Annual report & Consolidated Financial Statements for Clavister Holding AB

Financial year . 2021

Corporate ID number 556917-6612

clavister

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Unless specifically stated otherwise, all amounts are reported in SEK thousands. Figures in brackets refer to the previous year.

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.

Vision, business concept, and goals

- **Clavister's vision is a communicating world based on trust and security.**
- **Our business concept is to be cybersecurity specialists – so that Clavister's customers can protect operations critical to their business, information and reputation.**
- **Clavister's long-term goal is to become the leading supplier of cybersecurity in Europe.**

+24.5%
order intake

Ratios

- Order intake for the full year 2021 increased by 24.5% and totaled MSEK 191.6 (153.9).
- Net sales for the year totaled MSEK 129.3 (128.1).
- Gross profit for the year totaled MSEK 114.8 (122.4), equivalent to a gross margin of 85.7% (87.3).
- Operating profit before depreciations and impairments totaled MSEK-20.8 (-19.4).
- Operating loss for the year totaled MSEK-57.2 (-56.4).
- Earnings before tax totaled MSEK-91.1 (-81.2).
- Earnings per share totaled SEK-1.67 (-2.08).
- Cash flow from operating activities totaled MSEK-56.3 (24.1).

Higher growth in 2021

"Financial year 2021 delivered strong growth, with an order intake increase of 25% and also recurring revenues, which grew by 26%"

To accelerate our journey toward profitability and positive cash flow, we launched a significant cost optimization program during the fourth quarter of 2021."

John Vestberg, CEO and President

133
employees

A word from the CEO.

It is encouraging to see that our investments in go-to-market and business model during the year are yielding results, with the full year providing strong growth both in order intake, up by 25%, and in recurring revenues, up by 26% year-on-year. To accelerate the journey to profitability and positive cash flow a cost optimization program has been launched during the fourth quarter.

Financial development

For the full year 2021 provided an order intake of 191.6 (153.9) MSEK, a growth of 25% year-on-year. We saw strong uptake in the business in general, with our Next-Generation Firewall, IAM and 5G Security solutions being the key solutions driving the growth. In addition, the business originated from a wide mix of partners and customers, with a few larger orders from individual customers, notably the order from BAE System of 50 MSEK. This is our first commercial end-customer project together with BAE Systems, during 2021 the project has now entered production phase.

The order book balance at the end of the quarter amounted to 87 MSEK, an increase of 66 MSEK compared with previous year.

Net sales amounted to 129.3 (128.1) MSEK, a growth of 2% year-on-year. The transition to a new subscription-based business model, launched in the beginning of the fourth quarter 2021, had an expected short-term negative impact on recognized revenues in the period as more of the contract value is linked to software license recognized over time.

Consequently, our recurring revenues saw strong positive development, with a year-on-year growth of 26%. For the full year of 2021, recurring revenues amounted to 68% of our total revenues, a new benchmark for Clavister. The positive trend of increased recurring revenues provides for a solid revenue generating platform in upcoming periods. We are confident that this transformation will deliver greater long-term value for both Clavister and our shareholders.

Gross margin for the full year 2021 was 86% (87%), well above our target of 80%. In the new business model gross margins are lower in the first phase of newly acquired customer contracts, after which the contracts provide very high margins for the remainder of their length. In periods of high growth, we anticipate somewhat lower gross margins due to the inflow of new contracts in the mix.

Cash operating expenses for 2021 were slightly lower than the same period last year, at-174 (-174) MSEK.

Refining our strategic direction

At our capital markets day in June, we announced several refinements to our strategic direction.

We are implementing a targeted industry focus through verticalization and building critical mass to accelerate growth within the Public Administration, Service Providers and Defense verticals.

A word from the CEO.

A key element of our product strategy is the Clavister SASE solution, which are under development and will successively be launched. The solution leverages the comprehensive intellectual property Clavister has built over 20 years. Consequently, our ownership of the SASE technology stack drives margins and allows for flexible licensing and OEM arrangements.

Go-to-market forming and yielding results
We are pleased to announce that critical enhancements to our go-to-market team leadership, product marketing staff and lead generation capabilities, are now in place as per the third quarter. These aspects are critical for driving and accelerating further growth in the coming quarters.

The investments we have made in go-to-market team since the start of the year are yielding results, specifically in terms of our business opportunity pipeline, which has grown substantially during the year and now holds significant opportunities across all of our focus verticals.

New business model
The new subscription-based business model has so far been well received by our partners and customers, and as such we attribute a good part of the uptake in the fourth quarter to the positive reception.

Not only does the model benefit the customers with a much lower investment threshold along with a predictable OPEX-based fee; it also represents a unique approach to licensing and pricing in the Next-Generation Firewall market which strengthens Clavister's value proposition.

Adding exciting ai capabilities
Clavister acquired Omen Technologies AB in November 2021. Omen Technologies AB is a Sweden-based provider of AI-driven cybersecurity technology.

The acquisition of Omen immediately strengthens Clavister's offering in Defence with significant identified upsell potential into the Clavister defence customer base who have voiced a clear demand for the combined Clavister-Omen solution. We also see opportunities to grow amongst Omen's attractive pipeline of customers.

The AI/ML technology is currently being integrated into Clavister's portfolio, while we in parallel are conducting a series of pilots and proof-of-concept deployments with prospect customers.

Significant events during the year
Service providers
During 2021 Clavister announced a key R&D win with an updated version of our 5G security solution. This solution sets a new high-water mark for 5G security performance. The massive performance we can demonstrate in pure software has been officially validated by Intel and confirms our position as a technology leader in the space.

During 2021 we have secured several deals with new mobile operators and several new mobile operator customers were secured. In Latin America, our solution was selected by a nation-wide mobile operator to support the country's rollout of 5G, an initial contract value of approximately 6 MSEK to Clavister.

The operator has chosen to use the Clavister solution for several use cases, such as protecting the backhaul between radio and core network, securing public Internet access, protecting the roaming interface and providing segmentation for the core network. This project represents our most comprehensive 5G security deployment to date.

In Australia, the Clavister solution was selected for a new national mobile broadband network for emergency services. Although a smaller order of less than 1 MSEK initially, the deal illustrates the confidence operators place in our 5G security solution for mission-critical applications.

Finally, one of the largest Tier-1 mobile operators in the US has selected to deploy Clavister's solution, initially for their core network segmentation but with the prospect of scaling the deployment footprint and capacity over time.

We have also had the pleasure to win several new 5G security projects; one delivering a full suite of cybersecurity solutions to a private mobile network deployed for railway infrastructure in Australia, and the second for a new 5G standalone core network in Southeast Asia. Other projects relate to an Asian-based operator expanded their security offering based on Clavister products, and in Latin-America, a 4G/5G operator increased their security posture with Clavister's 5G Security solution.

During the year, we closed a 6 MSEK deal with a global service provider for our Secure SD-WAN solution. The contract marks the service provider's transition to the modern, secure and cost-effective Clavister solution. With several thousands of sites, the roll-out has the potential to become one of the largest SD-WAN deployments in the world.

Our partner Telco Systems announced during 2021 their Edgility solution; a highly resource-efficient ucpe / SD-WAN package with Clavister software embedded. The Edgility solution removes common SD-WAN barriers, such as significant set up costs and long rois, thereby enabling Carriers to offer sohos (Small office, home office) and small businesses premium connectivity and security functionality tailored to their needs and budget.

Defence
In the beginning of 2021, we announced our first end-customer deal through our partnership with BAE Systems. The deal, which represents Clavister's largest deal to date, has a minimum value for Clavister of 50 MSEK with add-on options potentially increasing the deal value to 90 MSEK. The project consists of delivery of ruggedized security gateways and secure switch products integrated into combat vehicles for a major Western European military organization.

The project is proceeding according to plan, with a first product order of 2.5 MSEK received in the beginning of the year. Shipments will commence during the second half of 2021 with the majority of products expected to be delivered from 2022 through 2025.

A word from the CEO.

During the second half of 2021, we secured a new customer engagement in the defence sector, for which Clavister will be providing cybersecurity to a project related to national security of an EU member state. The initial order of 3 MSEK marks the start of the engagement, which is expected to grow to at least 10 MSEK per year after the ramp-up period.

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

Public sector
Within the public sector, we had the pleasure to welcome several government agencies and critical infrastructure businesses, both in Nordics and in DACH, as new customers to Clavister. We are also delighted to note that a very significant long-term law enforcement agency customer decided to extend their business with Clavister – a testament to the importance and trust placed in European cybersecurity.

Cost optimization program
TWe note good momentum in the business, demonstrated not only by a strong fourth quarter, but more important by a business opportunity pipeline which has grown significantly.

At the same time, we are mindful of our liquidity and cash-flow profile which exposes unnecessary financing risk. To mitigate this risk, we have launched a significant cost optimization program in the quarter.

The goal of the program, which focuses mainly on managerial and administrative resources, is to reduce our cash operating expenses with 20% from the 2021 exit run-rate level. As such, the program will have a significant impact on cash-flow without jeopardizing our go-to-market engine and our IPR investments.

Prospects
Because of the impact of the transition to the subscription-based business model, we expect a moderate net sales growth in 2022 over 2021. As the effects of the transition normalize, we believe the net sales growth to increase to an average growth (CAGR) of 20% over the years 2023 through 2025.

On the back of our cost-optimization program, we expect to establish a significantly lower run-rate cash OPEX level which will have a clear positive impact on cash flow and EBITDA already in 2022.

I would like to thank all Clavister colleagues, partners, and our shareholders for their commitment to building a European cybersecurity leader!

John Vestberg, CEO and President

Örnsköldsvik, Sweden,   2022

Market.

Market overview

Amidst Covid-19 pandemic, businesses have gone through a tremendous change in the last couple of years and this change has had a ripple effect on the cybersecurity market too. While 2020 was all about firefighting and rushing to ensure employees could work from home securely, 2021 has been the start of adopting new approaches and a long-term thinking for securing a hybrid workforce. Many organisations have realised that hybrid working is here to stay, and a study by McKinsey[1] reported that 63% of workforce will prefer either hybrid or remote working model post-Covid. And to secure these new working models, cybersecurity needs to be stepped up too. After a modest growth in 2020, cyber security market is expected to have grown 12.4% in 2021 to reach $150bn, according to the latest forecast from Gartner[2], reflecting a strong demand for remote worker technologies and cloud security.

On the other hand side, cyber-attacks and financial damage inflicted to businesses and economies are continuing to rise exponentially, hitting $6tn in 2021[3]. A record-breaking number of ransomware attacks impacted businesses and government including critical national infrastructure (CNI) like never before. No wonder cybersecurity is at the top of the agenda for cios/cisos and the board has started to view cybersecurity as a business risk rather than a technology risk[4] .

Figure 01: Gartner Top Security & Risk Management Trends, 2021

Clavister in the Cybersecurity Market

Clavister's main cyber security areas, network security and identity and access management (IAM) are expected to see decent growth as we move towards hybrid and remote working models. Enterprise networks are experiencing sudden surge in access requests and encrypted data traffic volumes. Both network security and IAM become frontline protection solution but with a different approach

1 https://www.mckinsey.com/business-functions/people-and-organizationl-performance/our-insights/what-employees-are-saying-about-the-future-of-remote-work

2 https://www.gartner.com/en/newsroom/press-releases/2021-05-17-gartner-forecasts-worldwide-security-and-risk-managem

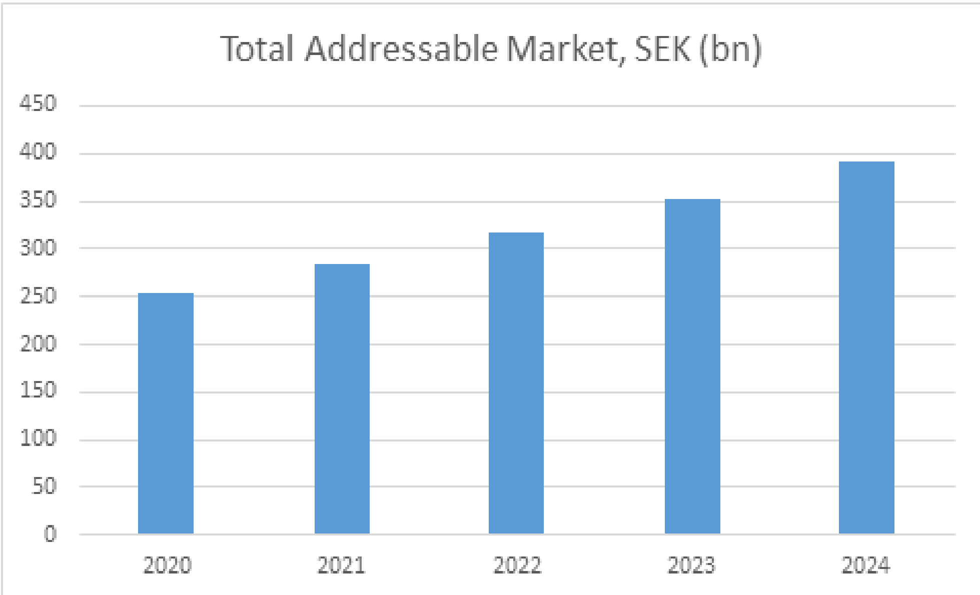
3 https://cybersecurityventures.com/top-5-cybersecurity-facts-figures-predictions-and-statistics-for-2021-to-2025/

4 https://www.gartner.com/en/newsroom/press-releases/2021-11-18-gartner-survey-finds-88-percent-of-boards-of-directors-view-cybersecurity-as-a-business-risk

Market.

to protect users, devices and cloud, anytime, anywhere. Implementation of 5G technology is also growing at a rapid pace and the risk of cyber-attacks is not just associated with 5G service providers but also with the users. Iot, augmented virtual reality, smart cities, autonomous vehicles, all of these and more use cases of 5G will demand 5G-ready cyber security solutions.

Overall, cyber security market has gained more importance in the post-COVID era, presenting a market expansion opportunity for Clavister also. However, cybersecurity is a highly competitive market with more than 1,000 vendors competing for the same cybersecurity budget. There is fierce competition and barriers to entry are low. Clavister is well established in Sweden and Nordics market, however there is opportunity and scope for us to expand wider in Europe. This is part of our GTM strategy as well. However, ongoing pandemic and travel restrictions have had a near-term effect on this ambition, and we are hoping for the market to open a bit more in 2022. Shipping delays and global electronic component shortage have had a short-term impact on our revenue as well.



Total addressable market for Clavister's two key solutions - network security and identity access management (IAM).

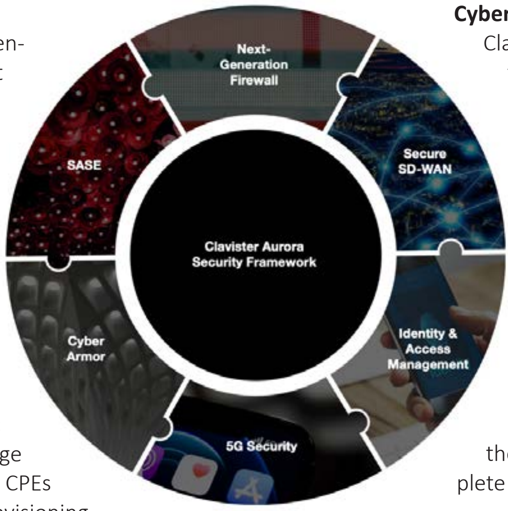
Market.

