Annual report & Consolidated Financial Statements for Clavister Holding AB

Financial year . 2022

Corporate ID number 556917-6612

clavister

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Unless specifically stated otherwise, all amounts are reported in SEK thousands. Data in parentheses refer to:

A summary of Clavister.

Clavister develops, produces and sells cybersecurity solutions. The company was founded in 1997, has been listed on Nasdaq First North since 2014, and is based in Örnsköldsvik. 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 safety.
- Our business concept is to be cybersecurity specialists – so that Clavister's customers can protect operations critical to their business, information and reputation.
- Clavister's long-term goal is to be the leading cybersecurity supplier in Europe.

A word from the CEO.

We look back on a year with a clear focus on optimizing our operations. We have chosen to steer our sales focus towards mission-critical businesses within the EU, primarily towards customers in the public sector, critical infrastructure, defense, and telecom - customer groups where we have clear competitive advantages given our strong product portfolio combined with a Swedish technology background.

The past year has also been characterized by the extensive cost optimization program we have implemented with the aim of achieving positive cash flows during 2023. The program aimed to reduce ongoing operating expenses from a level of 196 MSEK to a level of no more than 164 MSEK. We have reached further than our goal, which means that for the full year 2022, we report operating expenses, adjusted for one-time effects of the program, of less than 164 MSEK. Further activities have been carried out during the fourth quarter, which will result in further reduction in the cost base in 2023 as well.

Looking back at the full year 2022, I am particularly satisfied to see the continued positive development of our Identity and Access Management (IAM) solution with new customers primarily within the public sector. Sales is strong along with a healthy profitability.

I am also pleased to see our successes within the defence industry - an exciting mix of commercial shipments, funded R&D projects in tight collaboration with large industry players, as well as an increased interest in our solution. The defence sector is partly driven by the digitalization of defence platforms and also by increased defence budgets as a consequence of the war in Ukraine.

Our firewall business contributed with a high volume of deliveries. The number of shipped firewall hardware units increased with 45% which is a good foundation, going forward, for recurring license revenue from our customers. Our new business model is an important contributor to these growth numbers and it a strong contributing factor to increasing recurring revenue. Other improtant upsides with the new business model are that the total contract value is significantly higher, order intake levels more stable over time and the customer retention rates are better.

Our 5G Security business saw slow development during the year. No new significant license deals were signed- whereas our professional services consultants worked intimately with several of our operator customers to deploy previously acquired software licenses. This allows us to monetize on those operators' future expected mobile data growth.

5G is without doubt the mobile technology experiencing the fastest growth, but the market penetration is still in a very early phase. The cyber threats against 5G networks are very real and drive demand of our type of security solution. The take-up rate has however been slower than what we and external analysts had been expecting.

A word from the CEO.

Financial development
The order intake in the full year 2022 amounted to 136.3 (191.6) MSEK a decrease of 29%. The decrease is primirly driven by the defence orders received in the first and second quarter of 2021, with a total value of 50 MSEK, for which similar orders have not been received in 2022. Adjusted for these orders, the order intake for the comparative year amounts to 141.6 MSEK, a decrease of 3.7 MSEK. The slightly lower order intake is mainly due to the transition to the new business model with a greater proportion of shorter contract lengths. The total contract value per customer over time is expected to be higher in the new business model.

For the full year, net sales increased by 10% to 143 (129) MSEK, which was in line with our stated goal of moderate growth for the year - based on the knowledge that the transition to the subscription-based business model entails a distribution of revenues from new customer contracts over a longer period of time.

For the full year, a gross margin of 81 (86)% was achieved - slightly above our stated target level of 80%.

We end the full year 2022 with a quarter that, in my opinion, we have every reason to be proud of. We continue to drive growth and achieved net sales of 40 (36) MSEK in the period, which corresponds to an increase of 10%. Including our externally financed R&D projects in the defense sector, our total revenue for the period grew by 17% to 43 (37) MSEK.

During the second half of 2022, we report a positive EBITDA result, EBITDA for the second half of 2022 amounts to 4.5 MSEK - an improvement of 13.5 MSEK compared to the same period the previous year. This is our first EBITDA positive second half of the year ever. For the full year, EBITDA improved with 9.8 MSEK to-11 MSEK.

Cash flow from our operations for 2022 improved and amounted to-24.7 MSEK, to be compared with-56.3 for the comparative period. With a cash position of 42 MSEK at the end of the quarter- in combination with significantly improved cash flows - we feel confident about our liquidity situation.

Market outlook
Market outlook suggests a recovery of network security growth compared to fairly low levels during the pandemic. One example being Allied Market Research who are projecting an average annual growth of the network firewall market with 22% through 2030. Also, the IAM market, which saw a clear growth during the pandemic, is projected to see a continued strong growth. The inflation, but also the energy prices, might be limiting factors which delays investment decisions in the short term.

To get a better understanding of how Clavister might be impacted by the macro trends, we recently conducted a market survey where 500 European companies were consulted on their cyber security plans. 60% of the respondents state that they plan to increase their investments as a consequence of the war in Ukraine. 57% consider European technology important and 59% plan to introduce a dual-vendor strategy for cyber protection. All in all, very positive indicators matching Clavister's offering.

The war in Ukraine and impact on Clavister
A new security order has been established in Europe following the Russian invasion of Ukraine, and no one is left unmoved by the ongoing war. Europe is coming together as never before, with European cybersecurity becoming more relevant than ever.

Right now, there is an unprecedented increase of European defence funding. One of the challenges though is to be able to ramp-up production of defence equipment keeping pace with the increased budget allocations. This opens a window of opportunity for Clavister, in which Clavister CyberArmour is a standardized solution that can be implemented into a wide variety of defence platforms without extensive development. Since the war started in Ukraine, we note a substantially higher interest for our solution.

Significant events during the year
Strong development of the IAM business
The solution area IAM, which is run by our subsidiary PhenixID, demonstrated a positive development in 2022, with continued strong sales and a healthy profitability. We welcomed several new Swedish public agencies and municipalities as new customers. We also note an increased interest on the solution from customers outside Sweden, with new users from both Finland, Norway and Germany.

Within the scope of the solution, a new version of the Signing Service / Workflow product was launched. The product manages digital signatures for documents and transactions and is fully compliant with directives and requirements from EU and ETSI, including PAdES and LTA. Region Stockholm is one of the key customers who has chosen to implement this product within their operations.

PhenixID has grown to become one of the leading suppliers of identity management in the Nordics. We see a continued strong potential for further growth, both within the Nordics as well as in other parts of the EU. The IAM business is currently concentrated on Swedish customers but has no technical limitations that hinder a gradual European expansion.

The CEO of PhenixID, Peter Laurén, chose to leave the company in the beginning of 2022 to take on new opportunities. I connection with this Johan Edlund was appointed as new CEO for PhenixID.

Success within the defence sector
In 2022, the tense global security situation, with heavily increased European defence budgets as one consequence, starts to make an ever bigger impact on our business.

We note a solid interest from the defence industry for our solution, driven by the digitalization of defence platforms and thereby the need for modern cybersecurity. At the large Eurosatory

A word from the CEO.

defence trade show in Paris in June, we had the opportunity to present our AI-based security solution for large industry players. The response was positive and provided a good confirmation of the viability of our technology.

The major deal we signed with BAE Systems for a major Western European military organisation last year is progressing according to plan. Series delivery of our products started in Q4 2022 and will continue over a four-year period.

Aside from the commercial projects which we are now delivering to, we have a number of running proof-of-concept projects with key players in the industry. Naturally, our ambition is to transform these projects into commercial integrations in those customers' defence platforms.

During 2022, the European Defence Fund (EDF) granted 25 million Euros for a comprehensive defence research project. The project, which is run by a consortium consisting of, among others, General Dynamics, Leonardo and Clavister, aims to develop new technologies for autonomous vehicles. Clavister's role in the project is to secure such vehicles against cyber attacks.

The Swedish Defence Material Administration (Sw: FMV) awarded Clavister with a proof-of-concept project within their space program. In the project, Clavister's AI-based technology will be used to detect anomalies in military satellite communication.

We are pleased to see that our partner BAE Systems continues to win substantial deals with their CV90 IFV (Infantry Fighting Vehicle) platform. End of June, the Slovak ministry of defence announced their intention to purchase 150 vehicles from BAE Systems, with the same make and model as being delivered to the Dutch army. Shortly thereafter, also Czech Republic declared their decision to buy around 200 vehicles from BAE Systems. As these deals get to be formalized during 2023, we will be able to announce their potential impact on Clavister's business.

We have built up an extensive pipeline of business opportunities, and we are optimistic about winning additional significant deals within the defense sector in the near future.

Development of the firewall business
Our firewall business had a strong performance, with an increase of over 45% in the number of hardware units delivered. In the beginning of 2022, we have launched a new product, the Clavister NetWall 300. The new addition to our product portfolio closes a previously known gap. Shipments in quantities started during the second quarter.

At the end of 2022, we launched the first commercial version of Clavister Cloud Services, our cloud-based cybersecurity solution that is the result from a year and a half of product development. Rather than creating a whole new business area, we decided to offer the solution as an additional service to our firewall business to reduce costs and risks. Clavister Cloud Services is based on the SASE (Secure Access Service Edge) concept, which enables companies and government agencies to access extensive cybersecurity capabilities via a convenient cloud service.

A word from the CEO.

Clavister's service is deployed on Swedish infrastructure, unlike competing SASE solutions which primarily use American cloud services. Swedish delivery is a pre-requisite for Swedish authorities to be able to use cloud-based cybersecurity without compromising on privacy and data storage policies. Furthermore, Clavister's solution is developed in a way that makes it possible to scale up the offering to other countries with low marginal cost.

The first version of Clavister Cloud Services provides security management including analysis and reporting, as well as password-less strong authentication.

Over time, the service will be supplemented with additional cloud-based capabilities based on both existing and upcoming Clavister IPR.

5G-business characterized by deployments
In the 5G business, the year has been characterized by the design and deployment of previously sold licensing contracts. We note that the lead time from initial sales to deployment is in most cases several years, which requires endurance but at the same time creates an installed base that drives licensing and consulting revenue over long periods going forward.

We expect the 5G business to continue to grow in 2023, primarily driven by an increased rollout pace of the so-called stand-alone 5G core networks from the operators' side.

Cost optimization
We launched a substantial cost optimization program in the fourth quarter 2021, with the purpose of accelerating Clavister's journey to profitability. The goal is to reduce our cash operating expenses with 20% from 2021 exit run-rate level.

