining rent for the office space was reserved at MSEK 3.8. The group's operating loss was MSEK -56.4 (- 80.5). The group continues to optimize its cost structure to accelerate its journey toward profitability. This has produced results in the form of significantly improved gross margins and reduced operating costs for the full year. Earnings for full-year 2020 before depreciations and impairment charges were improved by MSEK 19.5 and the loss has thus been reduced by 50% compared to 2019, which is a major stride forward toward our profitability goal.

Fundraising

During the third quarter, the company announced a proposed new share issue to capitalize Clavister with the aim of strengthening the balance sheet, thereby reducing operational and financial risk. Capital acquisition was completed during the fourth quarter resulting in an MSEK 204 cash injection for the company before transaction charges, of which around MSEK 149.8 was through a rights issue of shares resolved by the extraordinary shareholders' meeting of October 22, 2020. The outcome shows that around 59%, equivalent to approx MSEK 88.7 of the issue, was subscribed to with the support of shareholder preferences (including subscription commitments). In addition, notifications were received for subscription without preferential rights for around 8% of the issue, equivalent to approx MSEK 12.2. Around 33% of the issue, equivalent to MSEK 48.9, was subscribed to by underwriters. A targeted new share issue totaling around MSEK 54 was also carried out in conjunction with the rights issue, aimed at institutional and qualified investors.

A financing agreement with Tagehus from 2017 totaling MSEK 50, excluding interest, was repaid in full during the third quarter. For further information, refer to 'Significant events during the year' and note 23.

Report of the Board of Directors.

Going concern

The Board of Directors and the CEO make continuous assessments regarding the Clavister Group's liquidity and financial resources, both in the short and long term. The annual report was prepared on the assumption that the company has the ability to continue operations during 2021 in line with the going concern principle in the Swedish Annual Accounts Act, 2:4. The basis for this assumption is that Clavister will continue to increase sales in 2021 and that the cost base for 2021 will not exceed that of 2020 to enable Clavister to take significant steps toward profitability during the year.

Thus the opinion of the Board of Directors and the CEO, given current cash and bank balances after capital acquisition, the conclusion of agreements, future prospects including planned sales increases, is that Clavister Holding AB has sufficient liquidity and cash flow to continue running the business in 2021.

Financial position

Liquid funds at the end of the period totaled MSEK 143.2 (70.9). On 12/31/2020, equity totaled MSEK 12.1 (-89.3).

The group's total assets increased by 26% compared with the previous year and totaled MSEK 382.9. Fixed assets increased by MSEK 1.8 compared to the previous year to MSEK 169.7, of which capitalized expenses for development works increased by MSEK 4.8; right-of-use assets fell by MSEK 5.0, mainly related to rental agreements for premises.

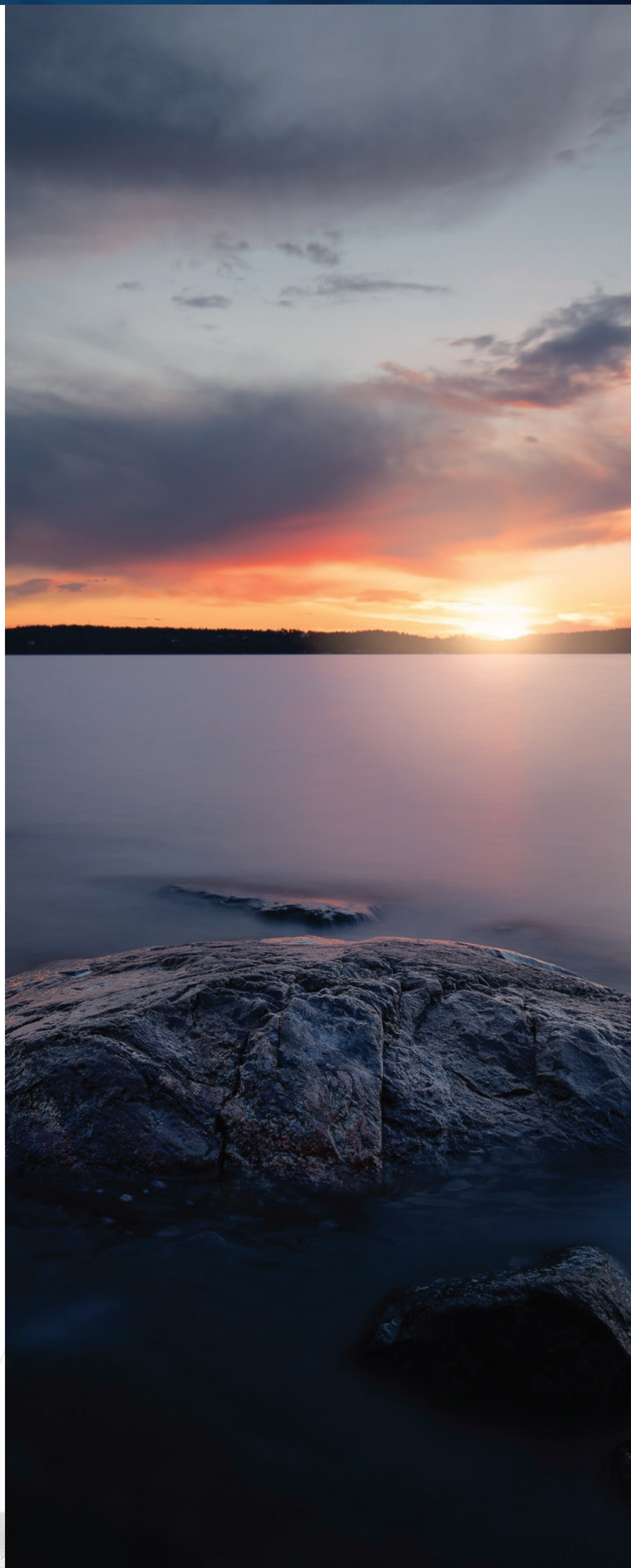
Current assets increased by MSEK 60.1 to 195.5 (135.4), of which liquid assets at the end of the period totaled MSEK 143.2 (70.9).

The group's equity at year-end was MSEK 12.1 (-89.3). The loss for the period reduced equity by MSEK -81.3 (-188.2). Equity increased by MSEK 182.0 (33.2) relating to a new share issue.

Investments, depreciation and development expenses

During 2020, the group continued to invest large amounts in product development and capitalized time spent. Total expenses for the year and proprietary internal development were capitalized to MSEK 33.1 (46.6). The 2020 closing value in the balance sheet for development works totaled MSEK 81.3 (76.5).

Depreciations on intangible assets relating to capitalizations totaled MSEK 29.4 (33.7) for the year.



Report of the Board of Directors.

Ownership

The number of shareholders totaled 5,294 and the number of registered shares on 12/31/2020 was 52,303,012 according to the Swedish Companies 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	5,237,862	10%
Försäkringsaktiebolaget, Avanza Pension	3,975,516	8%
Goldman Sachs International	3,395,536	6%
Tommy Forsell	2,103,441	4%
RBC Investor Services Bank	1,466,666	3%
Stena Finans	1,428,572	3%
RGG ADM-Gruppen AB	1,307,608	3%
Futur Pension	1,194,389	2%
Clearstream Banking	1,013,123	2%
Nordnet Pensionsförsäkring AB	908,890	2%
Other shareholders	30,271,409	58%
Shares registered with the Swedish Companies Registration Office 12/31/2020	52,303,012	100%

Shareholdings for board of directors and senior executives

Board of Directors	Number of shares
Viktor Kovács	17,000
Kimberly Matenchuk	15,264
Jan Frykhammar	45,725
Staffan Dahlström	905,646
Bo Askvik	8,500
	992,135

Senior executives	Number of shares
John Vestberg*	524,520
David Nordström	11,833
Przemek Sienkiewicz	85,777
Johan Edlund	35,800
Nils Undén	27,000
Adrianne Edblad	2,283
Andeas Åsander	10,000
Håkan Wallberg	4,033
Jenny Ramkrans	17,000
Peter Laurén*	814,872
	1,533,118

Indirect ownership through their own company, or endowment insurance.