Clavister Solution Portfolio

We group our products and solutions into mainly six groups, all underpinned by the Clavister Aurora Security Framework:

Next Generation Firewall (NGFW)
Clavister Next Generation Firewall that offers perimeter protection from cyber attacks for offices and datacentres and enables access to on-prem recourses for remote workers. Security use-cases include IDP/IDS, IP reputation screening, anti-virus scanning and is designed with European software validated by ICSA Labs and carries Common Criteria ELA4+ certified components. It is a highly efficient and flexible solution which can be delivered both as hardware appliances in various sizes as well as virtual on KVM, Hyper-V or WMware.

Secure SD-WAN
Clavister's Secure SD-WAN offering enables IT administrators a solution that provides reliable network independent Wide Area Networking (WAN) that has security embedded and is orchestrated from a central point. An endpoint can be a traditional hardware appliance, a virtual image on a universal Customer Premises Equipment (ucpe), with support for dual WAN connectivity, redundant edge devices and public/private cloud connectivity. Clavister InCenter provides holistic management capabilities to manage large Secure SD-WAN deployments. CPEs can be deployed using Zero Touch Provisioning and managed in virtual groups to provide efficiency and easy of security maintenance.



Identity & Access Management (IAM)
Clavister's IAM solution enables enterprises and governments with a flexible and secure authentication, identity management, identity provisioning and electronic signing capabilities. It offers self-management of passwords – simplifying and reducing cost and in complex IT environments. The solution supports various authentication methods including biometric validation, local government identity programs like bankid and other European eids and is also newly enhanced to support the FIDO 2 standard.

5G Security
Clavister's 5G Security solution delivers 5G ready, carrier-grade cybersecurity for a wide range of telecom use cases. Security is provided from the edge via the core and all the way to internet or other operator networks. Supporting both 4G and 5G networks, thus enabling the security on the journey from 4G to 5G. The solution is proven with Tier-1 4G and 5G Communication Service Providers (csps) in live operation processing huge amounts of traffic, deployed both as virtual and bare metal. Clavister's 5G Security solution is verified by Intel Labs and shows linear scalability.

Cyber Armour
Clavister's Swedish Cyber Armour offering for military land vehicles takes protection to a new dimension. Cyberattacks has become a real threat on the battlefield. It's no longer enough to get thicker armour for better protection as vehicles can be stopped by cyberattacks. With Clavister's military grade Security Gateways for In-Vehicle deployment the protection level is significantly increased, and the lifetime of vehicles is extended. Clavister offers a full solution for long lasting partnerships which includes cybersecurity expert services from the requirement phase throughout the complete system lifecycle.

SASE
Clavister's Secure Access Service Edge (SASE) solution provides secure application centric SD-WAN with access to web, cloud services and private applications for individual users and sites, primarily delivered as a cloud-based service. Clavister runs a European Cloud service for the SASE architecture guaranteeing privacy and guarding quality of service and enhances saas applications like Office 365 and Google Suite deployments by enhancing their security and improving access performance.

Market.

Key Target Markets

Clavister's target markets remain the same and in 2021, we continued to sharpen our focus on protecting critical national infrastructure (CNI), including our three key verticals:

EU Government/Public sector – Clavister is trusted by national, regional, and local government customers, delivering high availability solutions for government services. The solutions – 'Next-Generation Firewall (NGFW)', 'Identity & Access Management' and 'Secure SD-WAN' drive the primary volume in this segment and are founded on many years development and specialization in the field. During the fall of 2021, Clavister initiated a full refresh of the appliances used in these solutions while at the same time shifting to a pre- dominantly recurring revenue business model. The 'SASE – Secure Access Service Edge' solution builds on Clavister's domain skills and intellectual properties simplifying delivery of security use-cases in a hybrid cloud environment.

Service providers including Mobile operators – Our 5G Security solution forms the basis for continued collaboration with existing partners to reach an increasing number of mobile operators. 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 operators will have to undertake in the years ahead.

Defence industry – During 2020, Clavister signed a multi- year framework agreement with one of the biggest suppliers of landborne defence 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. We are continuing to invest in and enhance our Cyber Armour solution. In 2021, Clavister acquired Omen Technologies, an AI-based cyber security vendor, accelerating our time to market with the potential of several meaningful revenue-generation accounts live in 2022. Omen's technology has successfully been trialled by several large companies outside of the two companies' joint defence-related projects. This joint capability puts us at the forefront of Swedish and European defence cyber security market with the mission to provide cutting-edge cyber resiliency using our AI-based Cyber Armour solution.

A letter from the Chairman of the Board.

Dear Clavister Shareholder,

I'm very proud and pleased to announce that I have accepted the position of Chairman of the Board of Clavister, a company enjoying an exciting growth journey which, through its mission to create secure communications for our customers, is also contributing to a safer world. In the light of the appalling aggression shown by the Russian state in Ukraine – something we thought had been relegated to the history books – it has become clear that secure communications cannot be taken for granted. It is also clear that there are individuals and regimes who derive perverse joy from disseminating false information, denying others accurate information or who attempt to stifle communications altogether. As an antidote, Clavister provides an important counterbalance and our products and solutions help create safe, secure communications, the importance of which the terrifying events of this spring have made very clear.

Clavister's solutions are aimed at three customer verticals: the public sector in Europe, service providers and defense. Given the developments we see in today's world, Clavister has an important part to play in creating greater security in the world at large. We can expect to see an increasing need for our solutions in all of these customer verticals as companies, organizations and states seek to ensure secure communications for their vital interests. The order we received from BAE Systems for around MSEK 50 in 2021 was the largest in the company's history, and is clear evidence that our cybersecurity solutions are of the very highest world class. Our customers depend on our ability to protect their civilian and military communication needs.

Clavister has embarked on an exciting journey, and important steps toward profitability were taken in 2021. In this context, I would particularly like to highlight the following:

- The further efforts made to focus Clavister's operations on a few markets with clear, distinctive solutions for the customer verticals where we see the greatest growth potential.
- The introduction of a new SaaS-based business model that increases the proportion of recurring subscription revenue.
- Investments in stronger sales management.
- The cost savings program launched at the end of the fourth quarter.

The efforts made to strengthen the sales and marketing organization are very important for achieving positive cash flows, operating profit and profitability. However, I would like to stress the importance of the comprehensive cost-saving program launched in 2021, as Clavister will use this to take a robust approach to its cost levels in order to accelerate our journey toward profitability and positive cash flows. I'm convinced that these business optimizations will create greater value for our owners and reveal important priorities and ways forward that enable the business to deliver the maximum return on investment in our cybersecurity solutions.

I would like to conclude my newsletter by warmly thanking Clavister's shareholders for their important support to us in our efforts to build a world-leading provider of cybersecurity solutions capable of ensuring secure communications in an insecure world.

Jan Frykhammar, 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 2021. The company has its head office in Örnsköldsvik. Unless stated otherwise, all amounts are reported in SEK thousands. Figures in brackets refer to the previous year.

Information about the business operations

The Clavister Group houses both development, product development and sales of solutions in cybersecurity, both as physical products and for virtual environments. The products are characterized by high quality and performance, but also by a large product range. The group's offer also includes specialized 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, and management functions.

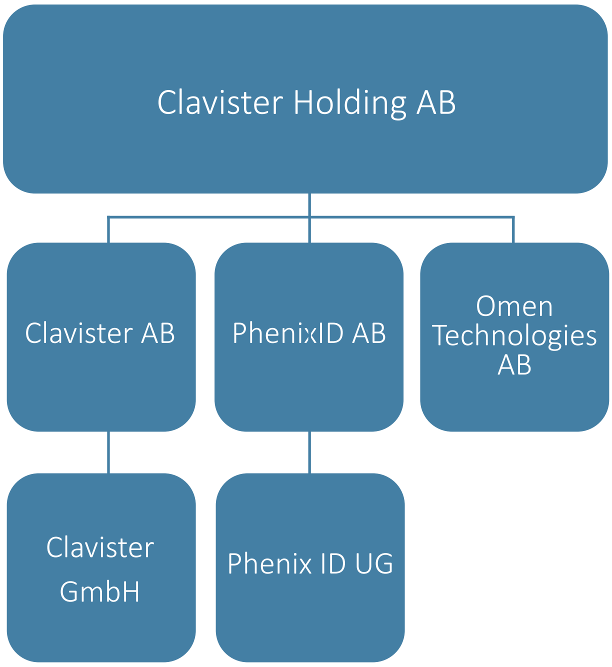
The group comprises five companies, of which Clavister Holding AB wholly owns the subsidiary Clavister AB, PhenixID AB and Omen Technologies AB. The majority of the group's business activities are carried out in Clavister AB and PhenixID AB. The head office in Örnsköldsvik conducts product and software development, maintenance, product management, consulting services, customer training, product purchasing, logistics and inventory management, customer support, marketing, finance and other administration. The group's sales offices are located in Örnsköldsvik, Stockholm and Germany. Clavister AB owns 100% of the company Clavister GmbH in Germany, which pursue sales and marketing in the DACH region.

Clavister Holding also owns the subsidiary PhenixID AB with offices in Nacka, Sweden, which pursues sales and development. 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 AB has a wholly-owned subsidiary in Germany – PhenixID UG.

Liquidation was begun in 2020 of the holding company in Hong Kong, Clavister APAC Ltd, and PhenixID UG in Germany. The liquidation of Clavister APAC Ltd was completed in 2021 and the liquidation of PhenixID UG is scheduled for completion in 2022.

Significant events during the year

- The company, together with BAE Systems Hägglunds, part of BAE Systems, Europe's largest and the world's third largest 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



Clavister Group:

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

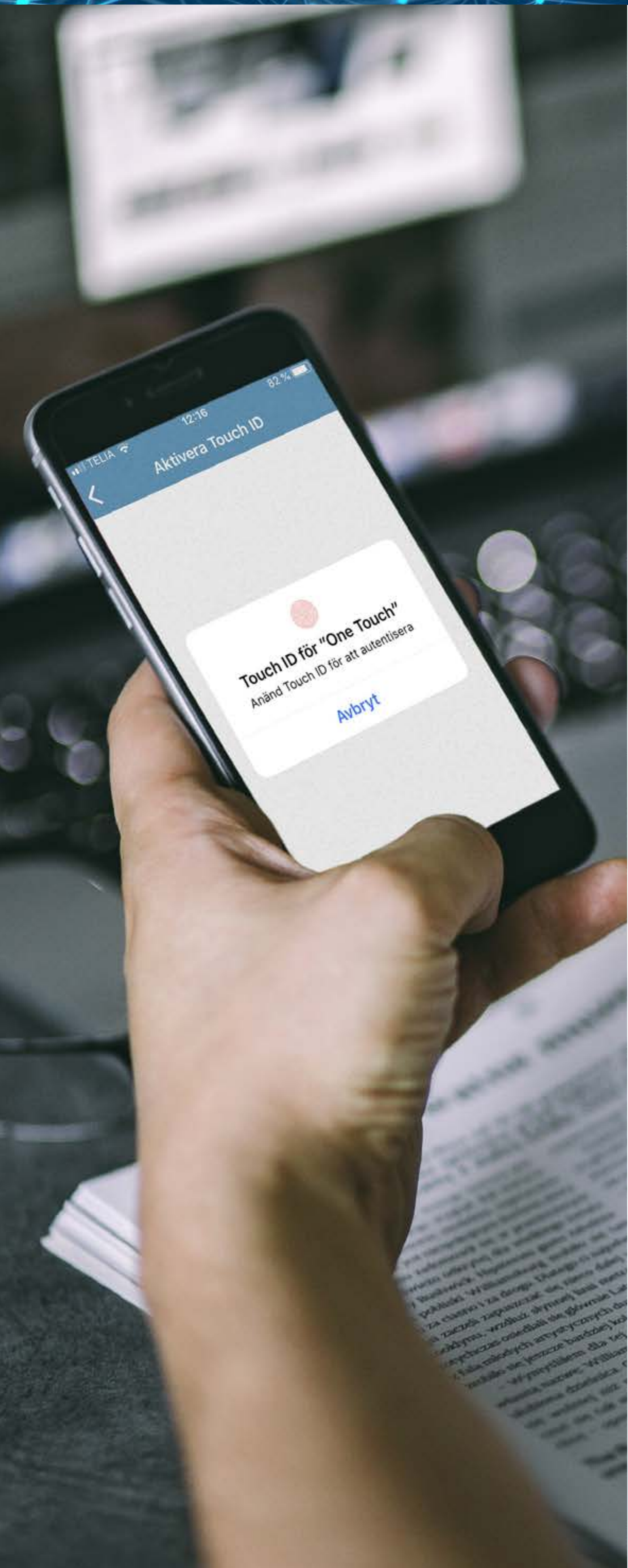
is Clavister's biggest to date with a value of at least SEK 50 million, with the possibility of a supplementary deal that will increase the transaction value to SEK 90 million.

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 first part of 2022, and the major part of the deliveries from 2022 to 2025. 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.

- Clavister won an additional defense customer order in 2021, in which Clavister will deliver cybersecurity to a national security project in the European Union. The initial order for Clavister is for approx MSEK 3. The deal is expected to grow to a value of at least MSEK 10 per year after a period of upscaling.
- In 2021, Clavister, together with BAE systems, Omen Technologies and Bron Innovation was allocated Vinnova funding of SEK 4 million for a 12-month R&D project on AI in combat vehicles.
- Clavister holding AB acquired Omen Technologies AB, a Swedish supplier of cybersecurity technology based on artificial intelligence (AI). The acquisition of Omen

Report of the Board of Directors.



Technologies AB immediately strengthens Clavister's offering to the defense sector and creates opportunities for significant additional sales to Clavister's existing customer base, which has expressed clear demand for the combined Clavister-Omen solution. There are also opportunities to grow through the attractive number of customers in the Omen Technologies AB pipeline.

- Clavister made advances during the year in 5G security, and agreements with several new mobile operator customers were secured in various parts of the world. In Latin America, Clavister's solution was selected by a national mobile operator as part of the country's 5G roll-out, with an initial value of MSEK 6. The operator has chosen to use the solution for most areas, including securing communication between radio and core networks, internet security, roaming interfaces and internal segmentation. The transaction represents our most extensive 5G security project thus far.
- In Australia, Clavister's solution was chosen for a new national network for critical services. The order, which is initially for just under MSEK 1 demonstrates great trust in the use of Clavister's solution for critical services. Another 5G security project order was secured in Australia, related to the delivery of cybersecurity to a private wireless carrier network under construction for railway infrastructure.
- To conclude, one of the biggest carriers in the US chose to use the Clavister solution, initially for network segmentation with the potential to scale up capacity over time.
- Clavister also notes momentum in the service provider segment. During the year, Clavister received an order for MSEK 6 from a global service provider for our Secure SD-WAN solution. The contract is the starting point for the service provider's shift to a modern, secure, cost-effective Clavister solution. The roll-out of the solution covers thousands of locations and has the potential to become one of the world's biggest SD WAN solutions.
- During the year, our partner Telco Systems launched its new Edgility solution, which is a resource-efficient uCPE / WAN package with integrated Clavister software. The Edgility solution eliminates common SD-WAN problems, such as high initial costs and long payback times, giving service providers the ability to offer a premium service even to small companies with security tailored to their individual needs and budgets.
- On October 1, 2021, Clavister launched its new subscription-based pricing model along with several new hardware platforms. The new pricing model offers a number of benefits to customers, including significantly reduced initial cost and Total Cost of Ownership (TCO), as well as continuous access to the latest, most advanced technology and upgrades. The model comes with four different service levels; Basic, Essential, Enhanced and Premium, where each level offers increased benefits. The new hardware platforms come in three different series; Netwall 6000, Netwall 500 and Netwall 100. These new high-performance platforms provide 10-40GigE connectivity with significantly reduced pricing and possible Power over Ethernet (PoE) functionality. The new

Report of the Board of Directors.

subscription-based business model and the new hardware platforms have been very well received by dealers and customers. For Clavister, it also means the company delivers a unique licensing and pricing model, which strengthens the group's positioning in the security market.