During 2022 we have had good traction in the program and reached and overperformed on the set goals. The full effects was realized in the fourth quarter 2022. Additional activities was carried out in the fourth quarter, which result in further reductions in cost during 2023. The number of FTEs has decreased to 108 at the end of the period, compared to 133 by December 31, 2021.

Improved liquidity
During the year, we have executed on a number of initiatives to strengthen Clavister's cash position, both short-term and long-term. The purpose is to reduce the financing risk for the company as we continuously improve cash-flow from the business.

One of the most important initiatives has been a renegotiation of the terms for the 20 MEUR loan from the European Investment Bank (EIB). Rather than repaying the loan in its entirety during 2023 and 2024, the loan will instead be repaid in small tranches during the period 2023 through 2026.

Clavister has also been able to enjoy Swedish tax payment support related to the Covid-19 pandemic, improving liquidity with approximately 60 MSEK in the period.

Furthermore, the 10 MSEK convertible loan from Norrlandsfonden, due for payment in May 2022, is replaced with a new convertible loan with a duration until May 2027.

Ambitions and planning assumptions
We expect an increase in sales growth in 2023 compared to 2022. We believe that the growth can gradually increase to an average of 20% for the years 2023 through 2025 (CAGR).

As a result of the cost optimizations carried out, we expect to reach a lower level of operating costs in 2023 compared to 2022, which, in combination with increased sales volumes, will lead to a significant improvement in cash flow and positive EBITDA for the year. Our ambition is to achieve a positive operational cash flow in the second half of 2023.

The on-going war in Ukraine, the component shortage situation, and the remaining effects from the Covid-19 pandemic contributes to higher uncertainty in assessing the development of the global cyber security industry.

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

John Vestberg, CEO and President

Örnsköldsvik, Sweden, April 24, 2023

Market.

Market overview

Cyber security has undergone a pivotal shift in the recent years. The marked increase in the prevalence of ‘hybrid working’ since the Covid-19 pandemic has led organisations to re-think and extend their cyber security coverage from offices and datacentres to hybrid working. In addition, Russia’s invasion of Ukraine in 2022 has put businesses, especially European critical infrastructure such as energy suppliers, on high alert as they become attractive targets for state sponsored cyber criminals. Cyber security awareness has increased but the threats are on the rise too. Ransomware attacks occur worldwide every 11 seconds and cost the global economy an estimated €20 billion last year, according to Cybersecurity Ventures[1]. Meanwhile, DDoS attacks—malicious efforts to disrupt or cut off access to internet services or websites—cost the EU economy alone roughly €65 billion in 2020. More than two-thirds of companies in Germany, France, Italy, and the UK were reportedly targets of cyber breaches in 2021[2].

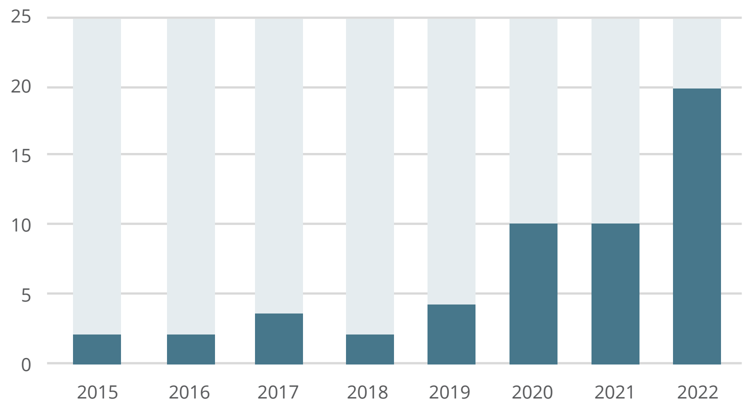


Figure 01: Number of cyber-attacks on energy suppliers/year, source: EnergiCERT

Boards are starting to sit up and take notice

We have seen a sharp shift in attitudes towards cyber security because of improved awareness of cyber risk. According to Gartner, whereas five years ago, only 58% of board members considered cyber based threats a significant business risk; in 2021, that figure rose to 88%. This shift in perception is a welcome development. Within Europe, EU recognises that digital sovereignty is going to be one of the strategic differentiators in the coming times and that Europe needs to bolster investment to grow cyber security. In the coming years, we can expect to see cyber security awareness and risk perception to spread wider in Europe, given the new geo-political dynamics at play. Policymakers and EU leaders are also playing their part in trying to bring consistency in cyber security practices across the nation states. The upcoming Cyber Resilience Act (CRA) is aimed at strengthening cyber security at all digital products level, hardware, and software, impacting all cyber security product vendors, including Clavister.

Clavister conducted a market survey in September 2022 and reached out to 500 organisations, big and small, spanning energy & utilities, the public sector, retail and Small and Medium Business (SMBs). This market survey provided us deep insights into the current state of Europe’s cyber security, its readiness to support hybrid working, and changing technology requirements since the Russian war on Ukraine. Survey results validated our thinking and will also help us make more informed product investment decisions.

1 Cybercrime Infographics: Illustrations Of The Past, Present, And Future Threats We Face (cybersecurityventures.com)
2 UK Data Breach Statistics | Databasix | Bringing People & Data Together (dbxuk.com)

Key Findings

Clavister Market Survey 2022

Secure hybrid working has been an ongoing priority since COVID-19 pandemic and then Russian war on Ukraine aggravated the situation further

Only **1 in 3** companies think that they have good coverage to secure their remote/ hybrid workers

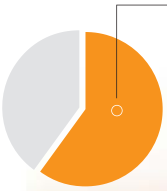
A third of organisations have made changes to their security stack/infrastructure while a further half are planning to invest in new technology!

Retail is adopting cloud fast while almost half of SMBs

44%

(**44%**) still prefer on-premise security!

Origin of cyber security is becoming an important consideration for European businesses. **3 out of 5** companies said they would like to see European produced cyber security!

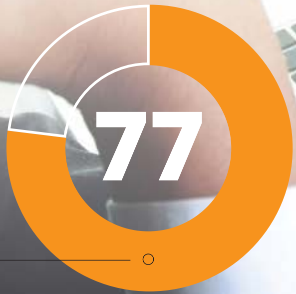


60% of Energy & Utilities companies are willing to opt for cloud-delivered cyber security solutions

84

84% of Public Sector is likely to adopt 'Defence in Depth' cyber security approach

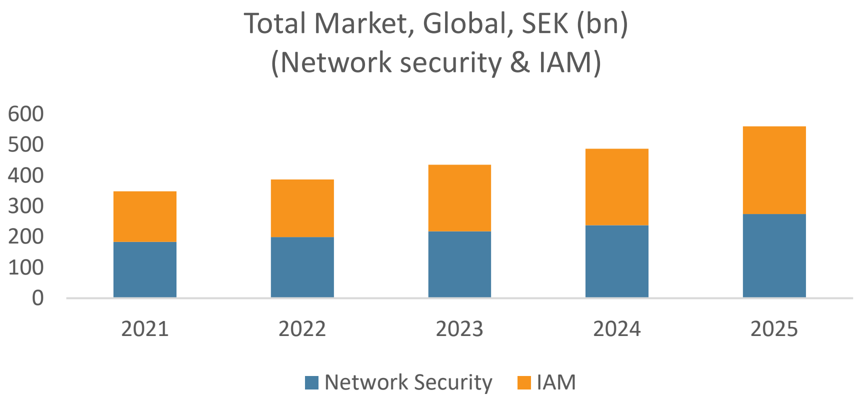
77% in Public Sector has not started or has less than **25%** of applications access using the passwordless (MFA) approach



Market.

Clavister in the Cybersecurity Market

Clavister's main cyber security areas are Network Security and Identity and Access Management (IAM), both are well established and foundational security categories, estimated to have grown 8.6% and 13.6% in 2022, according to Gartner[3]. With the move towards Zero Trust Network Access (ZTNA), there is an increasing overlap between network security and IAM, providing Clavister a unique opportunity to consolidate its portfolio and offer an integrated solution.

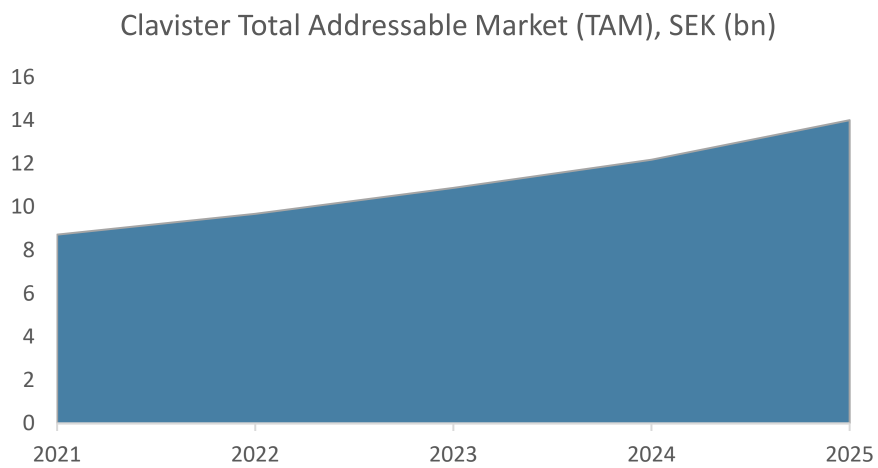


With multiple cyber security products and the hybrid networks including on-premise and cloud-based applications, customers' IT estate and cyber security are becoming complicated to manage. This is leading to demands of simpler platform-based solutions that make integrations and flow of information between different cyber security products easier, much like a mesh architecture[4]. In 2019, Clavister launched InCenter Cloud, to provide a holistic view of cyber threats and data traffic via a centralised cloud-based dashboard. In 2023 and beyond, this offering will evolve into Clavister Cloud Services where Clavister will add bolt-on security features to provide flexible and scalable security solutions, supported by simple, straightforward subscription-based pricing models. During 2023, we will be working on converging the NetWall and NetShield Next-Generation Firewall portfolio and bring new combined use-cases and high-performance firewall series.

3 https://www.gartner.com/en/newsroom/press-releases/2022-10-13-gartner-identifies-three-factors-influencing-growth-i
4 https://emtemp.gcom.cloud/ngw/globalassets/en/doc/documents/756665-top-strategic-techno-reskin-.pdf

Market.