Annual report.

Multi-year review

Group	**2020**	**2019**	**2018**	**2017**	**2016**
Operating income	140,159	123,467	112,517	100,206	78,116
Net sales growth (%)	5%	10%	12%	28%	22%
Gross profit	122,360	99,490	86,037	77,512	53,466
Gross margin (%)	87%	81%	76%	77%	68%
Earnings before tax	-80,869	-112,505	-118,236	-83,642	-71,712
Balance sheet total	382,883	303,275	385,791	-302,110	277,169
Equity ratio (%)	3%	Negative	17%	69%	75%
Number of employees	132	150	176	155	160
Parent company					
Operating income	8,906	430	500	6,000	4,200
Balance sheet total	610,405	491,981	527,408	622,973	517,102
Equity ratio (%)	75%	65%	84%	91%	97%
Number of employees	2	2	2	2	1

Proposed appropriation of profits

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

Share premium reserve	178,179,998
Accumulated profit or loss	318,610,028
Profit for the year	-43,838,472
	452,951,554

The Board proposes that the entire share premium reserve of SEK 178,179,998 be transferred to retained earnings. The amount of SEK 452,951,554 was carried forward.

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	2020	2019
Net sales	3.4	128,664	123,061
Other operating income	3	11,495	406
Operating income		**140,159**	**123,467**
Goods for resale		-17,800	-23,977
Gross profit		**122,360**	**99,490**
Work performed by the company for its own use and capitalized	16	33,078	46,613
Employee benefit expenses	7.8	-136,015	-140,988
Other external costs	5.6	-33,349	-39,409
Other operating expenses	9	-5,507	-766
Depreciation	10.11	-36,979	-41,433
Results from shares in subsidiaries	12	0	-3,971
Operating profit		**-56,413**	**-80,464**
Financial income	13	8,656	1,638
Financial costs	8.13	-33,112	-33,680
Earnings before tax		**-80,869**	**-112,505**
Tax on the year's earnings	14	-367	-75,663
Profit for the year		**-81,237**	**-188,169**
Profit for the year attributable to:			
Parent company owners		-81,237	-188,169
Non-controlling interest		0	0
Profit per share:	15		
Basic earnings per share		-2.08	-7.33
Diluted earnings per share		-2.08	-7.33

Consolidated statement of comprehensive income

SEK n thousands	Note	2020	2019
Profit for the year		-81,237	-188,169
Other comprehensive income for the year:			
Items which can later be reclassified for the statement of operations			
Translation difference		-35	-2
Other comprehensive income for the year, net after tax		**-35**	**-2**
Total comprehensive income for the year		**-81,272**	**-188,171**
Comprehensive income for the year attributable to:			
Parent company owners		-81,272	-188,171
Non-controlling interest		0	0

Consolidated balance sheet.

SEK n thousands	Note	12/31/2020	12/31/2019
ASSETS			
Capital stock subscribed but not paid in		**17,665**	**0**
Fixed assets			
Goodwill	16	51,875	51,875
Capitalized expenses for development works	16	81,311	76,499
Program rights / licenses	16	20,095	0
Client relationships	16	667	1,667
Access rights assets	10.17	15,517	20,451
Equipment	17	0	0
Other long-term receivables	18	226	16,901
Deferred tax asset	14	0	478
Total fixed assets		**169,691**	**167,870**
Current assets			
Inventories	1	7,240	8,000
Accounts receivable	18	39,426	38,092
Tax asset		0	324
Other receivables	18	1,503	2,184
Prepaid expenses and accrued income	18.19	4,170	15,862
Liquid funds	18.20	143,189	70,942
Total current assets		**195,527**	**135,404**
TOTAL ASSETS		**382,883**	**303,275**

Consolidated balance sheet.

SEK n thousands	Note	12/31/2020	12/31/2019
EQUITY AND LIABILITIES			
Equity	22		
Capital stock		5,230	2,566
Current capital issue		252	0
Other capital contributions		771,408	591,702
Reserves		96	131
Retained earnings, including profit for the year		-764,918	-683,681
Equity attributable to parent company shareholders		12,069	-89,283
Total equity		**12,069**	**-89,283**
Liabilities			
Long-term liabilities			
Liabilities credit institutions	18,23,30	204,524	220,451
Convertible debt instruments	18.30	9,116	8,545
Leasing liabilities	10,18,30	11,372	15,987
Deferred tax expenses	14	681	814
Total non-current liabilities		**225,692**	**245,796**
Current liabilities			
Liabilities credit institutions	23.30	0	53,709
Leasing liabilities	10,18,30	6,117	5,992
Advances from clients	18.30	1,004	0
Trade accounts payable	18.30	17,640	5,169
Current tax liabilities	14	149	79
Other liabilities	18.30	29,550	6,867
Accrued expenses and prepaid income	18,24,30	90,663	74,946
Total current liabilities		**145,122**	**146,762**
Total liabilities		**370,814**	**392,558**
TOTAL EQUITY AND LIABILITIES		**382,883**	**303,275**

Consolidated statement of changes in equity.

SEK n thousands	Capital stock	Current capital issue	Other capital contributions	Reserves	Retained earnings, incl. profit for the year	**Equity attributable to parent company shareholders**	**Total equity**
Opening equity on 01/01/2019	**2,356**	**0**	**559,762**	**133**	**-495,513**	**66,737**	**66,737**
Profit for the year	0	0	0	0	-188,168	-188,168	-188,168
Other comprehensive income for the year	0	0	0	-2	0	-2	-2
Comprehensive income for the year	**0**	**0**	**0**	**-2**	**-188,168**	**-188,170**	**-188,170**
New capital issue	210	0	35,448	0	0	35,658	35,658
Issue costs	0	0	-2,500	0	0	-2,500	-2,500
Equity, convertible share	0	0	0	0	0	0	0
Overdue non-redeemed warrants	0	0	-1,566	0	0	-1,566	-1,566
Share-based remuneration value of free warrants	0	0	558	0	0	558	558
Total transactions with owners	**210**	**0**	**31,940**	**0**	**0**	**32,150**	**32,150**
Closing equity as at December 31, 2019	**2,566**	**0**	**591,702**	**131**	**-683,681**	**-89,283**	**-89,283**
Opening equity on 01/01/2020	**2,566**	**0**	**591,702**	**131**	**-683,681**	**-89,283**	**-89,283**
Profit for the year	0	0	0	0	-81,237	-81,237	-81,237
Other comprehensive income for the year	0	0	0	-35	0	-35	-35
Comprehensive income for the year	**0**	**0**	**0**	**-35**	**-81,237**	**-81,272**	**-81,272**
New capital issue	2,664	0	183,654	0	0	186,318	186,318
Issue costs	0	0	-21,947	0	0	-21,947	-21,947
Capitol stock issue in progress	0	252	17,413	0	0	17,413	17,665
Equity, convertible share	0	0	0	0	0	0	0
Overdue non-redeemed warrants	0	0	-940	0	0	-940	-940
Share-based remuneration value of free warrants	0	0	1,527	0	0	1,527	1,527
Total transactions with owners	**2,664**	**252**	**179,707**	**0**	**0**	**182,371**	**182,623**
Closing equity on 12/31/2020	**5,230**	**252**	**771,408**	**96**	**-764,918**	**11,816**	**12,069**

Consolidated cash flow report.