- In the public sector, Clavister was privileged to welcome several authorities and critical infrastructure suppliers as new customers, both in the Nordics and DACH countries. Clavister were pleased to note that one of the group's major civil authority customers chose to expand its Clavister solution, clearly demonstrating the need for a European cybersecurity industry.
- In 2021, Clavister announced a key innovation success when it launched the company's latest generation of Clavister NetShield Virtual, the world's fastest virtualized solution for securing 5G networks. The performance we are able to deliver in pure software has also been officially validated by Intel, thus strengthening Clavister position as a technology leader in the field. Clavister's NetShield Virtual has been tested in a number of commercial contexts with both tier-1 5G and 4G carriers under massive loads, both as virtual and bare metal.
- During the year, Clavister strengthened its commercial organization with important positions, including sales management by appointing Mats Wenner as Senior Vice President Global Sales, and marketing skills by appointing Camilla Törnblom as Marketing Director.
- The good business momentum Clavister noted was demonstrated through a strong fourth quarter, but perhaps even more so through the increasingly strong and growing portfolio of business opportunities. At the same time, the group is mindful of its liquidity and cash flow profile, which exposes Clavister to unnecessarily high financial risk. To reduce this risk, Clavister launched a significant cost optimization program in the fourth quarter of 2021. The aim of the program, which focuses primarily on support functions at the management and administration levels, is to reduce cash flow that affects operating expenses by 20% from the level the group had at year-end 2021. The program will have a significant positive impact on cash flow, without adversely affecting our sales and marketing and product development departments.
- The company constantly monitored the development of the coronavirus (COVID-19) situation. 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.

  The company 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.

Events following the end of the fiscal year

- In February 2022, Clavister introduced another hardware platform, Netwall 300, to complement the hardware platforms launched in the autumn of 2021. Netwall 300 is the next generation desktop model with more than twice the performance of its predecessor.
- After the end of the financial year, the Swedish Government announced that most of the Covid-19 related aid programs would be strengthened and/or extended to support companies until the negative effects of Covid-19 have abated. One of these programs relates to liquidity support through deferred tax payments related to staff and VAT. Clavister has used this aid program in the past but paid it back in full in the first half of 2021. Because the program is being expanded and extended until the beginning of 2023 with a possible extension until 2024, Clavister has decided to use this facility to boost liquidity through deferment of tax payments.
- As announced in the year-end report, negotiations were held between Clavister Holding AB and Norrlandsfonden for a new convertible debt instrument of MSEK 10 with the aim of refinancing the existing convertible debt instrument with an equivalent amount. After the end of the financial year, Clavister and Norrlandsfonden announced that they have continued their previous cooperation having agreed to set up a new convertible with the same structure and framework as the previous convertible. The conversion price is agreed as the average volume-weighted price over a period of 30 days between February 6, 2022 and March 7, 2022 and with an additional premium of 15%. The maturity of the convertible debt instruments is 5 years and will run until 31/05/2027. Clavister Holding AB's current convertible to Norrlandsfonden expires on May 31, 2022.
- On April 25th Clavister AB, a subsidiary of Clavister Holding AB, and the European Investment Bank (EIB) have rescheduled Clavister's repayment plan for the EUR 20 million loan facilities dated 18th December 2017.

  The loan facilities consist of three tranches; A of 10 MEUR, B of 5 MEUR and C of 5 MEUR. Under to the original repayment schedule, tranches A and B would have been repaid in the first and fourth quarters of 2023 respectively. Tranche C would have been repaid in the fourth quarter of 2024.

  According to the new agreement, the repayment schedule has been amended from three bullet repayments to an amortizing repayment. The repayment schedule spans the

Report of the Board of Directors.

years 2023 – 2026. The accrued interest attributable to the loan facilities will be paid during the third quarter of 2026.

The amortization schedule according to the new agreement:

- In 2023, EUR 0.25 million will be amortized in the first quarter and EUR 0.25 million in the fourth quarter
- In 2024, EUR 3 million will be amortized in the first quarter and EUR 3 million in the fourth quarter
- In 2025, EUR 4.5 million will be amortized in the first quarter and EUR 4.5 million in the fourth quarter
- In 2026, EUR 4.25 million will be amortized in the first quarter and EUR 2.25 million in the fourth quarter

Repayments in 2023 will thus be reduced from EUR 15 million to EUR 0.5 million.

The cash-pay margin on tranche A is raised from 0% to 1% and the accrued interest on tranche C is raised from 3% to 7.5%. The annual interest expense increases by 325 TEUR, of which 100 TEUR affects cash flow.

The loan facilities originally incorporated certain financial covenants, tested on annual net sales and EBITDA. These covenants have been removed and there are, therefore, no financial covenants relating to the loan facilities.

The loan facilities continue to be unsecured.

- A new security regimen has been established in Europe due to the Russian invasion of Ukraine. As a trusted European provider of cybersecurity solutions, it is of the utmost importance for Clavister that our solutions not be used by corrupt or criminal players, or in any other way that could jeopardize freedom.

  Historically, our business has had a limited exposure to Russia, but we have identified a single purchase order from a global customer where the end customer is likely to be based in Russia. As a consequence, we have canceled the order and deliveries will not be made.

- As of 31 March, 2022 the CEO of the subsidiary PhenixID AB, Peter Lauren, has chosen to leave his role within the company. Peter Lauren has been replaced by Johan Edlund, Chief Operations Officer (COO) in Clavister Holding AB. From April 2022 Johan Edlund has resumed the role as CEO of PhenixID AB and COO in Clavister Holding AB. Johan Edlund continues to be part of the Clavister group management team.
- At the extraordinary general meeting (EGM) held on March 29, 2022 it was resolved that the Board should consist of three Directors without deputies until the close of the next annual general meeting. The EGM resolved to re-elect the Board members Jan Frykhammar and Staffan Dahlström and to elect Stina Slottsjö as new Director. Jan Frykhammar was elected chairperson of the Board.

Report of the Board of Directors.

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 occur. 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. Dependence on the larger accounts does not only affect group sales, 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 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 is unable to deliver the agreed volumes according to schedule, it would lead to delays that could affect deliveries to customers, which could result in lower revenues, earnings and have a negative effect on the financial position. In the eyes of hardware suppliers, Clavister is a relatively small customer where established product plans and improvement projects may be deprioritized in favour of bigger players, which may have a negative effect on product quality and delivery times. 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.

At present, the group's intangible assets are largely unprotected by patents. There is consequently a risk that Clavister utilizes technology which may intrude on other companies' intellectual property rights, which may result in threats of or actual damage claims. The group may also incorrectly be accused of intruding on other companies' patents and therefore become involved in costly patent litigations. Any patent litigation may in turn cause uncertainty or harm Clavister's competitiveness.

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

Financial risk

The majority of sales take place in SEK, EUR and USD and are governed by contracts in which SEK predominates, followed by EUR. 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 SEK during 2021 accounted for around 57% of the group's sales, followed by EUR at 38% and USD at 5%. Operating expenses are dominated by SEK at 64%, with the remainder split between USD and EUR.

Interest-rate risks are associated with the consolidated financing through the convertible loan maturing on 31/05/2022, as well as factoring where the interest rates are dictated by the markets using the different currencies. The convertible debt instrument maturing on 05/31/2022 will be refinanced with a new convertible debt instrument, where the interest rate risk remains. 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 Covid-19 pandemic has led to increased uncertainty and has complicated assessment of the business situation. While we saw the firewall security business pick up again in 2021, we noted that our customers continue to exercise restraint in investment decisions. The outbreak of the coronavirus has affected our distribution channels both in terms of component supply and lead times in shipping our physical products to customers. The disruptions in the distribution channels are expected to continue to affect us and contribute to increased risk and uncertainty for some time to come, as manufacturing production and logistics are re-started at our suppliers.

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. 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.

A range of measures has been taken by the Board and group management to counter the risks the pandemic entails and protect the safety of 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 to give a better possibility for 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. Audits are also carried out at the request of major customers who wish to ensure product quality at their supplier level. Improvements to the management system are made constantly 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.

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. The company's objective is to ship the hardware products produced in Taiwan by sea instead of by air wherever possible, which reduces carbon dioxide emissions as well as the company's shipping costs. 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.

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, communication policy (and the insider policy 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.

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 15 different nationalities among employees, 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.

Clavister is on a fantastic journey, and our culture and people are the key to our success. Clavister's employer brand is how we attract, retain and engage employees; ultimately, it's all about the work done internally to improve the employee experience, and it's a lifelong commitment.

Clavister is not only proud to be a pioneer in new technologies in the area of cybersecurity, but also to develop strong corporate culture initiatives. We truly believe that the people at Clavister live up to its values: Being small enough to care, brave enough to change, smart enough to innovate – together we are different.

Employees

The number of employees as of 12/31/2021 totaled 133 (132), an increase of 1%. The proportion of women increased slightly to 16% (13), and as of 12/31/2021, 21 employees (19). In addition to per-

Report of the Board of Directors.

manent staff, Clavister also engages consultants in e.g. customer projects, sales and development equivalent to 14 (6) full-time positions. The number of people, including consultants, employed by the group on December 31, 2021, totaled 147 (138).

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

In 2021, the Board of Directors of Clavister Holding AB comprised seven 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 the framework for Clavister AB and PhenixID 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 2021, the Board held 18 minuted meetings.

Order intake, net sales and earnings

Order intake for full-year 2021 grew by 24.5% compared to 2020. During the year, the company created a growing order book with a value of MSEK 86.6 on December 31, 2021, which represents an increase of MSEK 65.9 year-over-year. The group's net sales for the year totaled MSEK 129.3 (128.1) and total revenue was MSEK 134.0 (140.2). 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 114.8 (122.4). The total reported gross margin for the year was 85.7% (87.3). The difference in gross margin between the years depends mainly on the difference in the product mix. The year was charged with an item affecting comparability in the amount of MSEK 3.4 relating to the reorganization of operations aimed at supporting functions at management level and administration. The previous year was charged with items affecting comparability totaling MSEK 8.9, of which MSEK 3.8 was related to the closure of the Umeå office, MSEK 3.2 was for warranty reserve and MSEK 1.9 for reorganization. The group's gross earnings totaled MSEK-57.2 (-56.4).

Fundraising

Clavister has a convertible debt instrument to Norrlandsfonden in the amount of MSEK 10, which matures on May 31, 2022. This convertible debt instrument will be refinanced by a new convertible debt instrument with Norrlandsfonden with the same structure and framework as the previous instrument. The conversion price is agreed as the average volume-weighted price over a period of 30 days between February 6, 2022 and March 7, 2022 and with an additional premium of 15%. The maturity of the convertible debt instruments is 5 years and will run until 31/05/2027.

On April 25th Clavister AB, a subsidiary of Clavister Holding AB, and the European Investment Bank (EIB) have rescheduled Clavister's repayment plan for the EUR 20 million loan facilities dated 18th December 2017. The loan facilities consist of three tranches; A of 10 MEUR, B of 5 MEUR and C of 5 MEUR. Under to the original repayment schedule, tranches A and B would have been repaid in the first and fourth quarters of 2023 respectively. Tranche C would have been repaid in the fourth quarter of 2024. According to the new agreement, the repayment schedule has been amended from three bullet repayments to an amortizing repayment. The repayment period is extended from 2024 to 2026. Cash flow affecting repayments in 2023 will thus be reduced from 15 MEUR to 0.5 MEUR. For additional information see the Report of the Board of Directors and note 32.

A financing agreement with Tagehus from 2017 totaling MSEK 50, excluding interest, was repaid in full during 2020. See note 23 for further information.

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 2022 in line with the going concern principle in the Swedish Annual Accounts Act, 2:4. The basis for this assumption is that Clavister has a liquidity position that allows the group to continue its operations and prepare the financial statements in accordance with the principle of a going concern.

Cash and cash equivalents at the end of the period totaled MSEK 49.9 and a number of measures were initiated to reduce negative cash flow in the group in 2022 in comparison with 2021. Because Clavister will take the opportunity to strengthen liquidity by deferring tax payments, liquidity is expected to

Report of the Board of Directors.

receive a significant boost. Additional measures to strengthen liquidity or reduce negative cash flow may be implemented if necessary. Thus the opinion of the Board of Directors and the CEO, given current cash and bank balances, the conclusion of agreements, future prospects including planned sales increases, is that Clavister Holding AB has sufficient liquidity and cash flow to continue operations in 2022.

Financial position

Liquid funds at the end of the period totaled MSEK 49.9 (143.2). On 12/31/2021, equity totaled MSEK-53.7 (12.1).

The group's total assets decreased by 23.9% compared with the previous year and totaled MSEK 291.5 (382.9).

Fixed assets increased by 16.2 MSEK compared with the previous year and totaled MSEK 185.9. This item includes Goodwill, which increased by MSEK 14.8 million compared to the previous year, and which arose in connection with the acquisition of Omen Technologies AB. Also, capitalized development costs increased by MSEK 11.6 while right-of-use assets decreased by MSEK 7.9, mainly for leases for premises.

Current assets decreased by MSEK 89.9 to 105.6 (195.5), of which liquid assets at the end of the period totaled MSEK 49.9 (143.2).

The group's equity at year-end was MSEK-53.7 (12.1). The loss for the period reduced equity by MSEK-91.2 (-81.3). Shareholders' equity increased by MSEK 25.6 (182.0) in respect of new share issues on the acquisition of Omen Technologies AB and free share warrants.

Investments, depreciation and development expenses

During 2021, 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 38.1 (33.1). The 2021 closing value in the balance sheet for development works totaled MSEK 92.9 (81.3). The development is attributable to upgrades and development of existing products and also largely to the development of SASE- Secure Access Service Edge, a solution that simplifies the delivery of security services in a hybrid cloud environment.

Depreciations on intangible assets relating to capitalizations totaled MSEK 28.0 (28.3) for the year.

Report of the Board of Directors.