Clavister celebrated its 25th anniversary in 2022 and being a Swedish company, Europe has always been Clavister's stronghold. In 2022, we sharpened our Go-To-Market strategy to focus even more on securing European critical infrastructure while maintaining and growing our business in existing Small and Medium Businesses (SMB). Our market survey report validated market momentum and increased demand for strategic security. European organisations can no longer afford to maintain the cyber security 'status quo' and are actively looking to increase investment in improving their coverage across the board; and Clavister would like to play a pivotal role in securing our customers. Clavister is well established in the Swedish and Nordics market, however there is opportunity and scope for us to expand wider in Europe especially in Germany, France, and the Benelux region. Competition is fierce but we believe that we have the right focus, messaging and solution set to help us expand.



Region – Europe, industry sectors – defence, telecommunications, energy utilities, public sector and SMBs

Market.

Key Target Markets

Clavister's target markets remain the same and in 2022, we continued to sharpen our focus on protecting critical national infrastructure (CNI) and Small and Medium Businesse (SMB) customers:

EU Government/Public sector – Clavister is trusted by national, regional, and local government customers, delivering high availability solutions for government services. Both network security and IAM solutions drive the primary volume in this segment and are funded on many years development and specialization in the field. Clavister initiated a full refresh of the appliances used in these solutions in 2021 and continued it in 2022. The newest addition is the Cloud Services that builds on Clavister's domain skills and intellectual properties simplifying delivery of security use-cases in a hybrid cloud environment.

Telecommunications/Communication Service Providers (CSPs) – Telecom infrastructure is part of critical national infrastructure (CNI) and requires stealth protection against evolving cyber threats. Our 5G Security product, NetShield forms the basis for our CSPs offerings. NetShield is specifically designed for virtual environments with linear scaling and supports hybrid network models and helps CSPs to transition from 3G and 4G to 5G in a secure way. IoT, augmented virtual reality, smart cities, autonomous vehicles, all of these and more use cases of 5G will demand 5G-ready cyber security that NetShield can readily provide. In 2022, we conducted performance tests for NetShield in Intel Labs and demonstrated ground-breaking performance. This will translate into huge processing efficiency and cost improvement for our customers.

Defence industry – Changing geo-political landscape in Europe post Russia's invasion of Ukraine led to massively increased defence budgets and strengthening cyber defence becomes a priority for NATO and allied forces. As obvious as it sounds, cyber security for defence is a highly specialised field unlike the rest of commercial market due to the expertise required and need for bespoke military-grade solutions. The digitalization of defence forces has reached a point where cyber security is required all the way out on tactical level, across all military platforms, for example, military vehicles. Clavister has built a niche working actively with the defence forces and allies over the last few years and developing cyber security products specially to secure military platforms and equipment. Our flagship product for military platforms and vehicles security, Cyber Armour, has built a significant brand equity in the European defence and cyber security space. In 2022, we continued to build on this momentum and won cyber security research projects with European Defense Fund (EDF) and Swedish Armed Forces to provide secure unmanned ground vehicles and satellite communication. These projects will help us showcase applications of Artificial Intelligence (AI) and expand our defence solutions further.

Market.

Energy Utilities – Energy utilities companies across Europe face complex cyber security challenges, affected by external geo-political factors but also internal technological convergence between IT and OT, legacy systems and increasing cloud adoption. Energy utilities have always been a strong sector for Clavister especially in Sweden and Germany where we have worked with and secured large customers like E.ON. Our unique offerings secure perimeter around ICS and SCADA systems and provide coverage across IT, OT and IoT devices. Our 2022 market survey revealed that the origin of cyber security is important for energy utilities customers where 22% of them are actively looking for a European solution, providing us great opportunity to expand further in this market.

Small and Medium Business (SMBs) – Cyber threats do not differentiate on business size and impact of a cyber-attack on a Small and Medium Business (SMB) can significantly impact business continuity. Limited budget and lack of in-house security resources often limit SMBs to procure or use the latest cyber security technology. Clavister's vision is to help create a more levelled field for SMBs to protect their critical businesses, to be able to get the top-end expertise and functionality at affordable pricing, without any compromise. For this, Clavister works with specialised Managed Service Providers (MSPs) and channel partners that provide end-to-end security solutions and a single pane-of-glass to SMB customers. To complement the full refresh done on the appliance line in 2021, Clavister in 2022 launched the NetWall 300 Series, available in two models, the NetWall 310 and the NetWall 340 which offers a high performance Next-Generation Firewall in a desktop form factor.

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 2022. The company has its head office in Örnsköldsvik. Unless stated otherwise, all amounts are reported in SEK thousands. Figures in brackets refer to the previous year.

Information about the business operations

Research, software development, product development and sales of cybersecurity solutions for both physical products and virtual environments take place in-house within the Clavister Group. The products are characterized by high quality and performance, but also by a large product range. The group's offer also includes specialized technological services. Sales take place primarily under the company's own Clavister and PhenixID brands, and also through OEM, i.e. the software being added to customer's own product concept.

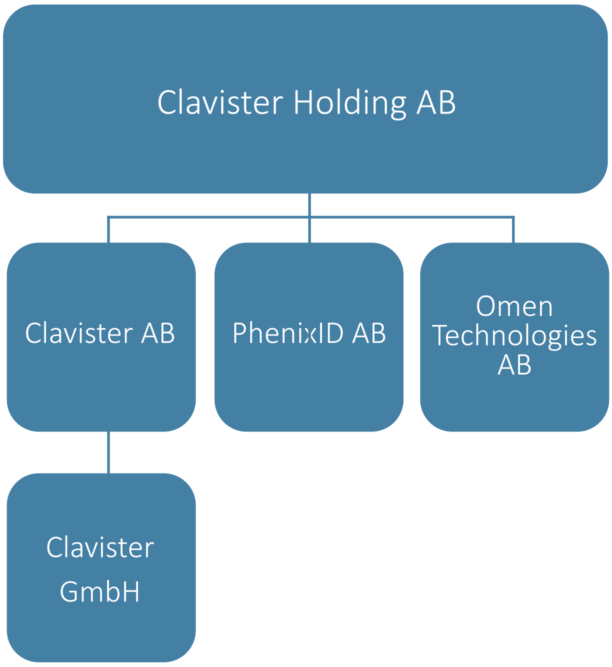
The Clavister Group was listed on Nasdaq First North in May 2014. A limited part of the business is performed within the parent company Clavister Holding AB, such as managing the company stock and activities aimed at investors. The management team is also active in the parent company.

The group comprises five companies, of which Clavister Holding AB wholly owns the subsidiaries 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 company's sales offices are located in Örnsköldsvik and Stockholm. Clavister AB owns 100% of the company Clavister GmbH in Germany, which pursue sales and marketing in the DACH region.

The subsidiary PhenixID AB has office in Nacka, and will during spring 2023 relocate to Södermalm, Stockholm, and pursues sales and software development. PhenixID AB 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.

Omen Technologies AB was acquired in 2021 and contributes expertise in the field of Artificial Intelligence (AI) through the employees who came with the acquisition, as well as in intellectual property rights (IP rights) in the AI field. The subsidiary continues to develop intellectual property rights in AI technology.

In 2022, the liquidation of PhenixID UG was completed.



Clavister Group:

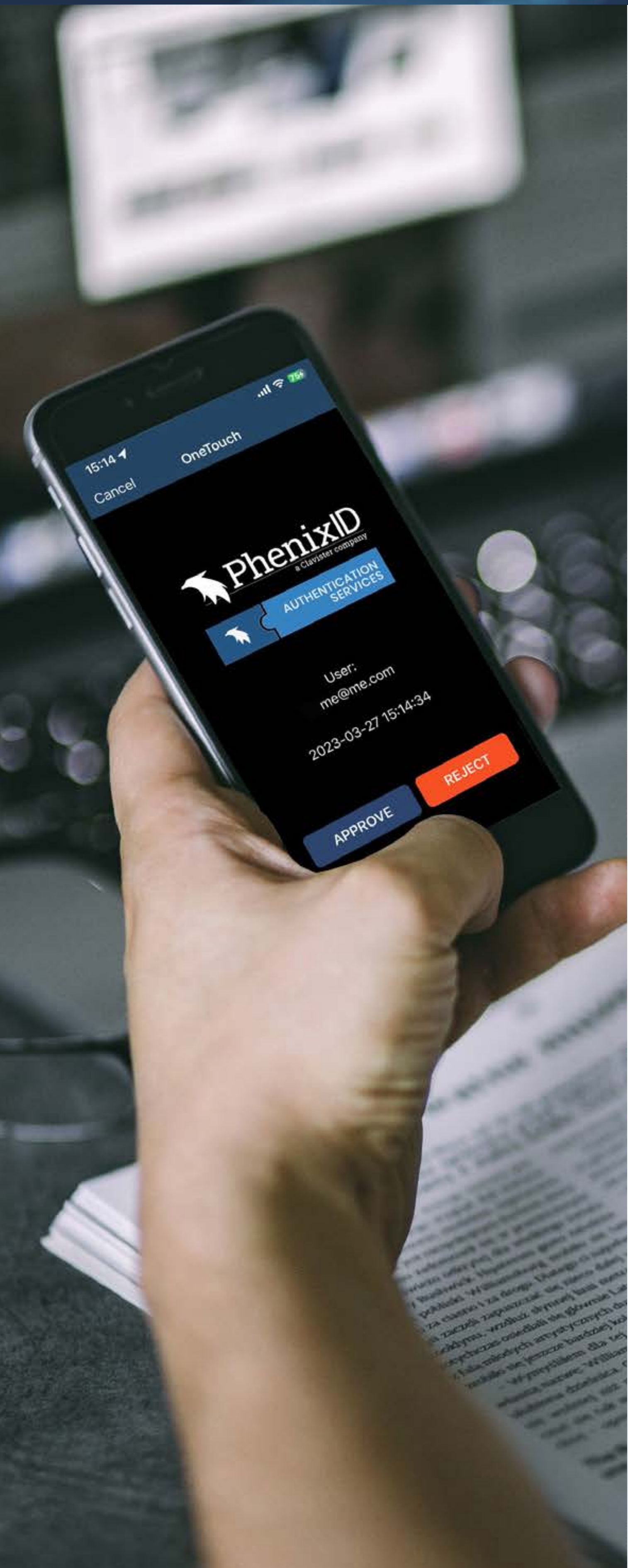
The Clavister Group with the parent company Clavister Holding AB and wholly owned subsidiaries.