SEK n thousands	Note	2020	2019
Cash flow from operating activities	25		
Profit before tax *		-80,869	-112,505
Adjustment for non-cash-flow items	25	53,054	71,841
Paid income tax		371	-25
Cash flow from operating activities prior to changes in working capital		**-27,444**	**-40,689**
Cash flow from changes in working capital			
Changes in inventories		760	-2,977
Changes in operating receivables		-1,041	-20,880
Changes in operating liabilities		51,874	21,359
Cash flow from operating activities		**24,149**	**-43,188**
Investing activities			
Disposal of subsidiary, net liquidity effect		0	-298
Acquisition of intangible assets		-21,224	0
Acquisition of capitalized development work		-33,078	-46,613
Cash flow from investing activities		**-54,301**	**-46,911**
Financing activities	25		
Amortization / Borrowings		-54,774	53,904
Amortization of lease liabilities		-6,259	-7,247
Share-based compensation		0	558
New capital issue		185,379	34,092
Issue costs		-21,947	-2,500
Cash flow from financing activities		**102,399**	**78,806**
Cash flow for the year		**72,247**	**-11,292**
Liquid funds at the beginning of the year		70,942	82,176
Exchange rate difference in liquid funds		0	58
Liquid funds at the end of the year	20	**143,189**	**70,942**

* The item 'Earnings before tax' includes interest received in the amount of TSEK 38 (72) and interest paid in the amount of TSEK 10,725 (1,941).

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.

This annual report and consolidated financial statements were approved by the Board on April 27, 2021, and will be submitted for adoption at the annual general meeting on May 18, 2021.

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 supplied by the group

As of January 1, 2020 the group applies a number of changed standards. None of these changes have had any material impact on the group's financial statements.

New standards and interpretations yet to be applied by the group

None of the IFRS or IFRIC interpretations that have yet to come into force are anticipated to have any material impact on the group's financial statements.

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

Valuation bases

Assets and liabilities are based on historical cost except for certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value comprise registered shareholdings and contingent considerations.

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 are extremely limited.

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

License and support incomes

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

The group's license agreements consist of subscription licenses for identity management (IAM) and the CSS and CPS firewall licenses, which are periodized throughout the agreement validity periods, which may vary between 12 and 72 months. The incomes related to CSS also consist of the compensation to subcontractors, and only 50% of the invoiced value for CSS income is consequently distributed over the period, and the remaining 50% is directly recognized in connection with the invoicing.

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

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

Discounts
The company may offer discounts regarding the prices listed, separately agreed prices are available to distributors and partners.

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 noncurrent liabilities comprise in all material respects amounts that are expected to be recovered or paid after more than 12 months or paid within 12 months counting from the closing 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, revenues or expenses and unrealized gains or losses arising from intra-group transactions between companies in the group and resulting in unrealized gains are eliminated in full.

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 profit/loss based on any segment, and for this reason the annual report does not include segment reporting.

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.

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-related remuneration plan in the form of share warrants in which the company receives compensation at market rates in payment for the group's equity instruments. More information about these plans can be found in Note 8.

The company's share warrants plan 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.

Leasing liability is calculated on the date of acquisition to the present value of the fixed and variable leasing fees unpaid on this date. 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 are reported depending on lease design as either a new lease 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.

Program rights / licenses
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:

- Capitalized expenses for development works	5 years
- Program rights / licenses	10 years
- Client relationships	5 years

Utilization periods are reviewed at least annually.

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

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

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

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

- Equipment	3 years
- Computers	3 years

- 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 that have an indefinable useful life such as goodwill, are not depreciated but are tested annually with regard to any need to recognize impairment. The devalued assets are assessed with regards to drops in value whenever circumstantial events or changes indicate that the carrying 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 greater of the asset's fair value less sales costs and its value in use. When estimating the need to recognize impairment, assets are grouped at the lowest level where there are separate identifiable (cash generating units). When impairment needs are identified for a cash generating unit (group of units), the amount impaired is primarily allocated to goodwill. Following this, a proportional impairment of the other assets included in the unit (group of units) is made.

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.

Group notes.

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). Holdings of shares and participations are classified as financial assets measured at fair value via other comprehensive income.

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.

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. The provision is reported in the balance sheet when there is an existing legal or informal obligation resulting from an event that has occurred and that it is likely that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. 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.

Group notes.

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. These assumptions and assessments are attributed to 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 Group's goodwill has a carrying value of TSEK 51,875 (51,875) and has arisen from two different stock acquisitions in the subsidiary PhenixID AB. Goodwill is tested for impairment at the lowest level where there are separate identifiable cash flows (cash generating units), which in the case of the group is PhenixID AB.

Impairment testing consists of assessing whether a unit's recoverable amount is greater than its carrying value. The recoverable amount was calculated on the basis of the unit's 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 assumptions are drawn up by company management and reviewed by the Board. This year's impairment test has not resulted in any impairments regarding goodwill.

For further information about goodwill impairment tests, refer to the information below under the heading *Shares in group companies*.

Shares in group companies

Under an assessment by the Board and company management, reported shares in group companies have financial advantages. An impairment test was carried out confirming the assessment and that the calculated recoverable value exceeds the carrying value. 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.

Impairment testing consists of assessing whether a unit's recoverable amount is greater than its carrying 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) before tax was as follows:

- testing of Clavister AB 16.5% (14.6)
- testing of PhenixID AB 14.4% (13.9)

2) A cash flow forecast for the coming 5 years (2021 to 2025) was calculated for Clavister AB and PhenixID AB. The forecast is based on previous experiences and own assessments. The most important variables are annual sales growth and newly won contracts; assumptions concerning cost growth and sales growth were calculated in conjunction with impairment tests of between 10- 30% per year.

3) Terminal value is calculated with a growth of 2% after 2025 in completed impairment tests.

Impairment testing conducted during the year has not resulted in any impairment affecting the group.

The important assumptions driving expected cash flows over the next five years consist of assessments conducted into growth in the cybersecurity market, the group's delivery capacity i.e. success in meeting the customer's demand with the product portfolio and planned product R&D works within the business areas the group has chosen to conduct marketing in. Values were chiefly estimated based on these variables. A rise in the discount factor of 1% would have an impact on assumptions on the need to recognize impairment of shares in Clavister AB. The assumptions are drawn up by company management and reviewed by the Board. The year's impairment tests did not result in any impairments in the parent company relating to the book values of shares in group companies.

Deferred tax asset/tax liability for deficit deductions
As assessed by the Board and company management, the deferred tax asset is reported at the value of the deficit deduction that can be expected to be used against taxable income. Earnings trend forecasts in the group have been drawn up for this purpose. The deficit deductions have mainly arisen in the subsidiary Clavister AB. As of December 31, 2020 these deficit deductions totaled MSEK 522 (512) to a carrying value of MSEK 0 (0). No deferred tax asset attributable to the deficit deduction was reported as an asset in 2020 despite an increase in deficit deductions, as assessing the date for the financial advantages stemming from utilization of the deficit deductions is clouded by uncertainty. 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
As assessed by the Board and company management, the cost of the free-of-charge options to financiers TageHus and EIB totaled 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.

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.

Of the group's different types of revenue from products and services during 2020, products accounted for 14% (24%) of sales, while services accounted for 86% (76%).

No single customer accounts for more than 10% of total revenues.

Geographical distribution of net sales	**2020**	**2019**
Sweden	62,575	51,717
Rest of Europe	40,129	51,449
Asia	10,378	12,116
Rest of the world	15,582	7,779
	128,664	**123,061**

Other operating income	**2020**	**2019**
Contribution	2,429	104
Re-invoicing warranty costs	2,889	0
Rate gain receivable / liability relating to operations	5,946	302
Other remunerations and revenues	231	0
	11,495	**406**

Note 4 Revenue from Contracts with Customers

Group 2020

Revenue from contracts with customers Per operating segment	Group	Internal Transactions	Eliminations	Total in the group
Recurring revenue from contracts with customers	70,042	0	0	70,042
Products and license revenues of a nonrecurring nature ABC	38,504	0	0	38,504
Consulting services and other	20,118	0	0	20,118
Internal turnover	0	22,895	-22,895	0
Net sales	**128,664**	**22,895**	**-22,895**	**128,664**
Date of revenue recognition				
Products transferred to a customer on a given date	70,042	0	0	70,042
Services transferred to a customer over time	38,504	0	0	38,504
Services transferred to a customer on a given date	20,118	0	0	20,118

Group 2019

Income from client agreements Per operating segment	Group	Internal Transactions	Eliminations	Total in the group
Recurring revenue from contracts with customers	52,001	0	0	52,001
Products and license revenues of a nonrecurring nature ABC	49,663	0	0	49,663
Consulting services and other	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

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

Contract assets	2020	2019
Accounts receivable	39,426	38,092
Accrued income from client contracts	0	0
	39,426	**38,092**

Contract liabilities	2020	2019
Prepaid income from customer contracts	62,936	49,040
	62,936	**49,040**

Company management expects 74% of the performance assumptions unrealized on December 31, 2020 to be reported as revenue during the next financial year (MSEK 46.7). The remaining 26% (MSEK 16.2) will be reported during the financial years 2022-2026.