Ownership

The number of shareholders totaled 5,423 and the number of registered shares on 12/31/2021 was 56,530,354 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	6,221,148	11.0%
Försäkringsaktiebolaget, Avanza Pension	4,070,889	7.2%
Nordnet Pensionsförsäkring AB	2,554,534	4.5%
BNY Mellon	2,546,773	4.5%
Swedbank Försäkring	1,882,220	3.3%
Stena Finans	1,756,462	3.1%
RBC Investor Services Bank	1,466,666	2.6%
Danske Bank International	1,334,579	2.4%
RGG ADM-Gruppen AB	1,180,000	2.1%
CSD Förvaltning AB	1,178,943	2.1%
Other shareholders	32,338,140	57.2%
Shares registered with the Swedish Companies Registration Office 12/31/2021	56,530,354	100.0%

Shareholdings of Board of Directors and senior executives on December 31, 2021

Board of Directors	Number of shares
Viktor Kovács	17,000
Jan Frykhammar	45,725
Staffan Dahlström	1,178,943
Kimberly Matenchuk	15,264
Martin Kreuzer	8,500
Malte Pollmann	0
Martin Roos	333,584
	1,599,016

Senior executives	Number of shares
John Vestberg*	524,520
David Nordström	20,000
Przemek Sienkiewicz	85,777
Johan Edlund	35,800
Nils Undén	37,000
Adrianne Edblad	2,283
Peter Laurén*	18,362
	723,742

** Indirect ownership through their own company, or endowment insurance.*

Report of the Board of Directors.

Multi-year overview

Group	2021	2020	2019	2018	2017
Operating income	134,038	140,159	123,467	112,517	100,206
Net sales growth (%)	1%	5%	10%	12%	28%
Gross profit	114,849	122,359	99,490	86,037	77,512
Gross margin (%)	86%	87%	81%	76%	77%
Earnings before tax	-91,525	-80,869	-112,505	-118,236	-83,642
Balance sheet total	291,536	382,883	303,275	385,791	302,110
Equity ratio (%)	Negative	3%	Negative	17%	69%
Average number of employees	134	132	150	176	155
Parent company					
Operating income	6,251	8,906	430	500	6,000
Balance sheet total	414,684	610,314	491,981	527,408	622,973
Equity ratio (%)	45%	75%	65%	84%	91%
Number of employees	6	2	2	2	2

Proposed appropriation of profits

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

Share premium reserve	190,359,848
Accumulated profit or loss	287,812,494
Profit for the year	-296,475,223
	181,697,119

The Board proposes that the entire share premium reserve of SEK 190,359,848 be transferred to retained earnings. The amount of SEK 181,697,119 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 income statement

SEK in thousands	Note	2021	2020
Net sales	3,4	129,300	128,081
Other operating income	3	4,738	12,078
Operating income		**134,038**	**140,159**
Goods for resale		-19,189	-17,800
Gross profit		**114,849**	**122,359**
Work performed by the company for its own use and capitalized	16	38,139	33,078
Employee benefit expenses	7,8	-142,756	-136,015
Other external costs	5,6	-28,806	-33,349
Other operating expenses	9	-2,213	-5,507
Depreciation	10.11	-36,423	-36,979
Results from shares in subsidiaries	12	-14	0
Operating profit		**-57,225**	**-56,413**
Financial income	13	113	8,656
Financial costs	8,13	-34,413	-33,112
Earnings before tax		**-91,525**	**-80,869**
Tax on the year's earnings	14	384	-367
Profit for the year		**-91,141**	**-81,237**
Profit for the year attributable to:			
Parent company owners		-91,141	-81,237
Non-controlling interest		0	0
Profit per share:	15		
Basic earnings per share		-1.67	-2.08
Diluted earnings per share		-1.67	-2.08

Consolidated statement of comprehensive income

SEK n thousands	Note	2021	2020
Profit for the year		-91,141	-81,237
Other comprehensive income for the year:			
Items which can later be reclassified for the statement of operations			
Translation difference		-40	-35
Other comprehensive income for the year, net after tax		**-40**	**-35**
Total comprehensive income for the year		**-91,181**	**-81,272**
Comprehensive income for the year attributable to:			
Parent company owners		-91,181	-81,272
Non-controlling interest		0	0

Consolidated balance sheet.

SEK in thousands	Note	12/31/2021	12/31/2020
ASSETS			
Capital stock subscribed but not paid in		**0**	**17,665**
Fixed assets			
Goodwill	16	66,697	51,875
Capitalized expenditures for development works	16	92,886	81,311
Program rights / licenses	16	18,334	20,095
Client relationships	16	0	667
Access rights assets	10,17	7,601	15,517
Equipment	17	0	0
Other long-term receivables	18	419	226
Total fixed assets		**185,937**	**169,691**
Current assets			
Inventories	1	5,890	7,240
Accounts receivable	18	34,212	39,426
Tax asset		622	0
Other receivables	18	6,595	1,503
Prepaid expenses and accrued income	18,19	8,394	4,170
Liquid funds	18,20	49,886	143,189
Total current assets		**105,599**	**195,527**
TOTAL ASSETS		**291,536**	**382,883**

Consolidated balance sheet.

SEK n thousands	Note	12/31/2021	12/31/2020
EQUITY AND LIABILITIES			
Equity	22		
Capital stock		5,653	5,230
Current capital issue		0	252
Other capital contributions		796,629	771,408
Reserves		56	96
Retained earnings, including profit for the year		-856,060	-764,918
Equity attributable to parent company shareholders		-53,722	12,068
Total equity		**-53,722**	**12,068**
Liabilities			
Long-term liabilities			
Liabilities credit institutions	18,23,31	222,588	204,524
Convertible debt instruments	18,31	0	9,116
Leasing liabilities	10,18,31	3,389	11,372
Deferred tax expenses	14	104	681
Total non-current liabilities		**226,081**	**225,692**
Current liabilities			
Liabilities credit institutions	23.30	9,728	0
Provisions	24	3,400	0
Leasing liabilities	10,18,31	5,453	6,117
Advances from clients	18,31	0	1,004
Trade accounts payable	18,31	10,190	17,640
Current tax liabilities	14	0	149
Other liabilities	18,31	9,701	29,550
Accrued expenses and prepaid income	18,25,31	80,706	90,663
Total current liabilities		**119,177**	**145,122**
Total liabilities		**345,258**	**370,814**
TOTAL EQUITY AND LIABILITIES		**291,536**	**382,883**

Consolidated statement of changes in equity

SEK in thousands	Equity capital	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 January 1, 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 December 31, 2020	**5,230**	**252**	**771,409**	**96**	**-764,918**	**11,816**	**12,068**
Opening equity on January 1, 2021	**5,230**	**252**	**771,409**	**96**	**-764,918**	**11,816**	**12,068**
Profit for the year	0	0	0	0	-91,141	-91,141	-91,141
Other comprehensive income for the year	0	0	0	-40	0	-40	-40
Comprehensive income for the year	**0**	**0**	**0**	**-40**	**-91,141**	**-91,181**	**-91,181**
New capital issue	423	0	29,843	0	0	30,265	30,265
Issue costs	0	0	-250	0	0	-250	-250
Capitol stock issue in progress	0	-252	-17,413	0	0	-17 413	-17 665
Share-based remuneration value of free warrants	0	0	13,040	0	0	13,040	13,040
Total transactions with owners	**423**	**-252**	**25,220**	**0**	**0**	**25,643**	**25,391**
Closing equity on December 31, 2021	**5,653**	**0**	**796,629**	**56**	**-856,059**	**-53,722**	**-53,722**

Consolidated cash flow report

SEK in thousands	Note	2021	2020
Cash flow from operating activities	26		
Profit before tax *		-91,525	-80,869
Adjustment for non-cash-flow items	26	68,347	53,054
Paid income tax		-202	371
Cash flow from operating activities prior to changes in working capital		**-23,380**	**-27,444**
Cash flow from changes in working capital			
Changes in inventories		1,350	760
Changes in operating receivables		-4,223	-1,041
Changes in operating liabilities		-30,063	51,874
Cash flow from operating activities		**-56,316**	**24,149**
Investing activities			
Acquisition of subsidiaries		-2,772	0
Investments in intangible assets		0	-21,224
Investments in own development work		-39,414	-33,078
Payment of deposit		-192	0
Cash flow from investing activities		**-42,378**	**-54,301**
Financing activities	26		
Repayment of loans		0	-54,774
Amortization of lease liabilities		-8,649	-6,259
Amortization of liability related to licenses		-4,051	0
New capital issue		18,341	185,379
Issue costs		-250	-21,947
Cash flow from financing activities		**5,391**	**102,399**
Cash flow for the year		**-93,303**	**72,247**
Liquid funds at the beginning of the year		143,189	70,942
Liquid funds at the end of the year	20	**49,886**	**143,189**

* The item 'Earnings before tax' includes interest received in the amount of TSEK 113 (38) and interest paid in the amount of TSEK 1,521 (10,725).

Group notes.

Note 1 Significant accounting principles

The annual report and consolidated financial statements cover the Swedish parent company Clavister Holding AB (the Company), corporate identity number 556917-6612 and its subsidiaries (referred to jointly as the group, Clavister or the Company). The parent company is a joint stock corporation registered in Sweden with its head office in Örnsköldsvik. The head office can be found at the address Sjögatan 6 J, 891 60 Örnsköldsvik, Sweden.

The Consolidated Annual Report for the Group and Clavister Holding AB, including financial statements, was approved for issue on April 25, 2022. The balance sheets and income statements are subject to adoption by the Annual General Meeting on May 17, 2022.

Applied regulations

The consolidated financial statements have been prepaired 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"). These require some additional disclosures for Swedish consolidated financial statements that are prepared in accordance with IFRS.

The accounting policies described below have been applied consistently, unless otherwise stated, over all periods reported in the consolidated accounts and for all companies in the group.

New and changed standard applied by the group

As of January 1, 2021 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 new IFRS standards and interpretations that have yet to come into force are anticipated to have any material impact on the group's financial statements.

Consolidated financial statements

Consolidation

The consolidated financial statements have been prepared according to the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction through which the group acquires the subsidiary's assets and assumes its liabilities. Group companies are consolidated from the date when the group exercises control or a controlling influence over the company. Thus the consolidated income statements and balance sheets cover all companies over which the group has direct or indirect controlling influence. A controlling influence means the group has a direct or indirect right to determine the company's financial and operational strategies in order to gain financial benefits. Usually, controlling influence is based on ownership and is thus also taken up in the consolidated accounts. 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 arising from intra-group transactions between companies in the group are eliminated in full. Unrealized losses are eliminated in so far as transactions do not constitute evidence that there is a need to recognize impairment for the asset concerned.

Subsidiaries

Subsidiaries are companies under Clavister Holding AB's controlling influence. The fair value of acquisitions is determined on the day the identifiable assets and assumed liabilities are acquired, as well as any holdings without a controlling influence. Any transaction expenses that arise, with the exception of transaction expenses attributable to emission of equity instruments or debt instruments, are reported directly in the year's profit/loss. In business combinations where the transferred compensation exceeds the fair value of the identifiable acquired assets, assumed liabilities and any contingent liabilities reported separately, the difference is recognized as goodwill. If the acquisition price is less than the fair value of the acquired subsidiary's net assets, this difference is reported directly in the income statement.

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 of holdings without controlling influence are reported as transactions 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.

Group notes.

Currency

Functional currency and presentation currency

Functional currency is the currency in the primary financial environments in which the companies operate. The consolidated accounts are reported in Swedish kronor (SEK), which also serves as Clavister Holding AB's functional currency and is the reporting currency for the group's financial reporting. All amounts presented, unless stated otherwise, are provided in SEK thousands. Figures in brackets refer to the previous year.

Transactions in foreign currency

Transactions in foreign currency are translated at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities such as accounts receivable and accounts payable in foreign currency are converted at the exchange rate prevailing on the balance sheet date. Non-monetary items reported at cost are reported using the exchange rate prevailing at the time of the transaction. Tangible and intangible fixed assets, inventories and advance payments are examples of non-monetary items.

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 are translated to SEK at an average exchange rate which constitutes an approximation of the exchange rates prevailing at the time of 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.

Basis for evaluation

Assets and liabilities have been based on historical cost.

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.

Segment reporting

An operating segment 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. Clavister's highest executive decision maker (President and CEO) evaluates the group's revenue development at the overall level, and also with revenues broken down by geographical market. However, costs are not measured by geographic market but on the basis of function and at a total level as a whole. Thus management does not analyze operating profit on the basis of any sub-level; the group as a whole is seen as a single segment.

Revenue recognition

Revenue is recognized when the performance obligation is fulfilled and control over products and services is transferred to the customer. The group recognizes revenue at an amount that reflects the expected remuneration and the remuneration the Company is entitled to for the transfer of goods and/or services to customers when control has been transferred to the customer. Incomes are reported excluding VAT, returns and discounts, as well as after any intra-group sales have been conducted. Revenue recognition takes place either at a specific time or continuously over a period of time. In the event that the group's fulfillment of one or more performance obligations takes place over time, revenues are allocated on the basis of a measurement of the degree of completion of each distinct performance obligation, usually over the duration of the contract. Set forth below are the specific criteria for revenue recognition for each of the group's operations.

Intra-group sales are extremely limited.

Sales

Clavister sells cybersecurity solutions to customers. The solutions usually include the following performance obligations: hardware, hardware replacement warranty, the right to use the software license, software license updates, third party data and support. The license model as of 10/01/2021 is for a SaaS-based business model. The group also sells consulting services and subscription licenses for identity management.

Allocation of transaction price
The transaction price is allocated to the relevant identified performance obligation based on the stand-alone sales prices, if available. If a stand-alone sales price is not available, the price is estimated by adapted market assessment or the expected cost with a reasonable margin. Variable compensation and discounts are allocated to specific performance obligations. If there is no evidence that a discount is related to a specific performance obligation, the discount will be distributed proportionally to all such obligations.

Hardware income
Income from the sale of hardware is recognized when substantial control of the product has been transferred to the buyer in accordance with the sales conditions. Material control is transferred to the buyer when e.g. the group has an existing right to payment for the goods, the buyer has ownership of the goods, the goods have been delivered to the customer and/or the customer possesses the significant risks and benefits associated with the ownership of the goods.

Revenue from the hardware replacement warranty
Revenue from the hardware replacement warranty is reported over the duration of the contract as Clavister's performance obligation to the customer to replace the hardware, where applicable, extends over the duration of the contract. The performance obligation is thus fulfilled over time.

License revenue
Revenue from the sale of software licenses is recognized when the right to use the license has been transferred to the purchaser in accordance with the terms of sale and Clavister has thereby fulfilled the performance obligation to the customer on a single occasion. The right to use the license is transferred to the purchaser once the means to use and activate the license is made available.

Revenue from software license updates
Revenue from updates made to the licensed software during the term of the contract is recognized over the duration of the contract as the performance obligation to provide software updates is met over the duration of the contract.

Revenue from third party data
Revenues from third party data, components in the license received and updated from a third party through Clavister, are recognized over the duration of the contract as third party data and updates are provided throughout the term of the contract. Clavister thereby fulfills the performance obligation over time.

Support revenue
Revenue from the sale of support during the term of the contract is recognized over the duration of the contract as the performance obligation to provide support is fulfilled over time.

Revenue from Identity Management (IAM) subscription licenses
Revenues from the sale of Identity Management (IAM) subscription licenses are recognized during the subscription term as Clavister completes the performance obligation over time.

Clavister Security Subscription (CSS) and Clavister Product Subscription (CPS) refer to Clavister's license models valid until 09/30/2021, which are now being phased out in favor of the new SaaS-based business model from Q4 2021. During a transitional period, both the new and the old business models will run in parallel.

Revenues for the CSS and CPS firewall licenses are recognized over the duration of the contract as the performance obligation is fulfilled over time. There is also a performance obligation for CSS regarding the provision of sub-supplier data, which amounts to 50% of the invoiced value of CSS, which is transferred on a single occasion and is thus recognized directly as revenue. The duration of the firewall licenses varies from 12 months to 72 months.