Significant events during the year

- In early 2022, Clavister began a railway cybersecurity collaboration with Nokia in Australia. Clavister has long collaborated with Nokia to provide solutions that form an important part of Nokia's cybersecurity portfolio, especially within Managed Security Services (MSS) and Extended Detection and Response (XDR) solution setups. This strong partnership has made yet another major customer in Australia possible. The order, which is worth close to MSEK 2, will provide complete network protection for data traffic as well as protection from external attacks and attempts at access by unauthorized persons.

  As part of the new agreement, Nokia and Clavister will deliver advanced security features, including traffic filtering between track switching equipment, signals and track management and the central network for traffic management, elastic capacity management and a flow-based licensing model. The customer will also benefit from centralized management and advanced routing features.
- 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.
- 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 imperative for Clavister that our solutions not being used by corrupt or criminal actors, or in any other way that could jeopardize freedom. Historically, our business has had a limited exposure to Russia, but we

Report of the Board of Directors.



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.

- In the beginning of the 2022 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 concerns liquidity support through deferred tax related to staff and VAT. Clavister has used this aid program in the past and repaid it 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.
- The extraordinary general meeting held on March 29, 2022, resolved that the Board of Directors would comprise three members without alternates for the period until the end of the next Annual General Meeting. The meeting resolved to reelect Board members Jan Frykhammar and Staffan Dahlström and to elect Stina Slottsjö as a board member. The Meeting elected Jan Frykhammar as Chairman of the Board.
- As of March 31, 2022, Peter Lauren, CEO of the subsidiary PhenixID AB, has chosen to leave his role in the company. Peter Lauren has been replaced by Johan Edlund, Chief Operations Officer (COO) in Clavister holding AB. As of April 2022, Johan Edlund holds the position of CEO at PhenixID AB and COO of Clavister holding AB. Johan Edlund continues to be a Member of Clavister's group management.
- In 2022, negotiations were concluded 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. 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 May 31, 2027. Clavister Holding AB's previous convertible to Norrlandsfonden expired on May 31, 2022.
- On April 25, Clavister AB, a subsidiary of Clavister Holding AB, and the European Investment Bank (EIB) renegotiated the repayment schedule for the EUR 20 million loan Clavister AB has with the EIB since December 18, 2017. The loan comprises three tranches: A, for EUR 10 million, B, for EUR 5 million and C, for EUR 5 million. Under the original plan, tranches A and B were to be repaid in the first and fourth quarters of 2023 respectively. Tranche C was to be repaid in the fourth quarter of 2024. Under the new agreement, the repayment profile has changed and the tranches will be amortized on an ongoing basis instead of being repaid in full on a given occasion. The amortization plan extends over the years 2023 – 2026.

Accrued interest attributable to the loans will be repaid in the third quarter of 2026.

Amortization plan 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 decrease from EUR 15 million to EUR 0.5 million. Cash flow affecting interest rate on tranche A is increased from 0% to 1% and the accrued interest rate on tranche C is increased from 3% to 7.5%. The annual interest expense increases by TEUR 325, of which TEUR 100 is a cash flow effect. The loan was originally covered by covenants tested annually against net sales and EBITDA. These have now been removed and the loan is no longer covered by any covenants. The loan is not covered by any collateral.

- Clavister and BAE Systems showcased Cyber Armour capabilities of the CV90 IFV at Eurosatory. To mitigate evolving cyber threats, BAE Systems Hägglunds and European cyber security specialist, Clavister, have been working together to further cyber harden its CV90 IFV solution. CV90 and the embedded AI-based cyber security solution were presented at the Eurosatory defence and security tradeshow in Paris from June 13-17. Eurosatory is one of the largest defence and security exhibitions, bringing together defence sector leaders, from armed forces and businesses to industry analysts. BAE Systems first pioneered the use of digital systems for IFVs and is now taking the lead in developing purpose-built cyber resilience for CV90. For this, BAE Systems collaborated with long-term partner Clavister combining its battle-proven technology and decades of expertise in cyber security with the latest European research and advances in AI technology. As a result of this collaboration, CV90 is fitted with a new dimension of protection, Cyber Armour.
- In 2022, Clavister was nominated as one of the winners of the European Defense Fund (EDF) call for ‘unmanned ground vehicle technology’ in 2021. In addition to Clavister, General Dynamics European Land Systems, Leonardo, Indra, Sener, Iveco Defence Vehicles and 14 other European defense companies made up the winning consortium. Clavister will receive around EUR 530,000 in funding. The COMMANDS project (Convoy Operations with Manned-unManneD Systems) is centered on the development of new technologies for unmanned ground vehicles. Clavister will ensure that vehicles are protected against cyber attacks. The project will run for three years and EU funding is expected to be around EUR 25 million.
- In 2022, Clavister and Irdeto's departments for connected transport initiated a new collaboration to combine Clavister’s Next Generation Firewall (NGFW) and its AI engine for zero-day vulnerability with Irdeto's asset protection capabilities. The partnership enables end customers to monitor and manage their connected fleets securely and remotely, and benefit from a world-class digital customer experience. Clavister has extensive experience in protecting infrastructure and critical applications in the transport industry through long-term work in the public sector and long-term collaboration with a number of partners. Irdeto's long history of operations and global footprints in multiple transport sectors such as vehicles, rail and construction, result in a unique combination of expertise and knowledge that further expands both parties' security offerings. This new partnership also brings tangible benefits to both parties' customers by providing comprehensive network protection.
- Clavister has been awarded a Proof of Concept (PoC) contract by the Swedish Defence Materiel Administration (FMV), the primary supplier of equipment to the Swedish Armed Forces. As part of this contract, Clavister will provide specialized cybersecurity technology that will enable the Armed Forces to detect disruptions in satellite communications. To win the contract, Clavister participated and competed in FMV TechDay – the Administration’s military innovation program, which seeks to identify new technologies with the potential to improve the capabilities of the Armed Forces. This round of the program focused on space technology, and in competition with other innovative companies, Clavister, with its cutting-edge technology, was selected as providing the most prominent contribution. Innovation in space forms an important part of the work to achieve military advantages for Europe, and cybersecurity must be at the heart of developing new innovative space technologies. Clavister also sees great opportunities for the space sector in general to benefit from this work.
- Clavister and Nokia have renewed their collaboration agreement, thereby strengthening their long-term partnership, and the parties continue to meet the growing demands for 5G security. Nokia offers a wide range of network security solutions and services to the telecom market. In 2016, Clavister began partnering with Nokia to offer firewall solutions based on the product Clavister NetShield.

  Clavister NetShield, which has been installed with more than thirty mobile operators to date, is an extremely reliable, high-performance network firewall and 5G security product. Clavister NetShield prevents unauthorized access by restricting the mobile network to the outside world. While the product was especially designed for virtual environments with linear scalability, it is also available as a hardware variant to meet all needs. NetShield supports hybrid network models and helps mobile operators migrate from 3G and 4G to 5G securely.

  As part of the new partnership agreement, Nokia will include Clavister NetShield among the solutions provided by Nokia's Managed Firewall Services (MFS) unit at Nokia's Managed Security Services (MSS) department. Nokia MFS combines the advanced technical features of Clavister with its own firewall delivery service model. This creates a total solution that Nokia can offer its customers as a service. The Nokia MFS offer will

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not only enable customers to benefit from Clavister's new subscription-based pricing model to scale up to their specific needs, but also Nokia's highly experienced operational team.

As a telecom sector partner, with deep domain expertise, Nokia is in a strong position to help companies with MFS solutions based on its MSS portfolio, and Clavister plays its role in securing critical networks. Operators are looking for network security solutions designed for cloud environments that enable rapid scalability, high data throughput and simple, cost-effective management — precisely the characteristics Clavister NetShield provides.

- Clavister recently conducted performance tests of Clavister NetShield at Intel Labs, and it was proven to be one of the fastest security solutions in the world. The test was run on Intel's latest servers based on Ice Lake architecture, demonstrating that the performance of Clavister NetShield scales linearly, in step with demand. This kind of linear scalability is needed to keep cybersecurity intact even under massive 5G network loads.
- Clavister celebrated its 25th anniversary in 2022 and continues to grow as a leading European cybersecurity provider. Clavister has served critical national infrastructure and protected mission-critical applications for a quarter of a century, based on its unique ‘Security by Sweden’ values since its inception. Clavister has built a strong offering ranging from telecommunications and defense to the public sector, validated by the world's leading test laboratories and in partnership with world-renowned companies.

Ever since its founding, Clavister has created new and innovative solutions for many different industries wherever needs were greatest.

Today, all businesses, regardless of size, are exposed to more complex and diverse cyber risks than ever before. In a tough, competitive marketplace where new and rapidly changing geopolitical dynamics are constantly emerging, organizations must protect their networks with solutions from suppliers they can rely on.

Clavister's CEO John Vestberg co-founded the company in 1997 and was himself a driving force behind a process that led to the launch of the company's first commercial security product.

Clavister's story so far (and the technological milestones it passed along the way):

1997: Clavister founded in Örnsköldsvik. This was also the same year that IBM's Deep Blue became the first supercomputer to beat a reigning chess champion (Garry Kasparov) in a ‘best of six’ match series.

2000: Sony releases PlayStation 2, the best-selling gaming console of all time.

2008: Clavister releases the world's first fully virtualized firewall. Meanwhile, the Apple iPhone 3G was revolutionizing the smartphone market.

2015: Clavister launches a world-leading security solution to protect 5G mobile networks. At the same time, Amazon

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launches Echo and its Alexa ecosystem.

2020: Clavister achieves a new world record in firewall performance, and this is also validated by Intel Labs. Also, Elon Musks Space X announces it will be connecting thousands of Starlink satellites across the globe to provide an internet network to people living in remote locations.

2021: Clavister launches innovative, AI-based protection against zero-day attacks. Meanwhile, Facebook announces the basics of Metaverse, which in turn creates countless new cybersecurity challenges.

With regard to the future, Clavister intends to continue offering the best of European innovation and services to critical functions.

- In 2022, Clavister commissioned a cybersecurity study. Clavister partnered with UK-based Coleman Parkes Research for a market research survey. The survey was conducted in September 2022 and sent to 500 organizations in the public sector, energy, utilities and retail, as well as to the SME segment. The report summarizes their responses and provides good insights into Europe's cybersecurity situation, the readiness to deal with hybrid work, and the changing technology requirements brought about by Russia's war on Ukraine.