Note 5 Auditor fees

Ernst & Young	2020	2019
Auditor assignments	800	816
Auditing activities outside of the audit assignment	0	34
Tax advice	5	15
Other services	0	0
Carrying value	**805**	**865**

SKY CPA & Co, Hong Kong	2020	2019
Auditor assignments	15	16
Carrying value	**15**	**16**

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 consulting and other advice.

Note 6 Other external costs

Other external costs	2020	2019
Costs for premises	4,586	5,504
Consultancy expenses	9,393	12,630
Travel expenses	2,256	5,277
Administration	4,765	3,741
Market and sales	7,596	6,269
Miscellaneous	4,753	5,988
Carrying value	**33,349**	**39,409**

The consulting expenses above consist overwhelmingly of legal costs, consulting costs related to financing, Board fees, recruitment costs and support relating to license agreements.

Group notes.

Note 7 Employees and personnel costs

Average number of employees	2020 Average number of employees	2020 Percentage of men, %	2019 Average number of employees	2019 Percentage of men, %
Subsidiaries in Sweden	122	88%	140	86%
Subsidiaries in Germany	8	88%	8	63%
Total in subsidiaries	130	88%	148	85%
Parent company	2	100%	2	100%
Total in group	**132**	**87%**	**150**	**85%**

Gender distribution, Board and senior executives	2020 Total on closing date	2020 Of which men, %	2019 Total on closing date	2019 Of which men, %
Board members	5	80%	5	80%
CEO and other senior executives	10	80%	9	71%
Total in group	**15**	**80%**	**14**	**75%**

Employee benefit expenses	2020	2019
Parent company		
Board and other senior executives		
Salaries and other remunerations	4,185	4,051
Social security contributions	1,445	1,530
Pension expenses	578	437
Total	6,207	6,019
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	9,149	8,464
Social security contributions	2,874	2,659
Pension expenses (defined pension contribution plans)	1,492	1,264
Total	13,515	12,387
Other employees		
Salaries and other remunerations	81,558	87,742
Social security contributions	24,872	26,016
Pension expenses (defined pension contribution plans)	6,156	6,633
Total	112,585	120,391
Other employee benefit expenses	3,708	2,191
Total employee benefit expenses	**136,015**	**140,988**

Group notes.

2020	Basic salary, board fee	Variable compensation	Pension expenses	Variable compensation	Total
Chair of the Board					
Viktor Kovács	438	0	0	553	991
Board Member					
Bo Askvik, former	118	0	0	0	118
Jan Frykhammar	305	0	0	0	305
Staffan Dahlström	210	0	0	0	210
Kimberly Matenchuk	328	0	0	0	328
Martin Kreuzer	0	0	0	0	0
CEO and other senior executives					
John Vestberg	1,812	1,191	258	0	3,262
Other senior executives (10 people)	9,879	3,723	1,634	0	15,236
Of which from subsidiaries	*9,149*	*3,588*	*1,492*	*0*	*14,228*
Total	**13,089**	**4,914**	**1,893**	**553**	**20,449**

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**

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.

Group notes.

Board fees
Board fees were paid out in their entirety as salaries.

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 pay

Remuneration to the CEO consists of basic salary and pension. For the CEO, occupational pension is paid equivalent to 6.5% of pensionable salary up to 7.5 price base amounts and 28.5% between 7.5 and 20 price base amounts, in addition to 13.5% 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 individuals; the issue prices upon redemption were SEK 72, 79 and 30 respectively and fell due in 2020.

During 2017, options were also allocated to two lenders; these options were free-of-charge, with an issue price of SEK 0.10 and SEK 20.0 respectively. The options in respect of one lender matured in 2020, with the remaining options maturing in 2037.

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. Due to the 2020 share issue and subsequent dilution, the exercise price was restated and is now SEK 35.46 and the number of shares per warrant was also recalculated to the current 1.02.

In 2018, lenders were issued additional warrants free of charge, issue price SEK 0.10; they fall due in 2038.

If the outstanding warrants are exercised, the group will issue a further 2,678,388 shares equivalent to around 5% of the total 52,303,012 registered shares.

Number of outstanding share warrants	12/31/2020	12/31/2019
Share warrants 2016–2026	19,801	19,801
Share warrants 2017 – 02/28/2020	0	70,000
Share warrants 2017 – 02/28/2020	0	75,000
Share warrants 2017 – 2020 (Series 1)	0	2,793,666
Share warrants 2017 – 2020 (Series 2)	0	1,250,000
Share warrants 2017 – 2037 (Series 3)	1,770,079	1,770,079
Share warrants 2017 – 06/30/2020	0	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
Share warrants 2020 – 04/30/2038	101,805	0
Total	2,678,388	7,065,249

Number of outstanding share warrants	12/31/2020	12/31/2019
Victor Kovacs, Chairman of the Board	50,000	50,000
John Vestberg, CEO	50,000	125,000
Management, excl. CEO (quantity 7)	185,000	335,000
Harbert, former creditor	19,801	19,801
EIB, creditor	1,908,587	1,806,782
TageHus, creditor	0	4,043,666
Other	465,000	685,000
Total	2,678,388	7,065,249

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
At the start of the period	7,065,249	15	7,864,991	19
Assigned	0	0	0	0
Assigned remuneration free options	101,805	0.1	0	0
Redeemed	0	0	0	0
Invalidated	-1,250,000	0.1	-268,942	20
Matured	-3,238,666	0	-530,800	72
Outstanding at the end of the period	2,678,388	10	7,065,249	15
Redeemable at the end of the period	0	0	0	0

No share warrants were exercised during 2019-2020. The exercise price interval for outstanding share warrants at the end of the period is between SEK 0.10 and 35.46 (0.10- 79.0).

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.

Group notes.

Note 9 Other operating expenses

Other operating expenses	2020	2019
Exchange rate differences in operating receivables and operating liabilities	5,507	766
Total	**5,507**	**766**

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. Right-of-use assets consist in their entirety of rental contracts chiefly for office premises in Örnsköldsvik, Umeå 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	12/31/2020	12/31/2019
Opening value	**31,708**	**32,702**
Acquisition for the year	1,664	1,593
Sales / disposals	-1,499	-2,587
Closing accumulated acquisition costs	**31,872**	**31,708**
Opening depreciations	**-11,257**	**-5,875**
Sales / disposals	1,488	1,310
Depreciation for the year	-6,586	-6,692
Translation effects	0	0
Accumulated depreciations carried forward	**-16,355**	**-11,257**
Carrying value	**15,517**	**20,451**

The above columns showing right-of-use asset refers to values for both premises and equipment. In the opening value, premises accounted for TSEK 27,135 (28,837); acquisitions of premises for the year totaled TSEK 671 (885) and disposals of premises for the year totaled TSEK 885 (2,587). Opening depreciations of premises accounted for TSEK 8,765 (4,629); depreciations of premises for the year totaled TSEK 5,287 (5,447) and disposals of premises for the year totaled TSEK 885 (1,310).

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

Leasing liabilities	12/31/2020	12/31/2019
Opening value	21,979	27,646
New liabilities	1,664	1,594
Amortization	-6,154	-7,261
Carrying value	17,489	21,979
Current leasing liabilities	6,117	5,992
Non-current leasing liabilities	11,372	15,987
Total leasing liabilities	17,489	21,979

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.