Consulting revenue
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 either as fixed price projects on an ongoing basis and the income is in these cases reported over a period of time at the rate at which 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 recognized.

Variable remunerations
Contracts with customers may include variable reimbursements such as discounts. The group may provide discounts in addition to current list prices; such discounts are deducted from the price of the goods or services and thus reduce the selling price and the expected revenue from each performance obligation. Therefore revenue per performance obligation is adjusted to list price less the discount.

Practical solutions:
The group takes the opportunity to apply practical solutions regarding financing components and additional expenses. In contracts where the time between the handover of goods or services to the customer and payment by the customer exceeds one year, the group expects there to be no material difference between the promised payment amount and the cash sales price. As a result, the group does not adjust the transaction price for the effects of financing components. Moreover, the group applies the practical solution to report additional expenditures for obtaining an agreement as an expense in the income statement, when the depreciation time of the asset that would otherwise have been reported is less than one year.

Contract assets and contract liabilities
Contract assets arise when revenue is recognized but where the receipt of payment from the customer is subject to terms in addition to normal payment terms. Such terms may e.g. be customer approval. When any additional conditions that may exist are fulfilled, the contract asset is reclassified into accounts receivable. The goods or services are invoiced either during the course of the work according to agreed contractual terms when e.g. agreed milestones are reached or when control of the goods or services is transferred to the customer. Contract assets are subject to impairment testing. Refer to the accounting policies for impairment of financial assets on page 34.

A contractual liability is reported in the balance sheet when the group has received payment from the customer or an invoice has fallen due for payment, whichever is the sooner, before the group has transferred control of the goods or services. The contractual liability is recognized as revenue as the group delivers under the terms of the contract and transfers control of the goods or services to the customer.

Financial income and expenses
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.

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

Currency rate incomes and losses are recognized as net sums.

Employee 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 an expense under net profit/loss for the year as they are earned through the services performed by the employees for the group during the period.

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 group 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 group'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.

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

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 reversed 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 is reduced when it is no longer deemed likely that the claims 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 that are expected to benefit from the synergy effects of the acquisition. Goodwill is subjected to impairment testing at a minimum on an annual basis and also as soon as there are indications that the asset in question has decreased in value. The impairment test is conducted at the level at which goodwill is monitored within the group.

Capitalized expenditures for development works
Expenditures for research are expensed as they arise. Expenses during the development phase of products are activated as intangible assets when the management 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 expenses during the development phase can be measured reliably. Expenses capitalized include those related to materials, direct pay and other expenses directly attributable to the project. Additional expenditures are expensed as they arise in order to maintain the existing level of the intangible asset. Additional expenditures that improve and develop the existing intangible asset are capitalized if they meet the activation criteria. Assets developed internally will be reported at acquisition cost minus any accumulated depreciations and any accumulated impairments. All other expenses 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 expenses 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.

Tangible fixed assets
Fixed assets are reported in the group at acquisition cost after deductions for accumulated depreciations and any impairment. 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 carrying value of an asset is removed from the balance upon retirement, disposal 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 an expense for the period in which they occure. Repairs are continuously carried as expenses.

Depreciation principles
Depreciations are recognized on a straight-line basis in the year's profit/loss over the estimated utilization period for intangible and tangible assets, provided that such utilization periods are not indefinable. Goodwill and capitalized development costs are 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 and tangible assets with definable utilization periods are depreciated as of the point in time they become available for use.

The estimated utilization periods are:

- Capitalized expenditures for development works 5 years
- Program rights / licenses 10 years
- Client relationships 5 years
- Equipment 3 years
- Computers 3 years
- Right-of-use assets are amortized at the shorter of useful life and lease term

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

Leasing
When initiating a contract, the group assesses whether the contract is, or includes, a lease. A contract is a lease, or contains a lease, if it confers the right to determine the use of an identifiable asset for a given period in exchange for compensation. The lease term is defined as the non-cancellable term, together with periods covered by an extension option that the lessee is reasonably certain of using and periods subject to termination opportunities if the lessee is reasonably certain of not making use of that option. The group's leases are mainly linked to office premises, and the right-of-use assets also refer to leases for company cars. The group has not made use of the option of either extending or terminating the leases in force at the initial calculation. The group has chosen to isolate non-lease components and has excluded service fees for cleaning and other expenses from lease charges. The group applies the practical solutions that exist regarding short-term contracts and leases where the underlying asset is of low value.

Right of use assets
At the beginning of the lease period, the right of use assets are reported at cost and consist of the original lease liability less any lease charges paid before the start date, less any lease benefits received and any direct costs incurred by the group. Right-of-use assets are amortized on a straight-line basis over the shorter of useful life and lease term. 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.

Leasing liabilities
The lease liability is calculated on the date of acquisition to the present value of the fixed and variable lease charges unpaid at this point; lease charges during any extension periods that the group is reasonably certain to use, and penalties for any early termination of the contract if it is reasonably certain that the group will terminate the agreement prematurely. Only variable lease charges based on index or interest are included. Present value is calculated using the implicit lease interest rate, or if this cannot be determined by using the group's marginal interest rate. The incremental borrowing rate was 5.8% (5.2). Lease liability is measured at amortized cost using the effective interest method.

Modifications
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.

Impairment of non-financial assets
The carrying values of the group's non-financial assets, such as goodwill and capitalized development costs, are tested annually to determine whether there is any indication of a need to recognize impairment. Should such an indication exist, the recoverable amount of the asset is estimated and an impairment loss is recognized when an asset or a cash-generating unit's carrying value exceeds the recoverable amount. The recoverable amount is the greater of the asset's fair value less sales costs and its value in use. When assessing value in use, estimated future cash flows are discounted using a factor that takes into account current market assessments of the time value of money and the risks related to the asset or cash-generating unit.

An impairment is made in the amount with which the asset's reported value exceeds its recoverable amount. 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.

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.

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

For financial assets, reporting in the balance sheet ceases when the payment rights from the holdings have ceased or have been transferred and the group has transferred all material risks and rights attributable to 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: "amortized 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 income statement. All of the group's financial assets are reported under Financial assets measured at amortized cost.

Financial assets at amortized cost
Financial asset are classified as reported at amortized cost 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 amortized cost is based on the effective interest method minus impairments. Interest revenues and profits/losses from financial assets at amortized cost are recognized as financial income.

Accounts receivable
Accounts receivable are initially recognized at fair value and subsequently at amortized cost using the effective interest method. The group uses factoring and by agreement transfers accounts receivable to a factoring company in exchange for cash and cash equivalents in the currency in which the invoice is issued. Because the group retains the risk associated with these accounts receivable, it continues to report them in the balance sheet as accounts receivable. Because the group has determined that the business model of collecting contractual cash flows will remain applicable to such receivables, it will continue to value them at amortized cost. Earnings and losses from customer financing is presented in the incomst statement as other external expenses.

Impairment of financial assets
On each closing day, financial assets valued at amortized cost or as contract assets are tested for impairment according to the expected credit losses model. Expected credit losses make up the difference between all contractual cash flows that mature under the contract and all cash flows which the group expects to obtain, calculated at present value using 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 provisions for credit losses based on historical credit losses combined with forward-looking factors and individual tests.

The losses are reported in the income statement. When there is no longer a reasonable expectation of receiving payment, the asset is written off.

Financial liabilities
Financial liabilities are classified as valued at amortized cost.

The subsequent valuation of other financial liabilities are made at “amortized cost” using the effective interest method. Interest expenses and exchange rate profits and losses are reported in the result. Gains and losses are also recognized in the result when removed from the balance sheet.

The group has a convertible debt instrument to Norrlandsfonden in the amount of MSEK 10, with the conversion rate of SEK 48.82. The convertible debt instrument matures on May 31, 2022. In the event of a conversion, 204,834 shares will be added. The maturity of the convertible debt instruments is 5 years and the interest rate is based on STIBOR 90. In the case of negative interest, no interest compensation is payable. The convertible loan is for MSEK 10, which has been calculated at present value and MSEK 2.87 has been reported in equity.

As part of the external financing with the EIB, the EIB is entitled to receive warrants from Clavister. In connection with the first payment from the EIB, the EIB received 1,770,079 warrants with the option to subscribe for 1,770,079 shares at a subscription price of SEK 0.1. The maturity date is 2037. The options were valued by an external party and the cost of the free-of-charge options is expensed as interest expense over the term of the loans. In the case of new issues or other transactions that increase the number of shares in Clavister, the EIB has the right to receive equivalent free-of-charge options to ensure there is no dilution of the EIB's right to options. The share warrants received by the EIB in 2018, 2020 and 2021 with a total number of 1,743,839 warrants at a subscription price of SEK 0.1 have all been issued as a result of new issues. The maturity date for all of them is 4/30/2038. They were valued by Clavister and the prevailing share price was used as market value.

Trade accounts payable
Accounts payable are initially recognized at fair value and later at amortized cost using the effective interest method.

Inventories
The inventories are valued at the lower 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. 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. Inventories are reported net less obsolescence.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and immediately available balances with banks and similar institutions. Cash flow from operating activities is calculated according to the indirect method.

Provisions
Provisions differ from other liabilities in that there is uncertainty with regards to the time of payment or the size of the amount to regulate the provision. A provision is reported in the balance sheet when there is an existing legal or constructive 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.

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 or when the amount cannot be calculated in a sufficiently reliable manner.

Note 2 Significant estimates and assessments

Establishing the financial reports in accordance with IFRS requires 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. Changes in estimates are reported in the period during which the change is made only if the change has had an impact on this period, or in the period during which the change is made and future periods if the change affects both the period in question and future periods.

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

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 66,697 (51,875) having arisen from the acquisition of the shares in the subsidiary PhenixID AB and the acquisition of Omen Technologies 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 and Omen Technologies AB. As for Omen Technologies AB, in our opinion there has been no negative impact on value since the acquisition of Omen Technologies AB as the technology has generated great commercial interest among current and potential customers for Clavister's Cyber Armour solution. We also see additional potential for the technology in other Clavister solutions.

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 PhenixID AB 14.4% (13.9)

2) A cash flow forecast for the coming 5 years (2022 to 2026) has been calculated for 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 5- 15% per year.

3) Terminal value is calculated with a growth of 2% after 2026 in completed impairment tests.

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.

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.

The group's capitalized development costs totaled TSEK 91,286 (81,311) on December 31, 2021. Most of these capitalized development costs are taken into use and depreciation is carried out in compliance with depreciation principals. Capitalized expenditures for development works are 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 Clavister AB, PhenixID AB and Omen Technologies AB. As for Omen Technologies AB, in our opinion there has been no negative impact on value since the acquisition of Omen Technologies AB as the technology has generated great commercial interest among current and potential customers for Clavister's Cyber Armour solution. We also see additional potential for the technology in other Clavister solutions.

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

2) A cash flow forecast for the coming 5 years (2022 to 2026) has been calculated for 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 5- 30% per year.

3) Terminal value is calculated with a growth of 2% after 2026 in completed impairment tests.

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 capitalized expenditures for development works.

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 and Clavister Holding AB. As of December 31, 2021 these deficit deductions totaled MSEK 662 (591) to a carrying value of MSEK 0 (0). No deferred tax asset attributable to the deficit deduction was reported as an asset in 2021 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 was calculated according to the Swedish tax rate.

Valuation of the cost of options to financiers
The Board and company management have assessed the cost of the free-of-charge options to financier EIB and the previous financier TageHus to total MSEK 54.8. The cost shall be recognized as an interest cost over the duration of the loans. The free-of-charge options were valued by an external party upon initial subscription. The additional free-of-charge options were valued by the group at the market value of the share at any given time.

The amount for the options in respect of the EIB loan is 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.

Revenue recognition
Clavister has determined that the control of hardware, licenses and other performance commitments is transferred to the customer in compliance with IFRS 15 when the risk is transferred under the applicable delivery terms.

Clavister has agreements with distributors, partners and direct customers. A binding agreement with the customer in accordance with IFRS 15 criteria arises when one of the aforementioned places an order with Clavister for the desired product or service. Clavister's performance obligations then consist of the products and/or services defined in the order.

Clavister makes assessments regarding the transaction price, which is essentially a fixed price per quantity sold, where list prices form the basis for the transaction price, and any discounts given in addition to list prices are deducted from the price of the goods or services, thus reducing the price that Clavister will receive. Variable components such as volume discounts occur infrequently and are reported as they arise.

Performance obligations consist of hardware, hardware replacement warranties, the right-of-use software license, software license updates, third party data and support. The group also sells consulting services and subscription licenses for identity management. Control of the hardware passes to the customer under the delivery terms (Incoterms) applied. Clavister applies the Incoterm FCA (Free carrier) as a delivery condition, which means the risk passes to the customer when Clavister delivers the goods to the specified location and the buyer assumes the risk when the goods are delivered to the first carrier/terminal. Control of the right-to-use the license passes to the customer when the customer receives the license key, which takes place upon delivery. With the exception of consulting services, control of other performance commitments is transferred over the duration of the contract and distributed evenly throughout the contract term. The transfer of control for consulting services is based on the degree of completion; control is transferred as the work is performed.

Payment terms follow industry practice without extended credit periods.

Refinancing, liquidity and going concern
The Board of Directors and company management have determined that the group's ability to refinance, secure liquidity and the ability to continue as a going concern have been secured through the measures below. The measures are continuously monitored and any deviations and changes that require further consideration are addressed.

Cash and cash equivalents totaled MSEK 49.9 (143.2) on 12/31/2021. This in combination with a cash flow from operating activities that is negative leads to increased uncertainty. Against this background, the Board and management make an active and continuous evaluation regarding refinancing, liquidity and going concern.

The measures taken by the Board of Directors and management include the following:

- renegotiation and refinancing of the convertible debt instrument with Norrlandsfonden, where the existing MSEK 10 convertible debt instrument is refinanced with a new convertible debt instrument that will run until 05/31/2027.
- renegotiation and extension of the repayment date of the 20 MEUR loan to EIB, where the repayment period is extended from 2024 top 2026. Cash flow affecting repayments in 2023 will thus be reduced from 15 MEUR to 0.5 MEUR.
- application granted for deferral of payment of taxes and fees as part of the government Covid-19 support.
- to further strengthen liquidity and the ability to continue operations, a cost optimization program has been initiated to reduce cash flow OPEX by 20% from the level the group had at the end of 2021.
- The Board of directors assesses that, if needed, further measures can be taken to strengthen the liquidity of the company.

For additional information se the Report of the Board of Directors and note 32.

Note 3 Operating segments

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 reviewed by the group's chief operating decision-maker and for which independent financial information is available. Clavister's management evaluates the group mainly through order development, and also through revenue development as a whole, as well as by revenue and order intake broken down into geographical markets. However, costs are not measured by geographic market but on the basis of function and at a total level as a whole. Therefore, the chief operating decision-maker analyzes the group as a whole having determined that the group should be regarded as a single segment.

The group's various revenue categories consist of non-recurring product and license revenues, recurring revenue from customer contracts and consulting services. In 2021, the share of non-recurring product and license revenues was 17% (30%) of sales, recurring revenues 68% (54%) and consulting services 15% (16%).

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

Geographical distribution of net sales	**2021**	**2020**
Sweden	65,871	55,192
Rest of Europe	33,749	42,265
Asia	20,191	10,378
Rest of the world	9,489	20,246
	129,300	**128,081**

The group's fixed assets total 185,811 (169,691), of which 185,703 (169,213) are in Sweden; 108 (478) are in Germany.