  Set forth below are some of the key findings from the Clavister survey:

  Only one in three organizations believe themselves to be well prepared to protect their remote and hybrid workers.

  In 2022 alone, one third of the respondents had made changes to their infrastructures, while another 50 percent plan to invest further in cybersecurity.

  No less than 66 percent of energy and utilities providers said they have re-evaluated their security measures and are looking at ways to improve their cybersecurity.

  Cloud-based cybersecurity is growing rapidly, and half of the respondents said they are already looking more closely at cloud-based strategies.

  In the public sector, 81 percent of organizations are actively considering or contemplating multiple layers of cybersecurity to improve their protection.

  The survey showed that companies and decision-makers in all sectors take the new external threats very seriously. Whether it be the importance of developing cybersecurity products and services in Europe or taking advantage of the benefits of zero trust and cloud-based security, companies are taking important steps to rethink their approach to cybersecurity.

  The European Investment Bank recently released a report highlighting the need to develop an independent European cybersecurity ecosystem, and warned against across-the-board underfunding of products and solutions. The EU has also identified digital sovereignty to be one of the key strategic factors in the near future, and that Europe needs to increase its investment to improve its cybersecurity profile.

- Clavister has been awarded research funding for a collaborative project called Collective Intelligence Supported by Security Aware Nodes (CISSAN). The project is run by CELTIC-NEXT, a European research group working on next-generation communications for a safer digital society. Clavister will be part of the Swedish consortium, supported by the Vinnova innovation authority, and will provide AI-based cybersecurity skills to create safer networks for the European energy sector.

  CELTIC-NEXT has initiated a collaborative project to develop new ways to make electricity grids safer. Electricity grids are becoming increasingly digitized and interconnected with IoT sensors and control devices. However, the nodes have limited capacity and are vulnerable to hacker attacks. By applying new means of connectivity and using advances such as AI and blockchain technology, the project will explore new ways of making grids safer and control more accurate. The project is called CISSAN, and the six participating countries are Austria, Finland, Luxembourg, Spain, Sweden and Turkey.

  Clavister is part of the Swedish consortium led by Blue Science Park. The project has received a grant of MSEK 12.7 from the EU and Vinnova to be shared by companies and academia. Affärsverken, the Swedish energy company, will help to establish requirements from the industrial side, while the Blekinge Institute of Technology will contribute academic research and collaborate with other international universities. Clavister, Savantic and Arctos Labs will provide the technology input including AI, cybersecurity and edge computing. Technova and AddSecure will provide expertise and technology for electricity distribution grids.

  Clavister has extensive experience in cybersecurity in energy and utilities, and is already working with major providers such as Stadtwerke Leipzig in Germany to deliver next-generation grid security and identity management solutions. Clavister's AI-based cyber security solutions help critical infrastructure customers such as defense, the public sector and energy companies. AI technology helps build resilient systems that actively eliminate cyber attacks and learn autonomously to protect against future cyber threats.

Events following the end of the fiscal year

Since the end of the financial year and in accordance with information communicated, Clavister has applied for an extension of the repayment term for deferred tax payments by 12 months, whereby, upon approval of the application, repayments will be made starting from the beginning of 2024. The extension of repayment has been approved for most of the approximately MSEK 60 until the beginning of 2024, after which repayment will start. For the approximately MSEK 3 for which an extension was not approved, an application for a 36-month installment plan was submitted, and approval has been received from the Swedish Tax Agency. Clavister has also applied for further deferment of tax payments in accordance with the resolution passed at the beginning of 2023, and has been granted deferment for an additional MSEK 15 in tax payments, which further strengthened liquidity.

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The Swedish Tax Authority announced, after the end of the financial year, that they deny Clavister AB reduction of employer contributions related to research and development for the period November 2021 to July 2022. The decision will be appealed as Clavister AB considers the research and development projects being conducted meet the requirements for reduced employer contribution according to the Social Security Act.

During the latter part of 2022, a newly formed competing business, Fortified ID AB, began marketing security products in identity management that bore major similarities to those developed, owned, and provided by our subsidiary PhenixID AB over several years. The competing business is headed by former employees of our subsidiary PhenixID AB. The group has reason to believe that the competing business's product range is based on intellectual property rights owned by PhenixID AB. As a result, legal action has been taken. On 18 April 2023, the Patent and Market Court for Stockholm District Court and Nacka District Court decided to instruct the Swedish Enforcement Authority to conduct an infringement investigation of the competing business, as the courts have assessed that it can reasonably be assumed that infringement of PhenixID AB's intellectual property rights has occurred. On 19 April 2023, the Swedish Enforcement Authority conducted a raid. The group is monitoring the legal process and cooperating fully with the relevant authorities in order to ensure that all legal interests are safeguarded.

Risks and uncertainties

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

Operational and strategic risk

Clavister currently has its largest turnover linked to medium-sized companies and a few larger, well-established customers. Dependency on our major customers not only affects 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 encroach on other companies' intellectual property rights, which may result in threats of or actual damage claims. The group may also incorrectly be accused of encroaching on other companies' patents and therefore become involved in costly patent litigations. Any patent litigation may in turn cause uncertainty or harm Clavister's competitiveness.

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

Financial risk

The majority of sales 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 2022 accounted for around 52% of the group's sales, followed by EUR at 44% and USD at 4%. Operating expenses are dominated by SEK at 71%, with the remainder split between USD (14%) and EUR (14%).

Interest-rate risks are associated with the group's financing through the convertible loan maturing on 05/31/2027, financing via the loans from the EIB as well as factoring where the interest rates are dictated by the markets using the different currencies.

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

While the Covid-19 pandemic has led to increased uncertainty and complicated the assessment of the business situation, we have also noted a decrease in the pandemic, with ever more countries returning to a status quo reminiscent of the time before Covid.

In 2022, Clavister adopted a hybrid approach by taking advantage of the lessons learned from times before and during the pandemic.

Since the effects of the pandemic have begun to abate, face-to-face meetings with customers are more frequent, and business travel for company personnel is gradually increasing. The outbreak of the corona virus affected distribution channels both in terms of component supply and lead times in shipping physical products to customers. While these disruptions in the distribution channels continued during 2022 and the effects of the Covid-19 pandemic have abated, work continues with longer-term planning and increased warehouse building to safeguard the supply of hardware.

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.

Risks related to the war in Ukraine

With regard to risks related to the war in Ukraine, Clavister currently has no financial exposure to Russia or Ukraine. However, Russia's invasion of Ukraine has an impact on global conditions in e.g. logistics chains. These had not recovered from the effects of the pandemic, and with Russia's invasion of Ukraine the turbulence continues. Clavister will mitigate this through extended long-term planning and increased stock build-up in order to safeguard the supply of hardware. Given the uncertainty surrounding the ongoing conflict, it is difficult to predict any further significant potential indirect effects that the situation may have on Clavister. As of December 31, 2022, there was no effect on any balance sheet item.

Quality efforts

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

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, which creates good opportunities and competitive advantages. The company's training of managers and senior executives in leadership and work environment issues of both a physical and psychosocial nature, highlights the importance of managers for good occupational health and safety work where everyone should feel included.

The Clavister Employee Satisfaction Index continued to rise in 2022, which we see as a result of the systematic approach to employee surveys we established. This enables the company to monitor, in real time, the pulse of our personnel's work situation, providing greater understanding and insights for managers to act on and provide support when needed. In 2022, the company had a response rate of 88%. It was also the year when Clavister transitioned to a hybrid approach, since we believe that it is in the physical meeting between employees that we create our magic. By taking on board the lessons learned before and during the pandemic, we now have a way of working that promotes our skills in innovation, builds culture and safeguards our employees' worklife balance

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 12/31/2022 totaled 108 (133), a decrease of 18.8%. The proportion of women increased slightly to 18% (16), and as of 12/31/2022, 19 employees (21). In addition to permanent staff, Clavister also engages consultants in e.g. customer projects, sales and development equivalent to 21 (14) full-time positions. The number of people, including consultants, employed by the group on December 31, 2022, totaled 129 (147).

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.

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The Board's methodology

In 2022, the number of members in Clavister Holding AB's Board of Directors was reduced from seven as of March 28, 2022 to three as of March 29, 2022. 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 2022, the Board held 23 minuted meetings.

Order intake, net sales and earnings

Order intake for full-year 2022 decreased by 29% compared to 2021. The decrease is explained by the major defense order of MSEK 47.7 received during the second quarter of 2021, for which no corresponding order exists in 2022. During the year, the company continued deliveries from an order book valued at MSEK 74.2 on December 31, 2022, representing a decrease of MSEK 14.3% year-over-year. The group's net sales for the year totaled MSEK 142.7 (129.3) and total revenue was MSEK 149.4 (134.0). 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 121.7 (114.8). The total reported gross margin for the year was 81.4% (85.7). The difference in gross margin between the years is because the margin in the new business model for the delivery of new hardware is lower, resulting in a negative impact on the gross margin at the start of a new contract. During the remainder of the contract period, the margin is higher as pricing for the software component has increased.

Increased hardware costs related to component shortages and the prevailing macroeconomic situation also have an impact. However, the availability of hardware components is secured for the foreseeable future. As of January 1, 2023, hardware pricing has been adjusted to offset increased hardware costs. The margin change is also explained by variations in the product mix.

The year was charged with items affecting comparability in the amount of MSEK 5.1 relating to the reorganization of the operation. The previous year was charged with items affecting comparability totaling MSEK 3.4, of which MSEK 3.4 was related to reorganization. The group's operating income totaled MSEK-51.4 (-57.2); adjusted for items affecting comparability the group's operating income totaled MSEK-463 (-53.8).

Financing

Clavister has refinanced a convertible debt instrument to Norrlandsfonden in the amount of MSEK 10, which matured on May 31, 2022. This convertible debt instrument was 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.

As of 2022-12-31, in addition to the above-mentioned convertible bonds, Clavister also has loan financing from the EIB in the form of 3 tranches, each amounting to EUR 10 million, EUR 5 million and EUR 5 million where repayment will be made on an ongoing basis during the period 2023-2026 in accordance with the new repayment plan. Accrued interest attributable to the loans will be repaid in the third quarter of 2026.

Amortization plan 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

During the year, Clavister used the opportunity to postpone tax payments for personnel and VAT, which increased cash flow by approximately MSEK 60 during the year. The program has been expanded and extended until the beginning of 2023 with a possible extension until 2024.