The overwhelming majority of the right-of-use assets are attributable to rental contracts for premises the group uses in Örnsköldsvik, Umeå och Nacka; the right-of-use assets also relate to leases for company vehicles and furniture.

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

Interest on lease liabilities in 2020 was reported to a total of TSEK 1,219 (1,521) at a rate of 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 of variable lease charges not included in the evaluation of lease liability, totaled TSEK 0 for the year ending December 31, 2020. 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 cost of variable leasing charges with terms of less than 12 months totaled TSEK 0 (0) for the year ending December 31, 2020. The cost of leases in which the group applied the voluntary exception described under item 5b in IFRS 16 (leases in which the underlying asset is of low value) totaled TSEK 174 for the year ending December 31, 2020.

Depreciations on lease assets during the year totaled TSEK 6,586 (6,692).

Group notes.

Note 11 Depreciations

	2020	2019
Capitalized development expenses	28,266	33,723
Program rights / licenses	1,128	0
Equipment	0	17
Access rights assets	6,585	6,693
Other intangible assets	1,000	1,000
Total	**36,979**	**41,433**

Note 12 Results from participations in subsidiaries

	2020	2019
Loss due to disposal of subsidiary	0	3,971
Total	**0**	**3,971**

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	2020	2019
Non-redeemed warrants	940	1,566
Interest income	38	72
Net exchange rate fluctuations	7,678	0
Total	**8,656**	**1,638**

Financial costs	2020	2019
Interest expenses	13,611	11,709
Interest expenses relating to leases	1,219	1,521
Expenses relating to share warrants to lenders, no liquidity effect	15,642	17,491
Other financial costs	2,640	2,246
Net exchange rate fluctuations	0	713
Total	**33,112**	**33,680**

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	**2020**	**2019**
Tax expense for the year	-109	-15
	-109	-15
Deferred tax		
Deferred tax relating to temporary differences	583	762
Impairment of deferred tax asset	-842	-76,410
Adjustment of deferred tax asset attributable to tax rate changes	0	0
	-259	-75,649
Tax recognized in the income statement	**-367**	**-75,663**

Reconciliation of effective tax rate	**2020**	**2019**
Earnings before tax	**-80,869**	**-112,505**
Tax according to the rate applicable to the parent company 21,4% (22%)	17,306	24,076
Tax effect of:		
Non-taxable income	0	0
Non-deductible interest expenses	-5,152	-9,110
Other non-deductible expenses	-2,033	-122
Unused deficit deduction for which deferred tax assets have not been reported	-9,689	-14,212
Adjustment of deferred tax attributable to tax rate changes	39	0
Temporary differences	4	117
Unused deficit deduction previously reported as a deferred tax asset, for which no deferred tax asset is currently reported	-842	-76,413
Reported tax	**-367**	**-75,663**
Effective tax rate (%)	0.5%	67.3%

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

Deferred tax liabilities	**2020**	**2019**
Deferred tax asset for loss carried forward	0	882
Convertible debt instruments	-364	-404
Intangible assets	-317	-814
Carrying value*	**-681**	**-336**

Specification of changes in deferred tax liability:

	2020	**2019**
Opening carrying value	-336	75,469
Changes in temporary differences	497	117
Impairment of deferred tax asset	-842	-76,409
Effect of business combinations	0	487
Additional tax assets relating to deficit deduction	0	0
Closing carrying value for deferred tax liability*	**-681**	**-336**

Further information is available under Notes 2 and the heading ‘Deferred tax asset / tax liability for deficit deductions’.
*Deferred tax asset above refers to net sum of recognized deferred tax asset and deferred tax liability in 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	2020	2019
Profit for the year attributable to parent company shareholders	-81,237	-188,168
Average number of outstanding common shares	38,981,281	25,659,550
Basic earnings per share	**-2.08**	**-7.33**

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	2020	2019
Profit for the year attributable to parent company shareholders	-81,237	-188,168
Interest expense for convertible debt instruments (after tax)	441	417
Net profit	**-80,795**	**-187,752**
Average number of outstanding common shares	38,981,281	25,659,550
Adjustment for:		
Convertible debt	204,834	204,834
Stock options	2,678,388	7,065,249
Average number of outstanding common stock after dilution effects	41,864,503	32,929,633
Diluted earnings per share	**-1.93**	**-5.70**
Effect of limitation	**-2.08**	**-7.33**

Group notes.

Note 16 Intangible Assets

Purchase price	Goodwill	Software rights / licenses	Capitalized expenses for development work	Customer relationships	Total
As of January 1, 2019	**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**
Additions - internally generated	0	0	33,078	0	33,078
Additions - externally acquired	0	21,224	0	0	21,224
Disposal during the year	0	0	0	0	0
On December 31, 2020	**51,875**	**22,464**	**305,745**	**5,000**	**385,084**

Depreciations and impairments	Goodwill	Software rights / licenses	Capitalized expenses for development work	Customer relationships	Total
As of January 1, 2019	**-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**
Depreciation	0	-1,128	-28,266	-1,000	-30,394
Reversed previous impairment due to divestment	0	0	0	0	0
On December 31, 2020	**0**	**-2,368**	**-224,434**	**-4,333**	**-231,135**

Carrying value	Goodwill	Software rights / licenses	Capitalized expenses for development work	Customer relationships	Total
On December 31, 2020	**51,875**	**20,095**	**81,311**	**667**	**153,949**
On December 31, 2019	**51,875**	**0**	**76,499**	**1,667**	**130,040**

Information concerning assumptions etc. regarding impairment tests is available in note 2.

Note 17 Tangible fixed assets

Equipment	12/31/2020	12/31/2019
Opening acquisition cost	**0**	**2,532**
Acquisition for the year	0	0
Reclassifications to beneficial interest assets due to IFRS 16	0	0
Sales/ disposals	0	-2,532
Translation difference	0	0
Closing accumulated acquisition costs	**0**	**0**
Opening depreciations	**0**	**-2,415**
Sales and disposals	0	2,432
Reclassifications to beneficial interest assets due to IFRS 16	0	0
Depreciation for the year	0	-17
Translation effects	0	0
Accumulated depreciations carried forward	**0**	**0**
Carrying value	**0**	**0**

Note 18 Financial Instruments

Valuation of financial assets and liabilities on December 31, 2020

Financial assets	Assets were valued at accrued acquisition cost	Liabilities valued at accrued acquisition cost	Total Carrying value	Fair value
Other long-term receivables	226	0	226	226
Accounts receivable	39,426	0	39,426	39,426
Other short-term receivables	1,503	0	1,503	1,503
Accrued income and prepaid expenses	4,170	0	4,170	4,170
Liquid funds	143,189	0	143,189	143,189
	188,513	**0**	**188,513**	**188,513**
Financial liabilities				
Convertible debt instruments*	0	9,116	9,116	9,116
Liabilities to credit institutions*	0	204,524	204,524	204,524
Leasing liabilities	0	17,489	17,489	17,489
Trade accounts payable	0	17,640	17,640	17,640
Other short-term liabilities	0	29,550	29,550	29,550
Accrued cost	0	90,663	90,663	90,663
	0	**368,981**	**368,981**	**368,981**

Valuation of financial assets and liabilities on December 31, 2019

Financial assets	Assets were valued at accrued acquisition cost	Liabilities valued at accrued acquisition cost	Total Carrying 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**
Convertible debt instruments*	0	8,545	8,545	8,545
Other long-term liabilities*	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**

* Fair value and the carrying value are the same amount as we have variable interest on these liabilities.

Group notes.

Note 19 Prepaid expenses and accrued income

	12/31/2020	12/31/2019
Prepaid rent for premises	1,820	1,744
Prepaid leasing fees	393	595
Prepaid insurance premiums	378	170
Estimated expenses relating to options for lenders	0	12,082
Other items	1,579	1,271
Carrying value	**4,170**	**15,862**

Expenses in respect of free-of-charge options were reclassified to non-current liabilities / liabilities to credit institutions, thus prepaid expenses fell during the financial year.