Other operating income	**2021**	**2020**
Contribution	347	2,429
Recharges of e.g. warranty costs	1,909	2,889
Exchange rate gains relating to operations	1,647	5,946
Other remunerations and revenues	835	231
	4,738	**11,495**

Note 4 Revenue from Contracts with Customers

Group 2021

Revenue from contracts with customers Per operating segment	Group	Internal transactions	Eliminations	Total in the group
Recurring revenue from contracts with customers	88,520	0	0	88,520
Products and license revenues of a non-recurring nature	21,644	0	0	21,644
Consulting services and other	19,136	0	0	19,136
Internal turnover	0	15,814	-15,814	0
Net sales	**129,300**	**15,814**	**-15,814**	**129,300**
Time of revenue recognition				
Products and services transferred to a customer at a given point in time	21,644	0	0	21,644
Services transferred to a customer over time	107,656	0	0	107,656

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 non-recurring nature	38,504	0	0	38,504
Consulting services and other	19,535	0	0	19,535
Internal turnover	0	22,895	-22,895	0
Net sales	**128,081**	**22,895**	**-22,895**	**128,081**
Time of revenue recognition				
Products and services transferred to a customer at a given point in time	38,504	0	0	38,504
Services transferred to a customer over time	89,577	0	0	89,577

Contract assets and contract liabilities

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

Contract assets	2021	2020
Accrued income from client contracts	5,350	0
	5,350	**0**

Contract liabilities	2021	2020
Prepaid income from customer contracts	60,187	62,936
	60,187	**62,936**

Company management expects 72% of the performance obligations unrealized on December 31, 2021 to be reported as revenue during the next financial year (MSEK 43.4). The remaining 28% (MSEK 16.8) will be reported during the financial years 2022-2026. Of the revenues reported as net sales in 2021, 46.7 were included in contractual liabilities as of December 31, 2020.

At the end of 2021, the transaction price allocated to future contractual performance obligations totaled MSEK 1.5 (0) and the majority will be recognized as revenue over the next 3 years.

Note 5 Auditor fees

PwC	2021	2020
Auditor assignments	747	0
Auditing activities outside of the audit assignment	0	0
Tax advice	0	0
Other services	0	0
Carrying value	**747**	**0**

Ernst & Young	2021	2020
Auditor assignments	64	800
Auditing activities outside of the audit assignment	0	0
Tax advice	0	5
Other services	0	0
Carrying value	**64**	**805**

SKY CPA & Co, Hong Kong	2021	2020
Auditor assignments	0	15
Carrying value	**0**	**15**

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 counselling 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	2021	2020
Costs for premises	402	818
Provision / settlement / purchase of previous premises	-2,833	3,768
Consultancy expenses	16,003	9,393
Travel expenses	1,599	2,256
Administration	1,673	4,765
Market and sales	8,380	7,596
Miscellaneous	3,582	4,753
Carrying value	**28,806**	**33,349**

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

Note 7 Employees and personnel costs

	2021		2020	
Average number of employees	**Average number of employees**	**Percentage of men, %**	**Average number of employees**	**Percentage of men, %**
Subsidiaries in Sweden	123	84%	122	88%
Subsidiaries in Germany	5	100%	8	88%
Total in subsidiaries	**128**	**84%**	**130**	**88%**
Parent company	6	83%	2	100%
Total in group	**134**	**84%**	**132**	**87%**

	2021		2020	
Gender distribution, Board and senior executives	**Total on the balance sheet date**	**Percentage of men, %**	**Total on the balance sheet date**	**Percentage of men, %**
Board members	7	86%	5	80%
CEO and other senior executives	7	86%	10	80%
Total in group	**14**	**86%**	**15**	**80%**

Employee benefit expenses	**2021**	**2020**
Parent company		
Board and other senior executives		
Salaries and other remunerations	11,555	4,185
Social security contributions	3,137	1,445
Pension expenses (defined pension contribution plans)	1,254	578
Total	**15,946**	**6,207**
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	1,983	9,149
Social security contributions	623	2,874
Pension expenses (defined pension contribution plans)	310	1,492
Total	**2,917**	**13,515**
Other employees		
Salaries and other remunerations	88,105	81,558
Social security contributions	25,375	24,872
Pension expenses (defined pension contribution plans)	7,075	6,156
Total	**120,554**	**112,585**
Other employee benefit expenses	3,339	3,708
Total employee benefit expenses	**142,756**	**136,015**

2021	Basic salary, Board fees	Variable compensation	Pension expenses	Other compensation	Total
Chair of the Board					
Viktor Kovács	450	0	0	51	501
Board Member					
Jan Frykhammar	400	0	0	0	400
Staffan Dahlström	210	0	0	0	210
Kimberly Matenchuk	235	0	0	0	235
Martin Kreuzer	160	0	0	0	160
Malte Pollmann	107	0	0	0	107
Martin Roos	107	0	0	0	107
CEO and other senior executives					
John Vestberg	1,817	414	254	0	2,485
Other senior executives (6 people)	7,104	1,163	1,310	0	9,576
Of which from subsidiaries	*1,606*	*378*	*310*	*0*	*2,294*
Total	**10,589**	**1,577**	**1,564**	**51**	**13,780**

2020	Basic salary, board fee	Variable compensation	Pension expenses	Other 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 (9 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**

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

Information regarding what is included under “Other compensation” can be found under Note 29. Other compensation has been recognized up to and including the board’s resignation.

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

Severance
CEO remuneration consists of a base salary and pension. For the CEO, occupational pension is paid equivalent to 6.5% 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 will receive severance pay equivalent to 12 months.

No severance is paid to resigning members of the board.

Note 8 Share-based remuneration

Another option program was issued in 2016 linked to the loan financing with Harbert carried out in October 2016, issue price SEK 0.10; these mature in 2026. This loan has been repaid in full.

In 2017, options were also allocated to the lender, EIB; the options are free of charge, the subscription price is 0.10; and the options mature in 2037.

In 2018, two additional options programs were issued to employees and Board members; the issue price upon redemption is SEK 36.30, these loan fell due 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, 2020 and 2021, lender EIB was allocated additional share warrants, issue price SEK 0.10, free of charge; they mature in 2038.

In 2021, an option program was issued to employees and the Chairman of the Board; the subscription price at redemption is SEK 15.93. They mature in 2024.

If the outstanding share warrants are exercised, the group will issue a further 5,633,719 shares equivalent to around 10% of the total 56,530,354 registered shares.

Number of outstanding share warrants	12/31/2021	12/31/2020
Share warrants 2016–2026	19,801	19,801
Share warrants 2017 – 2037 (Series 3)	1,770,079	1,770,079
Share warrants 2018 – 04/30/2038	36,703	36,703
Share warrants 2018 – 05/31/2021	0	50,000
Share warrants 2018 – 05/31/2021	0	700,000
Share warrants 2020 – 04/30/2038	101,805	101,805
Share warrants 2021 – 06/30/2024	2,100,000	0
Share warrants 2021 – 04/30/2038	1,605,331	0
Total	5,633,719	2,678,388

Number of outstanding share warrants	12/31/2021	12/31/2020
Victor Kovacs, Chairman of the Board	0	50,000
John Vestberg, CEO	500,000	50,000
Management, excl. CEO (5)	1,200,000	185,000
Harbert, former creditor	19,801	19,801
EIB, creditor	3,513,918	1,908,587
Other	400,000	465,000
Total	5,633,719	2,678,388

	2021		2020	
	Number of options	Weighted average exercise prices	Number of options	Weighted average exercise prices
At the start of the period	2,678,388	10.24	7,065,249	14.52
Assigned	2,100,000	15.93	0	0
Assigned remuneration free options	1,605,331	0.10	101,805	0.10
Redeemed	0	0	0	0
Invalidated	0	0	-1,250,000	0.10
Matured	-750,000	36.30	-3,238,666	0
Outstanding at the end of the period	5,633,719	1.51	2,678,388	10.24
Redeemable at the end of the period	0	0	0	0

No share warrants were exercised during 2020-2021.

The exercise price range for outstanding share warrants at the end of the period was between SEK 0.10 and 15.93 (0.10- 35.46).

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 free-of-charge options issued to lenders, where an external valuation was conducted and a cost has been entered as a reduction of liabilities to credit institutions and equity, and this has been allocated over the duration of the loans to a total cost of MSEK 54.6, also see Notes 2 and 13.

Note 9 Other operating expenses

Other operating expenses	2021	2020
Exchange rate differences in operating receivables and operating liabilities	2,213	5,507
Total	**2,213**	**5,507**

Note 10 Leasing

Right-of-use assets consist primarily of leases for office premises in Örnsköldsvik and Nacka for 2021; in 2020 there was also an office premises in Umeå, and lease vehicles. The leases run between 3 and 6 years, with automatic extensions unless terminated a specified number of months prior to the expiration of the leases. Because the Group has determined that an extension option for leased premises is unlikely to be used, it was not taken into account when calculating the lease liability and right-of-use asset. Should an extension of 12 months nevertheless be made, the estimated cash flow for such an extension is TSEK 4,359. 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.

Right of use assets	12/31/2021	12/31/2020
Opening value	**31,872**	**31,708**
Acquisition for the year	739	1,664
Sales / disposals	-7,731	-1,499
Closing accumulated acquisition costs	**24,880**	**31,872**
Opening depreciations	**-16,355**	**-11,257**
Sales / disposals	4,674	1,488
Depreciation for the year	-5,598	-6,586
Translation effects	0	0
Accumulated depreciations carried forward	**-17,279**	**-16,355**
Carrying value	**7,601**	**15,517**

The above columns showing right-of-use assets refer to values for both premises and equipment. In the opening value, premises accounted for 26,920 (27,135); acquisitions of premises for the year totaled TSEK 739 (671) and disposals of premises for the year totaled TSEK 6,854 (885). Opening depreciations of premises accounted for TSEK 13,167 (8,765); depreciations of premises for the year totaled TSEK 4,637 (5,287) and disposals of premises for the year totaled TSEK 3,866 (885).

Debt regarding leasing agreements among interest-bearing debt in the group's balance sheet. See also Notes 18 and 30.

Leasing liabilities	12/31/2021	12/31/2020
Opening value	17,489	21,979
New liabilities	714	1,664
Amortization	-9,361	-6,154
Carrying value	8,842	17,489
Current leasing liabilities	5,453	6,117
Non-current leasing liabilities	3,389	11,372
Total leasing liabilities	8,842	17,489

Interest on lease liabilities in 2021 was reported to a total of TSEK 760 (1,219) at a rate of 5.8% (5.2).

Cash outflows for leases totaled 6,455 (7,477)

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, 2021 (TSEK 0). 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, 2021. 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 200 for the year ending December 31, 2021 (TSEK 174).

Depreciations on lease assets during the year totaled TSEK 5,598 (6,586).

Note 11 Depreciations

	2021	2020
Capitalized development expenses	28,031	28,266
Program rights / licenses	2,127	1,128
Access rights assets	5,598	6,585
Other intangible assets	667	1,000
Total	**36,423**	**36,979**

Note 12 Results from participations in subsidiaries

	2021	2020
Loss due to disposal of subsidiary	14	0
Total	**14**	**0**

Note 13 Financial income and expenses

Financial income	2021	2020
Non-redeemed warrants	0	940
Interest income	113	38
Net exchange rate fluctuations	0	7,678
Total	**113**	**8,656**

Financial expenses	2021	2020
Interest expenses	14,183	13,611
Interest expenses relating to leases	744	1,219
Expenses relating to share warrants to lenders, no liquidity effect	13,140	15,642
Other financial expenses	2,558	2,640
Net exchange rate fluctuations	3,788	0
Total	**34,413**	**33,112**

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	2021	2020
Tax expense for the year	-43	-109
	-43	-109
Deferred tax		
Deferred tax relating to temporary differences	166	583
Impairment of deferred tax asset	260	-842
Adjustment of deferred tax asset attributable to tax rate changes	0	0
	426	-259
Tax recognized in the income statement	**384**	**-367**

Reconciliation of effective tax rate	2021	2020
Earnings before tax	**-91,525**	**-80,869**
Tax according to the rate applicable to the parent company 20,6% (21.4%)	18,854	17,306
Tax effect of:		
Non-taxable income	0	0
Non-deductible interest expenses	-3,775	-5,152
Other non-deductible expenses	-2,682	-2,033
Unused deficit deduction for which deferred tax assets have not been reported	-12,299	-9,689
Adjustment of deferred tax attributable to tax rate changes	19	39
Temporary differences	6	4
Unused deficit deduction previously reported as a deferred tax asset, for which no deferred tax asset is currently reported	260	-842
Reported tax	**384**	**-367**
Effective tax rate (%)	-0.4%	0.5%

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

Deferred tax liabilities	2021	2020
Convertible debt instruments	-104	-364
Intangible assets	0	-317
Carrying value*	**-104**	**-681**

Specification of changes in deferred tax liability:

	2021	2020
Opening carrying value	-681	-336
Changes in temporary differences	317	497
Impairment of deferred tax asset	260	-842
Closing carrying value for deferred tax liability*	**-104**	**-681**

For further information, see Note 2 and the headings Deferred tax asset/tax liability related to loss carry-forwards.
*The deferred tax asset above refers to the net of the 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	**2021**	**2020**
Profit for the year attributable to parent company shareholders	-91,141	-81,237
Average number of outstanding common shares	54,416,683	38,981,281
Basic earnings per share	**-1.67**	**-2.08**

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 instrument is 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	**2021**	**2020**
Profit for the year attributable to parent company shareholders	-91,141	-81,237
Interest expense for convertible debt instruments (after tax)	0	441
Net profit	**-91,141**	**-80,795**
Average number of outstanding common shares	54,416,683	38,981,281
Adjustment for:		
Convertible debt	204,834	204,834
Stock options	5,633,719	2,678,388
Average number of outstanding common stock after dilution effects	60,255,236	41,864,503
Diluted earnings per share	**-1.51**	**-1.93**
Effect of limitation	**-1.67**	**-2.08**

Note 16 Intangible Assets

Purchase price	Goodwill	Software rights / licenses	Balanced expenditure on development work	Customer relationships	Total
As of January 1, 2020	**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
On December 31, 2020	**51,875**	**22,464**	**305,745**	**5,000**	**385,084**
Additions - internally generated	0	0	38,343	0	38,343
Additions - externally acquired	14,822	366	1,263	0	16,450
As of December 31, 2021	**66,697**	**22,829**	**345,351**	**5,000**	**439,877**

Depreciations and impairments					
As of January 1, 2020	**0**	**-1,240**	**-196,168**	**-3,333**	**-200,741**
Depreciation	0	-1,128	-28,266	-1,000	-30,394
On December 31, 2020	**0**	**-2,368**	**-224,434**	**-4,333**	**-231,135**
Depreciation	0	-2,127	-28,031	-667	-30,825
As of December 31, 2021	**0**	**-4,495**	**-252,465**	**-5,000**	**-261,960**

Carrying value

Note 17 Tangible fixed assets

Equipment	12/31/2021	12/31/2020
Opening acquisition cost	**787**	**1,518**
Acquisition for the year	0	0
Sales/ disposals	0	-732
Closing accumulated acquisition costs	**787**	**787**
Opening depreciations	**-787**	**-1,518**
Sales and disposals	0	732
Depreciation for the year	0	0
Accumulated depreciations carried forward	**-787**	**-787**
Carrying value	**0**	**0**

Note 18 Financial Instruments

Valuation of financial assets and liabilities on December 31, 2021

Financial assets	Assets were valued at amortized cost	Liabilities valued at amortized cost	Total recognized value	Fair value
Other long-term receivables	419	0	419	419
Accounts receivable	34,212	0	34,212	34,212
Other short-term receivables	6,595	0	6,595	6,595
Accrued income and prepaid expenses	8,394	0	8,394	8,394
Cash and cash equivalents	49,886	0	49,886	49,886
	99,506	**0**	**99,506**	**99,506**
Financial liabilities				
Convertible debt instruments	0	9,728	9,728	9,728
Liabilities to credit institutions	0	222,588	222,588	222,588
Leasing liabilities	0	8,842	8,842	8,842
Trade accounts payable	0	10,190	10,190	10,190
Other short-term liabilities	0	9,701	9,701	9,701
Accrued cost	0	80,706	80,706	80,706
	0	**341,755**	**341,755**	**341,755**

We have determined that the fair value and the carrying value of all categories are in the same amounts; e.g. interest rates are in line with market interest rates.