Going concern

The Board of Directors and the CEO makes continuous assessments regarding the Clavister Group's liquidity and financial resources, both in the short and long term. The annual report was prepared on the assumption that the company has the ability to continue operations during 2023 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 42.4 and a number of measures were initiated to reduce negative cash flow in the group in 2022 in comparison with 2021; they will come into full effect in 2023. Because Clavister will take the opportunity to further strengthen liquidity by deferring tax payments, liquidity is expected to receive a 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 2023.

Financial position

Cash and cash equivalents at the end of the period totaled MSEK 42.4 (49.9). On 12/31/2022, equity totaled MSEK-163.5 (-53.7).

The group's total assets decreased by 0.1% compared with the previous year and totaled MSEK 291.2 (291.5).

Fixed assets decreased by MSEK 3.2 compared with the previous year and totaled MSEK 182.7 (185.9). The decrease is explained by the fact that capitalized development costs increased by MSEK 1.9, utility assets decreased by MSEK 3.7, mainly relating to rental agreements for premises; program rights and licenses decreased by MSEK 2.2, and other long-term receivables increased by MSEK 0.7.

Current assets increased by MSEK 2.9 to 108.5 (105.6), of which liquid assets at the end of the period totaled MSEK 42.4 (49.9).

The group's equity at year-end was MSEK-163.5 (-53.7). The loss for the period reduced equity by MSEK-112.8 (-91.2). Equity increased by MSEK 3.0 (25.6) related to equity interest in the convertible loan and remuneration-free warrants. In the previous year, the increase was related to a new share issue in connection with the acquisition of Omen Technologies AB and remuneration-free warrants.

Investments, depreciation and development expenses

During 2022, the group continued to invest large amounts in product development and it capitalized time spent. Total expenses for the year and proprietary internal development were capitalized to MSEK 36.1 (38.1). The 2022 closing value in the balance sheet for development works totaled MSEK 94.8 (92.9). The development is attributable to upgrades and development of existing products and also largely to the development of a cloud service (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 34.2 (28.0) for the year.

Report of the Board of Directors.

Ownership

The number of shareholders totaled 5,219 and the number of registered shares on 12/31/2022 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
Avanza Pension	4,384,882	7.8%
Lloyd Fonds AG	3,905,575	6.9%
Nordnet Pensionsförsäkring AB	3,762,447	6.7%
ÖstVäst Capital Management	3,395,536	6.0%
Per Anders Bendt	2,980,237	5.3%
Staffan Dahlström	2,521,589	4.5%
Swedbank Insurance	2,051,190	3.6%
Futur Pension	1,803,113	3.2%
Stena	1,756,462	3.1%
Lupus alpha	1,466,666	2.6%
Other shareholders	28,502,657	50.4%
Shares registered with the Swedish Companies Registration Office 12/31/2022	56,530,354	100.0%

Shareholdings of Board of Directors and senior executives on December 31, 2022

Board of Directors	Number of shares
Jan Frykhammar	45,725
Staffan Dahlström	2,521,589
Stina Slottsjö	3,500
	2,570,814

Senior executives	Number of shares
John Vestberg*	524,520
David Nordström	30,000
Johan Edlund	35,800
Nils Undén	0
Mats Wenner	28,800
	619,120

Report of the Board of Directors.

Multi-year review

Group	2022	2021	2020	2019	2018
Net sales	142,703	129,300	128,664	123,061	111,772
Net sales growth (%)	10%	1%	5%	10%	12%
Gross profit	121,668	114,849	122,359	99,490	86,037
Gross margin (%)	81%	86%	87%	81%	76%
Operating profit before depreciations and impairment charges	-10,372	-20,801	-19,434	-39,031	-54,234
Earnings before tax	-112,521	-91,525	-80,869	-112,505	-118,236
Balance sheet total	291,153	291,536	382,883	303,275	385,791
Equity ratio (%)	Negative	Negative	3%	Negative	17%
Average number of employees	121	134	132	150	176
Parent company					
Operating income	6,003	6,251	8,906	430	500
Balance sheet total	420,459	414,684	610,314	491,981	527,408
Equity ratio (%)	27%	45%	75%	65%	84%
Average number of employees	6	6	2	2	2

Proposed appropriation of profits

The following parent company assets (SEK) is at the annual general meeting's disposal	
Share premium reserve	2,954,311
Accumulated profit or loss	181,697,119
Profit for the year	-77,941,402
	106,710,028

The Board proposes that the entire share premium reserve of SEK 2,954,311 be transferred to retained earnings. The amount of SEK 106,710,028 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	2022	2021
Net sales	3.4	142,703	129,300
Other operating income	3	6,703	4,738
Operating income		**149,407**	**134,038**
Goods for resale		-27,739	-19,189
Gross profit		**121,668**	**114,849**
Work performed by the company for its own use and capitalized	16	35,001	38,139
Employee benefit expenses	7.8	-123,828	-142,756
Other external costs	5.6	-41,361	-28,806
Other operating expenses	9	-1,851	-2,213
Depreciation	10.11	-41,021	-36,423
Results from shares in subsidiaries	12	0	-14
Operating profit		**-51,394**	**-57,225**
Financial income	13	209	113
Financial costs	8.13	-61,336	-34,413
Earnings before tax		**-112,521**	**-91,525**
Tax on the year's earnings	14	-309	384
Profit for the year		**-112,830**	**-91,141**
Profit for the year attributable to:			
Parent company owners		-112,830	-91,141
Non-controlling interest		0	0
Profit per share:	15		
Basic earnings per share		-2.00	-1.67
Diluted earnings per share		-2.00	-1.67

Consolidated statement of comprehensive income

SEK n thousands	Note	2022	2021
Profit for the year		-112,830	-91,141
Other comprehensive income for the year:			
Items which can later be reclassified for the statement of operations			
Translation difference		62	-40
Other comprehensive income for the year, net after tax		**62**	**-40**
Total comprehensive income for the year		**-112,768**	**-91,181**

Comprehensive income for the year attributable to:

Consolidated balance sheet.

SEK in thousands	Note	12/31/2022	12/31/2021
ASSETS			
Fixed assets			
Goodwill	16	66,697	66,697
Capitalized expenditures for development works	16	94,826	92,886
Program rights / licenses	16	16,153	18,334
Access rights assets	10.17	3,870	7,601
Equipment	17	0	0
Other long-term receivables	18	1,140	419
Total fixed assets		**182,687**	**185,937**
Current assets			
Inventories	1	13,520	5,890
Accounts receivable	18	36,262	34,212
Tax asset		0	622
Other receivables	18	4,965	6,595
Prepaid expenses and accrued income	18, 19	11,307	8,394
Liquid funds	18.20	42,412	49,886
Total current assets		**108,466**	**105,599**
TOTAL ASSETS		**291,153**	**291,536**

Consolidated balance sheet.

SEK in thousands	Note	12/31/2022	12/31/2021
EQUITY AND LIABILITIES			
Equity	22		
Capital stock		5,653	5,653
Other capital contributions		799,583	796,629
Reserves		118	56
Retained earnings, including profit for the year		-968,889	-856,060
Equity attributable to parent company shareholders		-163,535	-53,722
Total equity		**-163,535**	**-53,722**
Liabilities			
Long-term liabilities			
Liabilities credit institutions	18, 23, 31	270,468	222,588
Convertible debt instruments	18.31	8,523	0
Other liabilities	18.31	59,316	0
Leasing liabilities	10,18,31	179	3,389
Deferred tax expenses	14	383	104
Total non-current liabilities		**338,869**	**226,081**
Current liabilities			
Liabilities to credit institutions	18, 23, 31	5,564	0
Convertible debt instruments	23.30	0	9,728
Provisions	24	0	3,400
Leasing liabilities	10,18,31	3,830	5,453
Trade accounts payable	18.31	10,234	10,190
Current tax liabilities	14	289	0
Other liabilities	18.31	9,047	9,701
Accrued expenses and prepaid income	18, 25, 31	86,855	80,706
Total current liabilities		**115,820**	**119,177**
Total liabilities		**454,688**	**345,258**
TOTAL EQUITY AND LIABILITIES		**291,153**	**291,536**

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, 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**

Opening equity on January 1, 2022	**5,653**	**0**	**796,629**	**56**	**-856,059**	**-53,722**	**-53,722**
Profit for the year	0	0	0	0	-112,830	-112,830	-112,830
Other comprehensive income for the year	0	0	0	62	0	62	62
Comprehensive income for the year	**0**	**0**	**0**	**62**	**-112,830**	**-112,768**	**-112,768**
New capital issue	0	0	0	0	0	0	0
Equity, convertible share	0	0	1,858	0	0	1,858	1,858
Capitol stock issue in progress	0	0	3	0	0	3	3
Share-based remuneration value of free warrants	0	0	1,093	0	0	1,093	1,093
Total transactions with owners	**0**	**0**	**2,954**	**0**	**0**	**2,954**	**2,954**
Closing equity on December 31, 2022	**5,653**	**0**	**799,583**	**118**	**-968,889**	**-163,535**	**-163,535**

Consolidated cash flow report

SEK in thousands	Note	2022	2021
Cash flow from operating activities	26		
Profit before tax *		-112,521	-91,525
Adjustment for non-cash-flow items	26	95,597	68,347
Paid income tax		-312	-202
Cash flow from operating activities prior to changes in working capital		**-17,236**	**-23,380**
Cash flow from changes in working capital			
Changes in inventories		-7,630	1,350
Changes in operating receivables		-458	-4,223
Changes in operating liabilities		627	-30,063
Cash flow from operating activities		**-24,697**	**-56,316**
Investing activities			
Acquisition of subsidiaries		0	-2,772
Investments in intangible assets		-20	0
Investments in own development work		-36,373	-39,414
Payment of deposit		-719	-192
Cash flow from investing activities		**-37,112**	**-42,378**
Financing activities	26		
Borrowings		69,122	0
Repayment of loans		-10,000	0
Amortization of lease liabilities		-4,790	-8,649
Amortization of liability related to licenses		0	-4,051
New capital issue		3	18,341
Issue costs		0	-250
Cash flow from financing activities		**54,335**	**5,391**
Cash flow for the year		**-7,474**	**-93,303**
Cash and cash equivalents at the beginning of the year		49,886	143,189
Cash and cash equivalents at the end of the year	20	**42,412**	**49,886**

* The item ‘Earnings before tax’ includes interest received in the amount of TSEK 152 (113) and interest paid in the amount of TSEK 3,262 (1,521).