Note 20 Liquid funds

	12/31/2020	12/31/2019
Cash and bank balances	143,189	70,942
Carrying value	**143,189**	**70,942**

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	Participation 2020	Participation 2019
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 limits to the group's ability to access the capitalized expenditures regarding development placed in a restricted development reserve in the amount of TSEK 80,497 on 12/31/2020 by the subsidiaries Clavister AB and PhenixID AB.

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

On December 31, 2020 registered share capital stood at 52,303,012 shares (25,659,550) 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.

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 stands at 0 (4,349,311) and each warrant bestowed the right to subscribe to one share in the company. The loan, and the share warrants linked to it, fell due in 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 the free-of-charge warrants with an issue price of SEK 0.10. The number of share warrants stands at 1,908,587 and each warrant bestows the right to subscribe to one share in the company.

The interest liability (MSEK 25.7) linked to the long-term part of the liabilities to credit institutions forms part of the line item.

Note 24 Accrued expenses and prepaid income

	12/31/2020	**12/31/2019**
Accrued pay-related liabilities	15,340	15,001
Accrued interest	35	0
Prepaid income	62,936	49,040
Accrued other items	12,352	10,905
Carrying value	**90,663**	**74,946**

Note 25 Statement of cash flows

Adjustment for non-cash items	2020	2019
Reversal of depreciation	36,979	41,416
Reversal of accrual financial cost loans	15,005	14,954
Reversal of exchange rate difference	-7,841	572
Retrenchment of rights of use	0	1,276
Reversal result of shares subsidiaries	0	3,971
Reversal of interest on loan from EIB	8,340	9,118
Reversal estimated interest on convertible loans	571	534
Carrying value	**53,054**	**71,841**

The item ‘Amortization of loan’ included under Financing activities refers to amortization in the amount of SEK 50,000 thousand and interest on the loan of SEK 4,774 thousand. A loan in the amount of TSEK 53,904 was received during the previous year.

Note 26 Pledged assets

	12/31/2020	12/31/2019
Company mortgages	0	50,000
Pledged shares in subsidiaries	0	64,846
Pledge accounts receivable	2,954	7,791
Liquid funds	32,282	8,597
Other pledged assets	121	0
Total	**35,357**	**131,235**

Liabilities linked to a security in respect of liquid funds were repaid in their entirety during 2020, but the security was not returned until 2021.

Note 27 Contingent liabilities

	12/31/2020	12/31/2019
Contingent liabilities, civil cases	0	3,532
Support received for short-time work	1,854	0
Total	**1,854**	**3,532**

Support received for short-time work totaled SEK 1,853,758 in respect of an application to the Swedish Agency for Economic and Regional Growth for a number of employees who reduced their working hours by 20%. The final reconciliation of this support will take place in 2021.

Note 28 Business combinations

Acquisitions 2020

No business combinations took place in 2020.

Acquisitions 2019

No business combinations took place in 2019.

Note 29 Transactions with related parties

Subsidiaries	Sales of goods / services	Purchase of goods / services	Miscellaneous	Claim on Balance sheet date	Debt of closing date
2020	22,895	22,895	0	0	0
2019	8,656	8,656	0	0	28,006

The companies in the group have few transactions between them.

Transactions with the Board, aside from agreed board fee, comprise consultancy fees and salary, see Note 6 regarding remuneration as salary. Board Chairman Viktor Kovacs invoiced the group TSEK 553 (1,692) via a company for consultancy services rendered relating to the development of the company's processes and structures, primarily in sales. Board member Jan Frykhammar invoiced the group TSEK 0 (172) via a company. 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

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. Credit losses totaled TSEK 300 (9).

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

	12/31/2020	12/31/2019
Immature accounts receivable	27,179	19,118
Mature receivables 1–30 days	4,791	6,921
Mature receivables 31–90 days	85	2,966
Mature receivables >90 days	7,371	9,087
Carrying value	**39,426**	**38,092**

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	12/31/2020	12/31/2019
Opening carrying value	553	866
Reversal of previously made provisions	-19	-362
Adjustment due to exchange rate changes	-8	7
Provisions for the year	319	42
Closing carrying value	**846**	**553**

Group notes.

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, known as appliances. The suppliers are Asian (Taiwan) and Swedish. Payment is in USD and SEK. Advance payments can be made in cases where the supplier relationship is relatively new and in cases of major 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 primary exposure stems from the Group's sales, product purchases and royalty payments in foreign currency. 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, known as translation exposure. Translation exposure arises through the company's subsidiaries Clavister GmbH, Clavister APAC, and PhenixID UG as the translation of the assets and liabilities takes place from USD and EUR to SEK.

Transaction exposure
For the Swedish companies in the group, a risk arises as payments for conducted sales are made in foreign currencies such as USD and EUR. Personnel costs are primarily counted in Swedish currency. The group's financial transaction exposure is however limited by the fact that sales are made in the currencies SEK, USD and EUR, regulated in customer agreements. Product imports, which take place mainly in USD, can be netted against the company's payment inflow / 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.

	2020		2019	
Currency exposure (%)	**Operating income**	**Operating expenses**	**Operating income**	**Operating expenses**
SEK	46%	75%	32%	78%
EUR	47%	16%	58%	12%
USD	6%	8%	6%	8%

EUR	**Change in EUR Rate**	**Impact on gross profit before tax**
2020 (vs 2019)	-6.6%	-2,300
2019 (vs 2018)	1.5%	2,097

USD	**Change in USD Rates**	**Impact on gross profit before tax**
2020 (vs 2019)	-15.0%	1,000
2019 (vs 2018)	4.0%	-961

Interest rate 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. Interest rate risk is assessed as limited, since there have been no interest payments during the year as the central bank interest linked to STIBOR 90 is currently negative, as was also the case last year. A loan to an external financier totaling TSEK 226,446 is exposed to interest rate risk, but this is assessed as relatively low as the rate is governed by a reference interest rate that was negative during the year. The full-year effect, before tax, of a closing date interest rate rise of 2 percentage points on interest-bearing liabilities, would be around TSEK 200.

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

	Currency	Maturity	Interest	Carrying value 12/31/2020	Carrying value 12/31/2019
Convertible debt	SEK	31/3-22	Variable	9,116	8,545
Liabilities to external funders	SEK	27/9-20	Fixed	0	53,708
Liabilities to external funders	EUR	5/2-23	Variable	116,423	112,869
Liabilities to external funders	EUR	7/11-23	Variable	58,197	58,471
Liabilities to external funders	EUR	30/10-24	Variable	51,826	49,110
				235,561	**282,704**

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.

The contractual conversion price for the new convertible loan taken out in 2017 is SEK 48.82 per share, to compare with Clavister Holding AB's closing price of SEK 6.94 on 12/31/2020. The convertible loan does not fall due until 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 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.

		12/31/2020		
Maturity analysis	<1 year	1–5 years	>5 years	**Total**
Interest-bearing liabilities	0	213,639	0	213,639
Liabilities to leasing companies in accordance with IFRS 16	6,117	11,372	0	17,489
Trade accounts payable	17,640	0	0	17,640
Other short-term liabilities	121,365	681	0	122,046
	145,122	**225,692**	**0**	**370,814**

		12/31/2019		
Maturity analysis	<1 year	1–5 years	>5 years	**Total**
Interest-bearing liabilities	53,709	228,995	0	282,704
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	81,892	814	0	82,706
	146,762	**245,796**	**0**	**392,558**

*All liabilities to leasing companies under IFRS 16 refer to premises, vehicles, office furniture and computers.

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 for 2020, which remained unchanged from 2019, was to improve net cash. On December 31, 2020, net financial cash totaled SEK-70 million (-212 on December 31, 2019).