Valuation of financial assets and liabilities on December 31, 2020

Financial assets	Assets were valued at amortized cost	Liabilities valued at amortized 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
Cash and cash equivalents	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
Other long-term liabilities	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**

The fair values and the carrying values of all categories are in the same amounts.

Note 19 Prepaid expenses and accrued income

	12/31/2021	12/31/2020
Prepaid rent for premises	1,363	1,820
Prepaid leasing fees	408	393
Prepaid insurance premiums	227	378
Accrued consulting and contract revenues	5,350	0
Other items	1,046	1,579
Carrying value	**8,394**	**4,170**

Note 20 Cash and cash equivalents

	12/31/2021	12/31/2020
Cash and bank balances	49,886	143,189
Carrying value	**49,886**	**143,189**

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 2021	Participation 2020
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	0%	100%
Omen Technologies AB	Development and sales company	100%	0%
PhenixID AB	Development and sales company	100%	100%
PhenixID UG	Sales company	100%	100%

There are limits to the group's ability to access the capitalized development expenditures placed in a restricted development reserve by the subsidiaries Clavister AB, PhenixID AB and Omen Technologies AB. The amount was TSEK 92,886 (80,689) on 12/31/2021.

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, 2021 registered share capital stood at 56,530,354 shares (52,303,012) 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 mature later than five years from the balance sheet date.

In September 2017, the parent company was granted a 3-year loan, totaling MSEK 50 at fixed interest. The agreement concerning this loan also included the issue of share warrants to the lender, the share warrants are provided free of charge with an issue price of SEK 20. The number of share warrants stands at 0 (0) and each warrant bestowed the right to subscribe to one share in the company. The loan was repaid in 2020 and the share warrants associated with the loan 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 3,513,918 (1,908,587) and each warrant bestows the right to subscribe to one share in the company.

The interest liability MSEK 37.9 (25.7) linked to the non-current part of the liabilities to credit institutions forms part of the line item.

Note 24 Provisions

	12/31/2021	12/31/2020
Restructuring reserve	3,400	0
Carrying value	**3,400**	**0**

The restructuring reserve relates to the cost optimazation program, the program focuses mainly on managerial and administrative resources.

Note 25 Accrued expenses and prepaid income

	12/31/2021	12/31/2020
Accrued pay-related liabilities	13,753	15,340
Accrued interest	0	35
Prepaid income	60,187	62,936
Accrued other items	6,766	12,352
Carrying value	**80,706**	**90,663**

Note 26 Statement of cash flows

Adjustment for non-cash items	2021	2020
Reversal of depreciation	36,423	36,979
Reversal of accrual financial cost loans	15,087	15,005
Reversal of exchange rate difference	3,788	-7,841
Reversal of interest on loan from EIB	12,437	8,340
Reversal estimated interest on convertible loans	612	571
Carrying value	**68,347**	**53,054**

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

Changes in liabilities arising from financial activities	OB 2021	Cash flow	Reclassification from non-current to current liability	Revaluations	Misc.	CB 2021
Current financial liabilities (excl. leasing liabilities)	0	0	9116	612	0	9,728
Non-current financial liabilities (excl. leasing liabilities)	213,640	-2,586	-9,116	-3,788	24,438	222,588
Leasing liabilities	17,489	-8,649	0	0	2	8,842
Total liabilities from financing activities	**231,129**	**-11,235**	**0**	**-3,176**	**24,440**	**241,158**

Changes in liabilities arising from financial activities	OB 2020	Cash flow	Reclassification from non-current to current liability	Revaluations	Misc.	CB 2020
Current financial liabilities (excl. leasing liabilities)	53,709	-54,774	0	0	1,065	0
Non-current financial liabilities (excl. leasing liabilities)	228,999	-2,902	0	-7,922	-4,535	213,640
Leasing liabilities	21,979	-6,259	0	0	1,769	17,489
Total liabilities from financing activities	**304,687**	**-63,935**	**0**	**-7,922**	**-1,701**	**231,129**

Note 27 Pledged assets

	12/31/2021	12/31/2020
Pledge accounts receivable	6,852	2,954
Liquid funds	0	32,282
Other pledged assets	121	121
Total	**6,973**	**35,357**

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 28 Contingent liabilities

Support received for short-time work	0	1,854
Total	**0**	**1,854**

In 2020, 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 took place in 2021.

Note 29 Business combinations

Acquisitions 2021

On November 4, 2021, the group acquired Omen Technologies AB. The acquiring company was the parent company Clavister Holding AB. The acquisition was made through the purchase of 100% of the shares and votes. The Group gained a controlling influence over operations at the time of acquisition. The acquisition was reported using the acquisition method. Omen Technologies AB is a supplier of cybersecurity technology based on artificial Intelligence (AI). This will strengthen Clavister's solutions portfolio and provide an opportunity to address the burgeoning AI-based cybersecurity market.

The purchase price was MSEK 15.3, of which MSEK 3.2 was paid in cash and MSEK 12.1 was paid in newly issued shares in Clavister Holding AB. In conjunction with the acquisition, goodwill totaling TSEK 14,822 arose, which is the difference between the transferred payment and the fair value of the acquired net assets. The goodwill generated consists of synergies, innovative technology, market positioning opportunities and intangible values such as capitalized development costs and patents. The table below provides information on carrying values related to the acquisition. The fair value of intangible assets other than goodwill is amortized in accordance with the depreciation principles as set forth in Note 1, Accounting principles.

Acquired net assets at the date of acquisition	**Fair value determined on acquisition**
Intangible assets	290
Tangible fixed assets	45
Other assets	62
Cash and cash equivalents	435
Interest-bearing liabilities	0
Other liabilities and provisions	-385
Identified net assets	447
Goodwill	14,822
Total purchase sum	**15,269**

Effect of acquisition on group cash flow:	
Purchase price, cash portion	3,206
Cash acquired	
Net cash outflow	**3,206**

In the approx two months leading up to December 31, 2021, the subsidiary contributed TSEK 0 to the group's revenues and TSEK -240 to the group's earnings after financial items. Company management estimates that if the acquisition had occurred on January 1, 2021, the group's revenue would have been TSEK 874 and net earnings for the period after financial items would have been TSEK -178.

Note 30 Transactions with related parties

Subsidiaries	Sales of goods / services	Purchase of goods / services	Miscellaneous	Receivables on the balance sheet date	Liability on closing date
2021	15,814	15,814	0	0	0
2020	22,895	22,895	0	0	0

The transactions between the companies in the group mainly relates to management fee. Other transactions between the companies in the group are limited.

Transactions with the Board, aside from the agreed board fee, include consultancy fees; see Note 6 regarding remuneration as salary. Board Chairman Viktor Kovacs invoiced the group TSEK 51 (553) via a company for consultancy services rendered relating to the development of the company's processes and structures, primarily in sales. These fees are considered proportional to market rates.

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

Note 31 Financial risks

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

Credit risk

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

Credit risk in customer receivables

The largest share of turnover takes place in the subsidiary Clavister AB, where there are guidelines for ensuring that the selling of products and services is done to customers with an approved credit background. The credit assessment is made by an external party based on the estimated sales or credit limit and takes place within the scope of a signed framework agreement. If the customer is approved by the factoring company, the invoice is purchased and a settlement equivalent to 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-364 (300).

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

	12/31/2021	12/31/2020
Not due accounts receivables	23,787	27,179
Due accounts receivables 1–30 days	6,840	4,791
Due accounts receivables 31–90 days	2,971	85
Due accounts receivables >90 days	614	7,371
Carrying value	**34,212**	**39,426**

Provisions were made during the year using the model for expected credit losses.

Provision, credit loss, receivables	**12/31/2021**	**12/31/2020**
Opening carrying value	846	553
Reversal of previously made provisions	-435	-19
Adjustment due to exchange rate changes	12	-8
Provisions for the year	71	319
Closing carrying value	**494**	**846**

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 larger orders. Other companies in the group do not make advance payments.

Market risks
Market risk is the risk of fluctuations in fair value or future cash flows from a financial instrument due to changes in market prices. IFRS divides market risks into three types: currency risks, interest risks and other pricing risks. The market risks primarily affecting the group 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. Royalties are reported in the Goods for resale line in the consolidated income statement. 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 and PhenixID UG as the translation of the assets and liabilities takes place from 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 reported in SEK. 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 payment flows.

The sensitivity analysis for transaction exposure is based on operating revenues and costs. It shows theoretically how profit/loss before income tax would be affected by a change of 5 percentage points compared to all other currencies in EUR and USD. An increase in the EUR exchange rate against SEK by +5% would have a positive effect of TSEK 392 (1,743) on profit/loss before income tax, while a decrease would have a negative effect of TSEK-392 (-1,743). For USD, an increase in the USD exchange rate against SEK of +5% would have a negative impact TSEK-863 (-33) on profit/loss before income tax, while a decrease of 5% would have a positive effect of TSEK 863 (33).

Currency exposure (%)	2021 Operating income	2021 Operating expenses	2020 Operating income	2020 Operating expenses
SEK	57%	64%	46%	75%
EUR	38%	23%	47%	16%
USD	5%	12%	6%	8%
GBP	0%	1%	0%	0%

Transaction exposure sensitivity analysis

EUR	Change in EUR Rate	Impact on gross profit
2021	5.0%	392
2020	5.0%	1,743

USD	USD exchange rate	Impact on gross profit
2021	5.0%	-863
2020	5.0%	-33

Interest risk

Interest risk is the risk that fair value or future cash flows from a financial instrument varies due to changes in market interest rates. A major factor affecting the interest risk is the fixed interest term. The convertible debt instrument in the amount of MSEK 10 matures 5/31/2022. 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 EIB, an external lender, totaling TSEK 242,463 (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 4,291 (200).

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

	Currency	Maturity	Interest	Carrying value 2021-12-31	Carrying value 2020-12-31
Convertible debt instrument - Norrlandsfonden	SEK	31/5-22	Variable	9,728	9,116
Liability to external funder- EIB	EUR	5/2-23	Variable	124,549	116,423
Liability to external funder- EIB	EUR	7/11-23	Variable	63,396	58,197
Liability to external funder- EIB	EUR	30/10-24	Variable	54,518	51,826
				252,191	**235,561**

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 and the customer is usually notified three months in advance. This means that both increased prices and currency changes can affect the costs of product purchasing and royalty costs. Royalties are mainly paid in EUR.

Liquidity risk

Liquidity risk is the risk that the group will have difficulties fulfilling its obligations related to financial liabilities.

Clavister has a convertible loan that was taken out in 2017 with a due date of 5/31/2022. When the convertible loan was taken out, the agreed conversion price was set at SEK 48.82 per share, to compare with Clavister Holding AB's closing price of SEK 5.84 on 12/31/2021. The lender has the right to request conversion of all or part of the amount up until the due date; if this right is exercised, liquidity will not be affected. Negotiations were held between Clavister Holding AB and Norrlandsfonden for a new convertible debt instrument with the aim of refinancing the existing instrument. After the end of the financial year, Clavister and Norrlandsfonden announced that they have continued their previous cooperation having agreed to set up a new convertible loan with the same structure and framework as the previous convertible loan. The conversion price is agreed as the average volume-weighted price over a period of 30 days between February 6, 2022 and March 7, 2022 and with an additional premium of 15%. The maturity of the convertible debt instruments is 5 years and will run until 31/05/2027. As a result, liquidity will not be affected when the current convertible debt instrument matures and the new one is issued.

Clavister has also resolved to strengthen liquidity by utilizing the Covid-19 related aid programs that would be strengthened and/or extended after the end of the financial year to support companies until the negative effects of Covid-19 have abated. One of these programs relates to liquidity support through deferred tax payments related to staff and VAT. Clavister has used this aid program in the past but paid it back in full in the first half of 2021. Because the program is being expanded and extended until the beginning of 2023, Clavister has decided to use this facility to boost liquidity through deferment of tax payments.

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.

	12/31/2021			
Maturity analysis	<1 year	1–5 years	>5 years	**Total**
Interest-bearing liabilities	9,728	222,588	0	232,316
Liabilities to leasing companies in accordance with IFRS 16	5,453	3,389	0	8,842
Trade accounts payable	10,190	0	0	10,190
Other short-term liabilities	90,407	104	0	90,511
	115,777	**226,081**	**0**	**341,858**

	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**

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, against this background keeps the cost of capital down. For a development company like Clavister, the asset-based collateral base for borrowing is limited. The group's strategy for 2021, which remained unchanged from 2020, was to improve net cash.

On December 31, 2021, net financial cash totaled MSEK-173 (-70 on December 31, 2020).

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 could 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. There are external capital requirements leveled against the group regarding indebtedness and new loans potentially being taken.

Note 32 Events following the end of the financial year

In February 2022, Clavister introduced another hardware platform, Netwall 300, to complement the hardware platforms launched in the autumn of 2021. Netwall 300 is the next generation desktop model with more than twice the performance of its predecessor.

After the end of the financial year, the Swedish Government announced that most of the Covid-19 related aid programs would be strengthened and/or extended to support companies until the negative effects of Covid-19 have abated. One of these programs relates to liquidity support through deferred tax payments related to staff and VAT. Clavister has used this aid program in the past but paid it back in full in the first half of 2021. Because the program is being expanded and extended until the beginning of 2023, Clavister has decided to use this facility to boost liquidity through deferment of tax payments.

As announced in the year-end report, negotiations were held between Clavister Holding AB and Norrlandsfonden for a new convertible debt instrument with the aim of refinancing the existing instrument. After the end of the financial year, Clavister and Norrlandsfonden announced that they have continued their previous cooperation having agreed to set up a new convertible with the same structure and framework as the previous convertible. The conversion price is agreed as the average volume-weighted price over a period of 30 days between February 6, 2022 and March 7, 2022 and with an additional premium of 15%. The maturity of the convertible debt instruments is 5 years and will run until 31/05/2027. Clavister holding AB's current convertible to Norrlandsfonden expires on May 31, 2022.

On April 25th Clavister AB, a subsidiary of Clavister Holding AB, and the European Investment Bank (EIB) have rescheduled Clavister's repayment plan for the EUR 20 million loan facilities dated 18th December 2017.