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 24, 2023. The balance sheets and income statements are subject to adoption by the Annual General Meeting on May 15, 2023.

Applied regulations

The consolidated financial statements have been established in accordance with the International Financial Reporting Standards (IFRS) provided by International Accounting Standards Board (IASB) as well as interpretations from the IFRS Interpretations Committee (IFRS IC), such as the ones adopted by the European Union (EU). The group also applies the Annual Accounts Act (1995:1554) and the recommendation from "Rådet för finansiell rapportering" (The Board for Financial Reporting) RFR 1 "Kompletterande redovisningsregler för koncerner" (Supplementary accounting provisions for groups". 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, 2022 the group applies a number of changed standards. None of these changes have had any material impact on the group's financial statements.

New and changed standards not yet 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.

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 refers to an 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 commitments.

Hardware income
Income from the sale of hardware is recognized when substantial control of the product has been transferred to the buyer in accordan-

ce 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 has assumed 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.

Cyber Armour
Clavister's Cyber Armour solution consists of three different performance obligations, one hardware component, a one-time license and support. Revenues from the hardware and support components are reported in accordance with the procedure described above for each performance obligation. The license is of a non-recurring nature and 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.

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 taken up.

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 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 32.

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.

Government grants

Government grants are reported when there is reasonable assurance that the Group will fulfill the conditions set out in the grants and that the grants will be received. Contributions are recognized in the income statement as other income.

Financial income and expenses
Financial income consists of interest income, exchange gains on financial receivables and liabilities, and any capital gains on 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, exchange losses on financial receivables and liabilities as well as activated costs allocated over 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 benefit
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.

Group notes.

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

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

Deferred tax is reported in its entirety, according to the balance sheet method, on all temporary differences that arise between the taxation value on assets and liabilities and its reported values. Temporary differences are not taken into account in consolidated goodwill. Additionally, temporary differences attributable to shares in subsidiaries which are not expected to be reveres within the foreseeable future are not taken into account.

The valuation of deferred tax is based on how underlying assets and liabilities are expected to be realized or settled. Deferred tax is calculated through the application of the tax rates and taxation rules in force or announced as of the balance sheet day and which are expected to apply when the deferred tax claim is realized or the deferred tax claim is settled.

Deferred tax claims relating to deductible temporary differences and deficit deductions are only reported to the extent that they are likely to be utilized. The value of deferred tax claims 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. Costs during the development phase of products are activated as intangible assets when the board assess that it is likely that they will result in future economic advantages for the group, the criteria for activation have been met and the costs during the development phase can be measured reliably. 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 activation criteria. Assets developed internally will be reported at acquisition cost minus any accumulated depreciations and any accumulated impairments. All other costs which do not meet the criteria for activation will debit the earnings when they appear.

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

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

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 a cost for the period in which they appear. 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 retried 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 confident of using and periods subject to termination opportunities if the lessee is reasonably confident of not making use of that option. The group's leasing agreements are mainly linked to office spaces and company vehicles. 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 in use 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.

Lease 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 marginal lending rate was 4.5% (5.8). The 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: "accrued acquisition cost", "fair value through other comprehensive income" and "fair value through profit/loss. The classification depends on the asset's characteristics and the business model under which it is held. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not recognized at fair value through the earnings. Financial assets reported at "fair value through profit/loss" are initially recognized at fair value and the transaction costs are carried as an expense in the statement of operations. All of the group's financial assets are reported under Financial assets measured at amortized cost.

Financial assets at accrued acquisition cost

Financial asset are classified as reported at accrued acquisition value if the contractual conditions result in payments which only refer to the principal amount and interest for the outstanding principal amount, as well as the financial asset being held under a business model the purpose of which is to hold financial assets in order to obtain contractual cash flows. In subsequent reports, valuation at accrued acquisition cost is based on the effective interest method minus impairments. Interest revenues and profits/losses from financial assets at accrued acquisition cost are recognized as financial income.

Accounts receivable

Accounts receivable are initially recognized at fair value and later 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 statement of operations as other external expenses.

Impairment of financial assets

On each closing day, financial assets valued at either amortized cost or as contract assets according to the expected credit losses model are tested for impairment. 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 bad debt losses based on historical credit losses combined with forward-looking factors and individual tests.

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

Financial liabilities

Financial liabilities are classified as valued at amortized cost.

The subsequent valuation of other financial liabilities are made at "accrued acquisition cost" using the effective interest method. Interest expenses and exchange rate profits and losses are reported in the earnings. Earnings and losses are also recognized in the earnings when removed from the annual report.

The group has a convertible debt instrument to Norrlandsfonden in the amount of MSEK 10, with the conversion rate of SEK 5.61. The convertible debt instrument matures on May 31, 2027. In the event of a conversion, 1,782,532 shares will be added. The maturity of the convertible debt instruments is 5 years and the interest rate is based on STIBOR 90 + 2.5%. 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 1.86 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 accrued acquisition cost using the effective interest method.

Inventories
The inventories are valued at the lower out of the acquisition cost and the net sales value. The acquisition cost is calculated in accordance with the “first in, first out” principle and includes expenses which have arisen from the acquisition of the inventory assets and transport to their current location and condition. 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 company management to make estimates and assessments, as well as assumptions which affect the application of the accounting principles and the reported amounts for assets, liabilities, income and costs. The actual outcome may deviate from these estimates.

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

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

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 (66,697) 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.

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 PhenixID AB 15.1% (14.4)

2) A cash flow forecast for the coming 5 years (2023 to 2027) 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- 20% per year.

3) Terminal value is calculated with a growth of 2% after 2027 in completed impairment tests.

And as for the AI-driven technology and product being developed by Omen Technologies AB, management considers it to be a technology that is attracting a great deal of attention in the cybersecurity market and as such is much sought after. The technology and product are still under development. When the AI technology and product become available to the market, Clavister AB will incorporate the technology into its own products for sale to new and existing customers. Clavister AB and Omen Technologies AB have concluded an agreement under which Omen Technologies AB will receive royalties for each product sold containing the AI-driven technology.

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 carrying value.

The group's capitalized development costs totaled TSEK 93,710 (91,286) on December 31, 2022. 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. And as for the AI-driven technology and product being developed by Omen Technologies AB, management considers it to be a technology that is attracting a great deal of attention in the cybersecurity market and as such is much sought after. The technology and product are still under development. When the AI technology and product become available to the market, Clavister AB will incorporate the technology into its own products for sale to new and existing customers. Clavister AB and Omen Technologies AB have concluded an agreement under which Omen Technologies AB will receive royalties for each product sold containing the AI-driven technology.

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.

Group notes.

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 PhenixID AB 15.1% (14.4)

- testing of Clavister AB 19.2% (16.5)

2) A cash flow forecast for the coming 5 years (2023 to 2027) has been calculated for PhenixID AB and Clavister 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- 20% per year.

3) Terminal value is calculated with a growth of 2% after 2027 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, 2022, these deficit deductions totaled MSEK 732 (662) to a carrying value of MSEK 0 (0). No deferred tax asset attributable to the deficit deduction was reported as an asset in 2022 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 obligations 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 obligations 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.

Clavister provides third-party data, components of the license that are obtained and updated from third parties through Clavister. A company must determine whether its promise is an obligation to provide specified goods and services itself, i.e. whether the company is the principal, or whether the company must ensure that the other party provides those goods or services, i.e. the company is an agent. To be considered the principal, the company must check the specified goods or services before transferring them to the customer; verification is deemed to exist, inter alia, when the company has access to a good or service from the other party which it can then combine with other goods or services to provide to the customer. Additional indications of verification are that the company may, at its sole discretion, determine the price of the specified good or service and that it is the company which is primarily responsible for fulfilling the promise to provide the specified good or service to the customer. Revenue recognition for a company that is the principal occurs when, or as, the company meets the performance obligation.

The management has assessed the relationship between Clavister and the third party data suppliers and deems that Clavister be regarded as the principal in relation to the third party data transferred to the customer. This assessment is based on the fact that Clavister obtains control over the third party data in the form of an autonomous, independent decision by Clavister on which licenses to combine third party data; Clavister can independently price the performance obligation related to the third party data and it is Clavister the has the primary responsibility of fulfilling the promise to provide the third party data through the license with which the third party data is combined. In doing so, Clavister acts as the principal and recognizes the revenue related to this performance obligation in accordance with the amount of compensation to which the company expects to be entitled in exchange for the specified goods or services transferred.

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

Cash and cash equivalents totaled MSEK 42.4 (49.9) on 12/31/2022. This, combined with a cash flow from operating activities that is negative, leads to increased uncertainty. In light of this, the Board of Directors and management actively engage in ongoing evaluations of the situation regarding refinancing, liquidity and the going concern principle.

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

- renegotiation and refinancing of the convertible debt instrument with Norrlandsfonden with a maturity date of 5/31/2022. This convertible debt instrument in the amount of MSEK 10 was refinanced with a new convertible debt instrument that will run until 05/31/2027.
- renegotiation and extension of the repayment term of the loan from the EIB in the amount of EUR 20 million, whereby the repayment term is extended from 2024 to 2026. Cash-flow-affecting amortizations in 2023 will decrease from EUR 15 million to EUR 0.5 million.
- the application and granting of a deferral for the payment of taxes and fees as part of the government's support measures for managing the impact of the Covid-19 pandemic.
- The Board of Directors considers that further measures to strengthen the company's liquidity can be implemented if necessary.
- For further information, refer to the Administration Report and Note 32

Group notes.

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 audited 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 highest executive 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 2022, the share of non-recurring product and license revenues was 14% (17) of sales, recurring revenues 67% (68) and consulting services 19% (15).

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

Geographical distribution of net sales	**2022**	**2021**
Sweden	72,833	65,871
Rest of Europe	42,639	33,749
Asia	8,725	20,191
Rest of the world	18,506	9,489
	142,703	**129,300**

The group's fixed assets total 182,687 (185,811), of which 182,133 (185,703) are in Sweden and 554 (108) are in Germany.