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, together with BAE Systems Hägglunds, part of BAE Systems, Europe's biggest and the world's third biggest defense industry group, have acquired their first joint end customer, a significant Western European defense force. The contract between BAE Systems Hägglunds and the end customer concerns the upgrade of CV90s (Combat Vehicle 90) to be carried out between 2021 and 2025. The transaction is Clavister's biggest to date with an order value of at least SEK 50 million, with the possibility of a supplementary deal that will increase the order value up to SEK 90 million.

The extensive contract involves upgrading 122 CV90 combat vehicles, with an option for an additional 19 vehicles. The upgrades will involve equipping each vehicle with more robust, integrated cyber security features, including Clavister's military-rated RSG-400 Security Gateway and the RSW-400 Secure Switch. According to the customer's production plan, the first product deliveries will take place during the latter part of 2021, and the major part of the deliveries from 2022 to 2024. The expected long vehicle service life also affords Clavister the opportunity to deliver additional support and maintenance services stretching over several years following completion of product delivery.

The company continuously monitors how the situation surrounding the coronavirus (Covid-19) develops. The company constantly 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.

IT has drawn up a contingency plan comprising a variety of measures aimed at strengthening the company's liquidity in the event its cash flow deteriorates 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 Security Software, the segment in which Clavister operates, will only suffer a nominal negative impact.

Parent company's statement of operations.

SEK n thousands	Note	2020	2019
Net sales	3	8,685	430
Other operating income	4	221	0
Operating income		**8,906**	**430**
Other external costs	5.6	-6,996	-6,603
Employee benefit expenses	7	-6,218	-6,029
Other operating expenses		-10	-18
Operating profit		**-4,317**	**-12,220**
Profit/loss from shares in group companies	10	0	-135,000
Other interest income and similar profit/loss items	8	940	1,567
Interest expenses and similar profit/loss items	8	-9,619	-8,361
Profit/loss before appropriations and taxes		**-12,997**	**-154,014**
Group contributions		-30,000	0
Tax on the year's earnings	9	-842	117
Profit for the year		**-43,838**	**-153,896**

Parent company's comprehensive income report

SEK n thousands	Note	2020	2019
Profit for the year		-43,838	-153,896
Other comprehensive income		0	0
Total comprehensive income for the year		**-43,838**	**-153,896**

Parent company's balance sheet.

SEK n thousands	Note	12/31/2020	12/31/2019
ASSETS			
Capital stock subscribed but not paid in		**17,665**	**0**
Fixed assets			
Shares in group companies	10	559,822	478,295
Long-term receivables	12	0	0
Deferred tax asset	9	0	478
Total fixed assets		**559,822**	**478,773**
Current assets			
Other receivables	13	249	162
Prepaid expenses and accrued income	14	387	4,451
Liquid funds	15	32,282	8,594
Total current assets		**32,918**	**13,207**
TOTAL ASSETS		**610,405**	**491,981**

SEK n thousands	Note	12/31/2020	12/31/2019
EQUITY AND LIABILITIES			
Equity	16		
Restricted equity			
Capital stock		5,230	2,566
Current capital issue		252	0
		5,483	2,566
Non-restricted equity			
Share premium reserve		178,180	31,381
Accumulated profit or loss		318,610	439,599
Profit for the year		-43,838	-153,896
		452,952	317,084
Total equity		**458,434**	**319,650**
Liabilities			
Non–current liabilities	17		
Liabilities to credit institutions	17	0	0
Convertible debt instruments	17	9,116	8,545
Liabilities with group companies	11	126,100	108,006
Total non-current liabilities		**135,216**	**116,551**
Provisions			
Deferred tax liabilities	9	364	0
Total provisions		**364**	**0**
Current liabilities			
Liabilities to credit institutions	17	0	49,358
Trade accounts payable		13,320	709
Current tax liabilities	9	0	39
Other liabilities	18	1,748	196
Accrued expenses and prepaid income	19	1,324	5,478
Total current liabilities		**16,392**	**55,781**
Total liabilities		**151,971**	**172,331**
TOTAL EQUITY AND LIABILITIES		**610,405**	**491,981**

Parent company's report of changes in equity.

SEK n thousands	Restricted equity		Non-restricted equity			
	Capital stock	Current capital issue	Share premium reserve	Accumulated profit or loss	Profit for the year	Total equity
Opening equity on 01/01/2019	**2,356**	**0**	**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**	**0**	**-153,896**	**-153,896**
Overdue non-redeemed warrants	0	0	-1,566	0	0	-1,566
Share-based compensation	0	0	0	558	0	558
New capital issue	210	0	35,448	0	0	35,658
Issue costs	0	0	-2,500	0	0	-2,500
Total transactions with owners	**210**	**0**	**31,382**	**558**	**0**	**32,150**
Closing equity as at December 31, 2019	**2,566**	**0**	**31,381**	**439,598**	**-153,896**	**319,650**
Opening equity on 01/01/2020	**2,566**	**0**	**31,381**	**439,598**	**-153,896**	**319,650**
Reversal of previous year's earnings	0		-31,381	-122,515	153,896	0
Profit for the year	0		0	0	-43,838	-43,838
Other comprehensive income for the year	0		0	0	0	0
Comprehensive income for the year	**0**	**0**	**0**	**0**	**-43,838**	**-43,838**
Capitol stock issue in progress	0	252	17,413	0	0	17,665
Overdue non-redeemed warrants	0	0	-940	0	0	-940
Share-based compensation	0	0	0	1,527	0	1,527
New capital issue	2,664	0	183,654	0	0	186,318
Issue costs	0	0	-21,947	0	0	-21,947
Total transactions with owners	**2,664**	**252**	**178,180**	**1,527**	**0**	**182,623**
Closing equity on 12/31/2020	**5,230**	**252**	**178,180**	**318,610**	**-43,838**	**458,435**

Parent company’s cash flow report.

SEK n thousands	Note	2020	2019
Cash flow from operating activities			
Profit/loss before appropriations and taxes*		-12,997	-154,014
Adjustment for non-cash-flow items	20	5,290	136,390
Cash flow from operating activities prior to changes in working capital		**-7,707**	**-17,624**
Cash flow from changes in working capital			
Changes in operating receivables		38	4,337
Changes in operating liabilities		14,744	242
Cash flow from operating activities		**7,075**	**-13,045**
Investing activities			
Investments in subsidiary shares	10	-80,000	-100,000
Investments in other financial fixed assets		0	3,815
Cash flow from investing activities		**-80,000**	**-96,185**
Financing activities	20		
Amortization of loan		-54,774	0
Group contributions rendered		-30,000	0
Issue costs		-21,947	-2,500
Contributions due to share-based compensation		0	558
New capital issue		185,240	34,092
Increase of debt from subsidiaries		18,094	84,688
Cash flow from financing activities		**96,613**	**116,838**
Cash flow for the year		**23,688**	**7,607**
Liquid funds at the beginning of the year		8,594	987
Liquid funds at the end of the year		**32,282**	**8,594**

* The item ‘Profit/loss before appropriations and tax’ includes interest received in the amount of TSEK 0 (1) and interest paid in the amount of TSEK 7,580 (0).

Parent company note.

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
In view of the relationship between accounting and taxation, the rules on financial instruments according to IFRS 9 are not applied in the parent company as a legal entity, but the parent company applies the acquisition cost method in accordance with ÅRL. 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's net sales consist in their entirety of invoicing between the parent company and its subsidiaries Clavister AB and PhenixID AB in respect of management fees; all sales have taken place within Sweden.

Note 4 Other operating income

Other operating income	2020	2019
Rate gain receivable / liability relating to operations	9	0
Other remuneration	211	0
Total	**221**	**0**

Note 5 Other external costs

Other external costs consist mainly of board fees of TSEK 1,468 (1,452), legal fees of TSEK 2,511 (389), costs of TSEK 386 (1,692) or the hire of consultants in connection with financing, and costs to Certified Advisor of TSEK 179 (176).