The loan facilities consist of three tranches; A of 10 MEUR, B of 5 MEUR and C of 5 MEUR. Under to the original repayment schedule, tranches A and B would have been repaid in the first and fourth quarters of 2023 respectively. Tranche C would have been repaid in the fourth quarter of 2024.

According to the new agreement, the repayment schedule has been amended from three bullet repayments to an amortizing repayment. The repayment schedule spans the years 2023 – 2026. The accrued interest attributable to the loan facilities will be paid during the third quarter of 2026.

The amortization schedule according to the new agreement:

- In 2023, EUR 0.25 million will be amortized in the first quarter and EUR 0.25 million in the fourth quarter
- In 2024, EUR 3 million will be amortized in the first quarter and EUR 3 million in the fourth quarter
- In 2025, EUR 4.5 million will be amortized in the first quarter and EUR 4.5 million in the fourth quarter
- In 2026, EUR 4.25 million will be amortized in the first quarter and EUR 2.25 million in the fourth quarter

Repayments in 2023 will thus be reduced from EUR 15 million to EUR 0.5 million.

Group notes.

The cash-pay margin on tranche A is raised from 0% to 1% and the accrued interest on tranche C is raised from 3% to 7.5%. The annual interest expense increases by 325 TEUR, of which 100 TEUR affects cash flow.

The loan facilities originally incorporated certain financial covenants, tested on annual net sales and EBITDA. These covenants have been removed and there are, therefore, no financial covenants relating to the loan facilities.

The loan facilities continue to be unsecured.

A new security regimen has been established in Europe due to the Russian invasion of Ukraine. As a trusted European provider of cybersecurity solutions, it is of the utmost importance for Clavister that our solutions not be used by corrupt or criminal players, or in any other way that could jeopardize freedom.

Historically, our business has had a limited exposure to Russia, but we have identified a single purchase order from a global customer where the end customer is likely to be based in Russia. As a consequence, we have canceled the order and deliveries will not be made.

As of 31 March, 2022 the CEO of the subsidiary PhenixID AB, Peter Lauren, has chosen to leave his role within the company. Peter Lauren has been replaced by Johan Edlund, Chief Operations Officer (COO) in Clavister Holding AB. From April 2022 Johan Edlund has resumed the role as CEO of PhenixID AB and COO in Clavister Holding AB. Johan Edlund continues to be part of the Clavister group management team.

At the extraordinary general meeting (EGM) held on March 29, 2022 it was resolved that the Board should consist of three Directors without deputies until the close of the next annual general meeting. The EGM resolved to re-elect the Board members Jan Frykhammar and Staffan Dahlström and to elect Stina Slottsjö as new Director. Jan Frykhammar was elected chairperson of the Board.

Parent company’s income statement .

SEK in thousands	Note	2021	2020
Net sales	3	6,250	8,685
Other operating income	4	1	221
Operating income		**6,251**	**8,906**
Other external costs	5,6	-6,384	-6,996
Employee benefit expenses	7	-16,005	-6,218
Other operating expenses		-4	-10
Operating profit		**-16,142**	**-4,317**
Profit/loss from shares in group companies	10	-200,000	0
Other interest income and similar profit/loss items	8	0	940
Interest expenses and similar profit/loss items	8	-595	-9,619
Profit/loss before appropriations and taxes		**-216,736**	**-12,997**
Group contributions		-80,000	-30,000
Tax on the year’s earnings	9	261	-842
Profit for the year		**-296,475**	**-43,838**

Parent company’s comprehensive income report

Profit for the year		-296,475	-43,838
Other comprehensive income		0	0
Total comprehensive income for the year		**-296,475**	**-43,838**

Parent company's balance sheet

SEK in thousands	Note	12/31/2021	12/31/2020
ASSETS			
Capital stock subscribed but not paid in		**0**	**17,665**
Fixed assets			
Shares in group companies	10	400,082	559,822
Total fixed assets		**400,082**	**559,822**
Current assets			
Other receivables	12	88	158
Prepaid expenses and accrued income	13	669	387
Liquid funds	14	13,845	32,282
Total current assets		**14,602**	**32,827**
TOTAL ASSETS		**414,684**	**610,314**
EQUITY AND LIABILITIES			
Equity	15		
Restricted equity			
Capital stock		5,653	5,230
Current capital issue		0	252
		5,653	5,483
Non-restricted equity			
Share premium reserve		190,360	178,180
Accumulated profit or loss		287,812	318,610
Profit for the year		-296,475	-43,838
		181,697	452,952
Total equity		**187,350**	**458,434**
Liabilities			
Long-term liabilities	16		
Convertible debt instruments	16	0	9,116
Liabilities with group companies	11	211,412	126,100
Total non-current liabilities		**211,412**	**135,216**
Provisions			
Other provisions		1,830	0
Deferred tax liabilities	9	104	364
Total provisions		**1,934**	**364**
Current liabilities			
Convertible debt instruments	16	9,728	0
Trade accounts payable		1,400	13,320
Current tax liabilities	9	221	43
Other liabilities	17	464	1,613
Accrued expenses and prepaid income	18	2,175	1,324
Total current liabilities		**13,988**	**16,300**
Total liabilities		**227,334**	**151,879**
TOTAL EQUITY AND LIABILITIES		**414,684**	**610,314**

Parent company report of changes in equity .

	Restricted equity	Non-restricted equity				
SEK in thousands	Capital stock	Current capital issue	Share premium reserve	Accumulated profit or loss	Profit for the year	Total equity
Opening equity 01/01/2020	**2,566**	**0**	**31,381**	**439,598**	**-153,896**	**319,650**
Reversal of previous year's earnings	0	0	-31,381	-122,515	153,896	0
Profit for the year	0	0	0	0	-43,838	-43,838
Other comprehensive income for the year	0	0	0	0	0	0
Comprehensive income for the year	**0**	**0**	**0**	**0**	**-43,838**	**-43,838**
Current capital issue	0	252	17,413	0	0	17,665
Deposits relating to share 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**
Opening equity on January 1, 2021	**5,230**	**252**	**178,180**	**318,610**	**-43,838**	**458,435**
Reversal of previous year's earnings	0	0	0	-43,838	43,838	0
Profit for the year	0	0	0	0	-296,475	-296,475
Other comprehensive income for the year	0	0	0	0	0	0
Comprehensive income for the year	**0**	**0**	**0**	**0**	**-296,475**	**-296,475**
Capitol stock issue in progress	0	-252	-17,413	0	0	-17,665
Share-based compensation	0	0	0	13,040	0	13,040
New capital issue	423	0	29,843	0	0	30,265
Issue costs	0	0	-250	0	0	-250
Total transactions with owners	**423**	**-252**	**12,180**	**13,040**	**0**	**25,391**
Closing equity on December 31, 2021	**5,653**	**0**	**190,360**	**287,812**	**-296,475**	**187,350**

Parent company’s cash flow report .

SEK in thousands	Note	2021	2020
Cash flow from operating activities			
Profit/loss before appropriations and taxes*		-216,736	-12,997
Adjustment for non-cash-flow items	19	200,612	5,290
Cash flow from operating activities prior to changes in working capital		**-16,124**	**-7,707**
Cash flow from changes in working capital			
Changes in operating receivables		212	38
Changes in operating liabilities		-12,218	14,744
Cash flow from operating activities		**-28,130**	**7,075**
Investing activities			
Investments in subsidiaries shares	10	-24,990	-80,000
Investments in other financial fixed assets		0	0
Cash flow from investing activities		**-24,990**	**-80,000**
Financing activities	19		
Amortization of loan		0	-54,774
Group contributions paid		-80,000	-30,000
Issue costs		-250	-21,947
Contributions due to share-based compensation		13,040	0
New capital issue		12,600	185,240
Increase of debt from subsidiaries		85,312	18,094
Cash flow from financing activities		**30,702**	**96,613**
Cash flow for the year		**-22,418**	**23,688**
Cash and cash equivalents at the beginning of the year		32,282	8,594
Cash and cash equivalents at the end of the year		**9,864**	**32,282**

* The item ‘Profit/loss before appropriations and tax’ includes interest received in the amount of TSEK 0 (0) and interest paid in the amount of TSEK-17 (7,580).

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.

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) prior to taxation has been the following:

- 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 (2022 to 2026) has been calculated for Clavister AB, 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 2026 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; the 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 resulted in impairments of MSEK 200 (0) in the parent company relating to the book values of shares in group companies.

Parent company notes .

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	2021	2020
Exchange rate gains relating to operations	1	9
Other remuneration	0	211
Total	**1**	**221**

Note 5 Other external costs

Other external costs consist mainly of board fees of TSEK 1,945 (1,468), legal fees of TSEK 838 (2,511), costs of TSEK 0 (386) or the hire of consultants in connection with financing, and costs to Certified Advisor of TSEK 180 (179).

Note 6 Auditor fees

The majority of the fees to auditors are reported in the Parent Company, TSEK 517 (486), 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.

Note 8 Financial income and expenses

Interest income and similar profit/loss items	2021	2020
Profit/loss from non-redeemed warrants	0	940
Interest income	0	0
Total	**0**	**940**

Interest expenses and similar profit/loss items	2021	2020
Other financial costs	0	-2,663
Interest costs	-595	-6,956
Total	**-595**	**-9,619**

Note 9 Taxes

Income statement

Current tax expense	**2021**	**2020**
Tax expense for the year	0	0
Change in deferred tax liability referring to deficit deduction	0	0
	0	**0**
Deferred tax		
Deferred tax relating to temporary differences	0	0
Deferred tax on deficit deduction	261	-842
	261	-842
Tax recognized in the income statement	**261**	**-842**
Deferred tax recognized under other comprehensive income for the year		
	0	0
Tax recognized in other comprehensive income	**0**	**0**

Reconciliation of effective tax rate	**2021**	**2020**
Earnings before tax	**-296,736**	**-42,997**
Tax according to the rate applicable to the parent company	63,502	9,201
Tax effect of:		
Non-taxable income	0	0
Non-deductible expenses	-134	-9
Impairment of shares in subsidiaries	-41,200	0
Non-deductible interest expenses	0	-1,855
Tax on profit from earlier years not previously recognized	0	0
Temporary differences	0	0
Impairment of tax assets relating to deficit deduction	261	-842
Increased deficit deduction not recognized as a receivable	-22,167	-7,338
Reported tax	**261**	**-842**
Effective tax rate (%)	-0.1%	2.0%

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

Deferred tax asset/tax liability	**2021**	**2020**
Convertible debt instruments	104	-364
Miscellaneous	0	0
Carrying value	**104**	**-364**

Specification of changes in deferred tax liability:

	2021	**2020**
Opening carrying value	-364	478
Impairment of tax assets relating to deficit deduction	260	-842
Closing carrying value for deferred tax asset/tax liability	**-104**	**-364**

Note 10 Shares in Group companies

	12/31/2021	12/31/2020
Opening acquisition cost	559,822	478,295
Acquisitions for the year	28,310	1,527
Shareholder’s contributions for the year	11,950	80,000
Closing accumulated acquisition costs	**600,082**	**559,822**
Impairment loss for the year	-200,000	0
Closing carrying value	**400,082**	**559,822**

Further information is found in Note 2 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	Proportion of equity	equity on 12/31/2021	Earnings 2021	Book value 12/31/2021	Book value 12/31/2020
Clavister AB (556546-1877)	Örnsköldsvik	100%	76,764	5,779	287,362	474,322
PhenixID AB (556987-6310)	Stockholm	100%	16,334	37	97,450	85,500
Omen Technologies AB (559228-0647)	Gothenburg	100%	333	-178	15,269	0

Note 11 Liabilities with group companies

	Counterparty	12/31/2021	12/31/2020
Opening acquisition cost	Clavister AB	-130,000	-102,023
Additional receivables	Clavister AB	0	0
Additional liabilities	Clavister AB	-69,462	-27,977
Closing debt Clavister AB		**-199,462**	**-130,000**

	Counterparty	12/31/2021	12/31/2020
Opening acquisition cost	PhenixID AB	3,900	-5,983
Additional liabilities	PhenixID AB	-11,950	0
Outgoing liabilities	PhenixID AB	-3,900	9,883
Closing receivable/liability PhenixID AB		**-11,950**	**3,900**
Closing liability/receivable group companies		**-211,412**	**-126,100**

Note 12 Other receivables

	12/31/2021	12/31/2020
VAT receivable	85	18
Other receivables	3	140
Carrying value	**88**	**158**

Note 13 Prepaid expenses and accrued income

	12/31/2021	12/31/2020
Leasing costs	48	15
Insurance premium	162	245
Other accrued costs	459	126
Carrying value	**669**	**387**

Note 14 Liquid funds

	12/31/2021	12/31/2020
Cash and bank balances	13,845	32,282
Carrying value	**13,845**	**32,282**

Note 15 Equity

As of December 31, 2021, capital stock consists of 56,530,350 (52,303,012) 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 (498,077,833).

Note 16 Current and non-current liabilities / liabilities to credit institutions

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

Note 17 Other liabilities

	12/31/2021	12/31/2020
Employee withholding taxes	279	472
Statutory social security contributions	185	275
Deferred amount, withholding tax and Social Security contributions	0	865
Carrying value	**464**	**1,613**

Note 18 Accrued expenses and prepaid income

	12/31/2021	12/31/2020
Accrued pay-related liabilities	1,252	429
Accrued interest	0	35
Accrued other items	923	860
Carrying value	**2,175**	**1,324**

Note 19 Cash flow analysis

Adjustment for non-cash items	2021	2020
Impairments	200,000	0
Reversal of accrual expense Tagehus (capitalized expenditure)	0	642
Reversal of accrual expense options Tagehus (f.o.c. options)	0	4,077
Estimated interest on convertible loans	612	571
Carrying value	**200,612**	**5,290**

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 20 Pledged collateral

	12/31/2021	12/31/2020
Cash and cash equivalents	0	32,282
Total	**0**	**32,282**

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 21 Contingent liability

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

Note 22 Transactions with related parties

Transactions with subsidiaries	Counterparty	2021	2020
Sale of services	Clavister AB	6,000	4,785
Purchase of goods/services	Clavister AB	0	0
Group contributions	Clavister AB	80,000	0
Change in settlement account	Clavister AB	-69,462	-27,977
Receivables on the balance sheet date	Clavister AB	0	0
Liabilities on the balance sheet date	Clavister AB	-199,462	-130,000
Sale of services	PhenixID AB	250	3,900
Change in settlement account	PhenixID AB	-15,850	0
Receivables / Liabilities on closing date	PhenixID AB	-11,950	3,900

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

Note 23 Proposed appropriation of profits

The following parent company assets (SEK) is are at the annual general meeting's disposal	
Share premium reserve	190,359,848
Accumulated profit or loss	287,812,494
Profit for the year	-296,475,223
	181,697,119

The Board proposes that the entire share premium reserve of SEK 190,359,848 be transferred to retained earnings. The amount of SEK 181,697,119 was carried forward.

Board signatures

Örnsköldsvik, April 25, 2022

The consolidated financial statements and the annual report were approved for issue by the Board of Directors on April 25, 2022. 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.

Jan Frykhammar
Chairman of the Board

Staffan Dahlström
Board Member

Stina Slottsjö
Board Member

John Vestberg
Chief Executive Officer

Our audit report was submitted on 04/26/2022

Öhrlings PriceWaterhouseCoopers AB

Claes Sjödin
Authorized Public Accountant

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