Note 6 Auditor fees

The majority of the fees to auditors are reported in the Parent Company, TSEK 486 (605), the remainder are reported in the subsidiaries Clavister AB and PhenixID AB, as specified in group note 5.

Note 7 Employees and personnel costs

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

Parent company notes.

Note 8 Financial income and expenses

Interest income and similar profit/loss items	2020	2019
Profit/loss from non-redeemed warrants	940	1,566
Interest income	0	1
Total	**940**	**1,567**

Interest expenses and similar profit/loss items	2020	2019
Other financial costs	-2,663	-856
Interest costs	-6,956	-7,506
Total	**-9,619**	**-8,361**

Note 9 Taxes

Income statement

Current tax expense	2020	2019
Tax expense for the year	0	0
Change in deferred tax liability referring to deficit deduction	0	0
Deferred tax		
Deferred tax relating to temporary differences	0	117
Deferred tax on deficit deduction	-842	0
	-842	117
Tax recognized in the income statement	**-842**	**117**
Deferred tax recognized under other comprehensive income for the year		
	0	0
Tax recognized in other comprehensive income	**0**	**0**

Parent company notes.

Reconciliation of effective tax rate	2020	2019
Earnings before tax	**-42,997**	**-154,014**
Tax according to the rate applicable to the parent company	9,201	32,959
Tax effect of:		
Non-taxable income	0	0
Non-deductible expenses	-9	-14
Impairment of shares in subsidiaries	0	-28,890
Non-deductible interest expenses	-1,855	-2,249
Tax on profit from earlier years not previously recognized	0	0
Temporary differences	0	117
Impairment of tax assets relating to deficit deduction	-842	0
Increased deficit deduction not recognized as a receivable	-7,338	-1,806
Reported tax	**-842**	**117**
Effective tax rate (%)	21.4%	-21.4%

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

Deferred tax asset/tax liability	2020	2019
Convertible debt instruments	-364	-404
Miscellaneous	0	882
Carrying value	**-364**	**478**

Specification of changes in deferred tax liability:

	2020	2019
Opening carrying value	478	361
Changes in temporary differences	0	117
Impairment of tax assets relating to deficit deduction	-842	0
Closing carrying value for deferred tax asset/tax liability	**-364**	**478**

Parent company notes.

Note 10 Shares in Group companies

	12/31/2020	12/31/2019
Opening acquisition cost	478,295	513,295
Acquisitions for the year	1,527	0
Shareholder's contributions for the year	80,000	100,000
Closing accumulated acquisition costs	**559,822**	**613,295**
Impairment loss for the year	0	-135,000
Closing carrying value	**559,822**	**478,295**

Further information is found in Note 2 (KC) and under "Shares in group companies".

Impairment testing has been conducted in Clavister AB. More under Note 16 (KC)

Companies and Corp. C.I.N.	Registered office	Equity- share	Equity 12/31/2020	Earnings 2020	Book value 12/31/2020	Book value 12/31/2019
Clavister AB (556546-1877)	Örnsköldsvik	100%	57,945	-35,390	472,795	392,795
PhenixID AB (556987-6310)	Stockholm	100%	4,347	190	85,500	85,500

Note 11 Liabilities with group companies

	Counterparty	12/31/2020	12/31/2019
Opening acquisition cost	Clavister AB	-102,023	-17,336
Additional receivables	Clavister AB	0	0
Additional liabilities	Clavister AB	-27,977	-84,688
Closing debt Clavister AB		**-130,000**	**-102,023**

	Counterparty	12/31/2020	12/31/2019
Opening acquisition cost	PhenixID AB	-5,983	-5,983
Additional liabilities	PhenixID AB	0	0
Outgoing liabilities	PhenixID AB	9,883	0
Closing receivable/liability PhenixID AB		**3,900**	**-5,983**

	12/31/2020	12/31/2019
Closing liability/receivable group companies	**-126,100**	**-108,006**

Parent company notes.

Note 12 Non-current receivables

	12/31/2020	12/31/2019
Accrued expenses relating to options for lenders	0	0
Carrying value	**0**	**0**

Note 13 Other receivables

	12/31/2020	12/31/2019
Tax asset	92	57
VAT receivable	18	105
Other receivables	139	0
Carrying value	**249**	**162**

Note 14 Prepaid expenses and accrued income

	12/31/2020	12/31/2019
Leasing costs	15	162
Insurance premium	245	99
Accrued expenses relating to options for lenders	0	4,078
Other accrued costs	126	112
Carrying value	**387**	**4,451**

Note 15 Liquid funds

	12/31/2020	12/31/2019
Cash and bank balances	32,282	8,594
Carrying value	**32,282**	**8,594**

Note 16 Equity

As of December 31, 2020, capital stock consists of 52,303,012 (25,659,550) shares with a quota value of SEK 0.10 (0.10). See also disclosures in group note 22 Equity.

The shareholders made an unconditional shareholder contribution of SEK 498,077,833 (418,077,833).

Note 17 Long-term liabilities / liabilities to credit institutions

The parent company's liabilities to credit institutions were repaid in their entirety in 2020.

Further information on the maturity dates for the loan and the convertible debt instrument can be found under group note 30.

Parent company note.

Note 18 Other liabilities

	12/31/2020	12/31/2019
Employee withholding taxes	472	85
Statutory social security contributions	275	0
Accrued payroll tax	135	106
Deferred amount, withholding tax and Social Security contributions	865	0
Other liabilities	0	5
Carrying value	**1,748**	**196**

Note 19 Accrued expenses and prepaid income

	12/31/2020	12/31/2019
Accrued pay-related liabilities	429	377
Accrued interest	35	4,351
Accrued other items	860	751
Carrying value	**1,324**	**5,478**

Note 20 Statement of cash flows

Adjustment for non-cash items	**2020**	**2019**
Impairments	0	135,000
Reversal of accrual expense Tagehus (capitalized expenses)	642	0
Reversal of accrual expense options Tagehus (f.o.c. options)	4,077	0
Estimated interest on convertible loans	571	1,390
Carrying value	**5,290**	**136,390**

The item 'Amortization of loan' included under Financing activities refers to amortization in the amount of SEK 50,000 thousand and interest on the loan of SEK 4,774 thousand.

Note 21 Pledged assets

	12/31/2020	12/31/2019
Pledged stock units in group companies	0	85,500
Pledged receivable on group companies	0	0
Liquid funds	32,282	8,597
Company mortgage	0	50,000
Total	**32,282**	**144,097**

Liabilities linked to a security in respect of liquid funds were repaid in their entirety during 2020, but the security was not returned until 2021.

Parent company note.

Note 22 Contingent liabilities

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

Note 23 Transactions with related parties

Transactions with subsidiaries	**Counterparty**	**2020**	**2019**
Sale of services	Clavister AB	4,785	430
Purchase of goods/services	Clavister AB	0	0
Group contributions	Clavister AB	0	0
Change in settlement account	Clavister AB	-27,977	-84,688
Receivables on the balance sheet date	Clavister AB	0	0
Liabilities on the balance sheet date	Clavister AB	-130,000	-102,023
Sale of services	PhenixID AB	3,900	0
Change in settlement account	PhenixID AB	0	0
Receivables / Liabilities on closing date	PhenixID AB	3,900	-5,983

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

Note 24 Proposed appropriation of profits

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

Share premium reserve	178,179,998
Accumulated profit or loss	318,610,028
Profit for the year	-43,838,472
	452,951,554

The Board proposes that the entire share premium reserve of SEK 178,179,998 be transferred to retained earnings. The amount of SEK 452,951,554 was carried forward.

Board signatures.

Örnsköldsvik, April 27, 2021

The consolidated financial statements and the annual report were approved for issue by the Board of Directors on April 27, 2021. 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

Martin Kreuzer
Board Member

John Vestberg
Chief Executive Officer

Our audit report was submitted on 2021-04-27

Ernst & Young AB

Rikard Grundin
Authorized public accountant

CONNECT . PROTECT

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