Other operating income	**2022**	**2021**
Contribution	3,141	347
Recharges of e.g. warranty costs	283	1,909
Exchange rate gains relating to operations	2,865	1,647
Other remunerations and revenues	415	835
	6,703	**4,738**

Note 4 Revenue from Contracts with Customers

Group 2022

Revenue from contracts with customers **Per operating segment**	**Group**	**Internal Transactions**	**Eliminations**	**Total in the group**
Recurring revenue from contracts with customers	94,806	0	0	94,806
Products and license revenues of a non-recurring nature	20,485	0	0	20,485
Consulting services and other	27,412	0	0	27,412
Internal turnover		19,042	-19,042	0
Net sales	**142,703**	**19,042**	**-19,042**	**142,703**
Date of revenue recognition				
Products and services transferred to a customer at a given point in time	20,485	0	0	20,485
Services transferred to a customer over time	122,218	0	0	122,218

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**
Date 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

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

Contract assets	**2022**	**2021**
Accrued income from client contracts	7,225	5,350
	7,225	**5,350**

Contract liabilities	**2022**	**2021**
Prepaid income from customer contracts	64,375	60,187
	64,375	**60,187**

Company management expects 77% of the performance obligation unrealized on December 31, 2022 to be reported as revenue during the next financial year (MSEK 50). The remaining 23% (MSEK 14) will be reported during the financial years 2024-2028. Of the revenues reported as net sales in 2022, MSEK 43 were included in contractual liabilities as of December 31, 2021.

At the end of 2022, the transaction price allocated to future contractual performance obligations totaled MSEK 2.3 (1.5) and the majority will be recognized as revenue over the next 3 years.

Note 5 Auditor fees

PwC	2022	2021
Auditor assignments	679	747
Auditing activities outside of the audit assignment	0	0
Tax advice	0	0
Other services	0	0
Carrying value	**679**	**747**

Ernst & Young	2022	2021
Auditor assignments	0	64
Auditing activities outside of the audit assignment	0	0
Tax advice	63	0
Other services	0	0
Carrying value	**63**	**64**

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

Note 6 Other external costs

Other external costs	2022	2021
Costs for premises	1,817	402
Provision / settlement / purchase of previous premises	0	-2,833
Consultancy expenses	20,767	16,003
Travel expenses	2,592	1,599
Administration	1,257	1,673
Market and sales	11,530	8,380
Miscellaneous	3,398	3,582
Carrying value	**41,361**	**28,806**

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

Note 7 Employees and personnel costs

Average number of employees	2022 Average number of employees	Percentage of men, %	2021 Average number of employees	Percentage of men, %
Subsidiaries in Sweden	111	87%	123	84%
Subsidiaries in Germany	5	100%	5	100%
Total in subsidiaries	**116**	**88%**	**128**	**84%**
Parent company	5	100%	6	83%
Total in group	**121**	**88%**	**134**	**84%**

Gender distribution, Board and senior executives	2022 Number of closing date	Of which men, %	2021 Total on the balance sheet date	Percentage of men, %
Board members	3	67%	7	86%
CEO and other senior executives	6	100%	7	86%
Total in group	**9**	**90%**	**14**	**86%**

Employee benefit expenses	2022	2021
Parent company		
Board and other senior executives		
Salaries and other remunerations	8,481	11,555
Social security contributions	3,347	3,137
Pension expenses (defined pension contribution plans)	1,453	1,254
Total	**13,280**	**15,946**
Other employees		
Salaries and other remunerations	0	0
Social security contributions	0	0
Pension expenses (defined pension contribution plans)	0	0
Total	**0**	**0**
Subsidiaries		
Board and other senior executives		
Salaries and other remunerations	1,206	1,983
Social security contributions	379	623
Pension expenses (defined pension contribution plans)	103	310
Total	**1,688**	**2,917**
Other employees		
Salaries and other remunerations	79,022	88,105
Social security contributions	22,363	25,375
Pension expenses (defined pension contribution plans)	6,933	7,075
Total	**108,318**	**120,554**
Other employee benefit expenses	542	3,339
Total employee benefit expenses	**123,828**	**142,756**

Group notes.

2022	Basic salary, Board fees	Variable compensation	Pension expenses	Variable compensation	Total
Chair of the Board					
Jan Frykhammar from 03/29/2022	326	0	0	0	326
Victor Kovács through 03/29/2022	163	0	0	0	163
Board Member		0	0	0	
Jan Frykhammar through 03/29/2022	100	0	0	0	100
Staffan Dahlström	217	0	0	0	217
Kimberly Matenchuk through 03/29/2022	85	0	0	0	85
Martin Kreuzer through 03/29/2022	58	0	0	0	58
Malte Pollmann through 03/29/2022	58	0	0	0	58
Martin Roos through 03/29/2022	58	0	0	0	58
Stina Slottsjö from 03/29/2022	133	0	0	0	133
CEO and other senior executives					
John Vestberg	1,743	193	351	0	2,287
Other senior executives (6 people)	8,438	706	1205	0	10,349
Of which from subsidiaries	*828*	*378*	*103*	*0*	*1,309*
Total	**11,378**	**899**	**1,556**	**0**	**13,833**

2021	Basic salary, board fee	Variable compensation	Pension expenses	Variable 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**

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 twelve-month notice period, other senior executives have a notice period according to the Employment Protection Act (LAS).

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

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

Clavister Holding 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, 2020, 2021 and 2022, the 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 senior executives and the Chairman of the Board; the subscription price at redemption is SEK 15.93. They mature in 2024.

In 2022, an option program was issued to employees and senior executives; the issue price at redemption is SEK 10.95. They mature in 2025.

If the outstanding share warrants are exercised, the group will issue a further 6,506,515 shares equivalent to around 12% of the total 56,530,354 registered shares.

Number of outstanding share warrants	12/31/2022	12/31/2021
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 2020 – 04/30/2038	101,805	101,805
Share warrants 2021 – 06/30/2024	2,100,000	2,100,000
Share warrants 2021 – 04/30/2038	1,605,331	1,605,331
Share warrants 2022 – 04/30/2038	242,796	0
Share warrants 2022 – 06/30/2025	630,000	0
Total	6,506,515	5,633,719

Number of outstanding share warrants	12/31/2022	12/31/2021
John Vestberg, CEO	505,000	500,000
Management, excl. CEO (4)	820,000	1,200,000
Harbert, former creditor	19,801	19,801
EIB, creditor	3,756,714	3,513,918
Other	1,405,000	400,000
Total	6,506,515	5,633,719

	2022		2021	
	Number of options	Weighted average exercise prices	Number of options	Weighted average exercise prices
At the start of the period	5,633,719	1.51	2,678,388	10.24
Assigned	630,000	10.95	2,100,000	15.93
Assigned remuneration free options	242,796	0.10	1,605,331	0.10
Redeemed	0	0.00	0	0.00
Invalidated	0	0.00	0	0.00
Matured	0	0.00	-750,000	36.30
Outstanding at the end of the period	6,506,515	6.26	5,633,719	1.51
Redeemable at the end of the period	0	0	0	0

No share warrants were exercised during 2021-2022.

The exercise price range for outstanding share warrants at the end of the period was between SEK 0.10 and 10.95 (0.10- 15.93).

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.

In respect of the free-of-charge options issued to lenders, an external valuation was conducted and a cost was entered as a reduction of liabilities to credit institutions and equity and was allocated over the duration of the loans to a total cost of MSEK 54.7, see also Notes 2 and 13.

Note 9 Other operating expenses

Other operating expenses	2022	2021
Exchange rate differences in operating receivables and operating liabilities	1,851	2,213
Total	**1,851**	**2,213**

Note 10 Leasing

Right-of-use assets consist mainly of leases mostly for office premises in Örnsköldsvik and Nacka for 2022, but also 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 will amount to TSEK 3,924. 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	12/31/2022	12/31/2021
Opening value	**24,880**	**31,872**
Acquisition for the year	924	739
Sales / disposals	-2,757	-7,731
Closing accumulated acquisition costs	**23,047**	**24,880**
Opening depreciations	**-17,279**	**-16,355**
Sales / disposals	2,735	4,674
Depreciation for the year	-4,632	-5,598
Translation effects	0	0
Accumulated depreciations carried forward	**-19,177**	**-17,279**
Carrying value	**3,870**	**7,601**

The above columns showing right-of-use assets refer to values for both premises and equipment. In the opening value, premises accounted for TSEK 20,805 (26,920); acquisitions of premises for the year totaled TSEK 306 (739) and disposals of premises for the year totaled TSEK 739 (6,854). Opening depreciations of premises accounted for TSEK 13,938 (13,167); depreciations of premises for the year totaled TSEK 4,052 (4,637) and disposals of premises for the year totaled TSEK 714 (3,866).

Liabilities regarding leasing agreements is presented in interest-bearing liabilities in the group’s balance sheet. See also Notes 18 and 30.

Leasing liabilities	12/31/2022	12/31/2021
Opening value	**8,842**	**17,489**
New liabilities	646	714
Amortization	-5,480	-9,361
Carrying value	**4,009**	**8,842**
Current leasing liabilities	3,830	5,453
Non-current leasing liabilities	179	3,389
Total leasing liabilities	**4,009**	**8,842**

Interest on lease liabilities in 2022 was reported to a total of TSEK 390 (760) at a rate of 4.5% (5.8).

Cash outflows for leases totaled TSEK 6,723 (6,455).

Leasing in the income statement
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, 2022 (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, 2022. The cost of leases in which the group applied the voluntary exemption described under item 5b in IFRS 16 (leases in which the underlying asset is of low value) totaled TSEK 85 for the year ending December 31, 2022 (TSEK 200).

Depreciations on lease assets during the year totaled TSEK 4,632 (5,598).

Note 11 Depreciations

	2022	2021
Capitalized development expenses	34,188	28,031
Program rights / licenses	2,201	2,127
Right of use assets	4,632	5,598
Other intangible assets	0	667
Total	**41,021**	**36,423**

Note 12 Results from participations in subsidiaries

	2022	2021
Loss due to disposal of subsidiary	0	14
Total	**0**	**14**

Note 13 Financial income and expenses

Financial income	2022	2021
Interest income	209	113
Total	**209**	**113**

Financial costs	2022	2021
Interest expenses	22,946	14,183
Interest expenses relating to leases	390	744
Expenses relating to share warrants to lenders, no liquidity effect	17,372	13,140
Other financial costs	2,600	2,558
Net exchange rate fluctuations	18,028	3,788
Total	**61,336**	**34,413**

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	2022	2021
Tax expense for the year	18	-43
	18	-43
Deferred tax		
Deferred tax relating to temporary differences	-48	166
Impairment of deferred tax asset	-279	260
Adjustment of deferred tax asset attributable to tax rate changes	0	0
	-327	426
Tax recognized in the income statement	**-309**	**384**

Reconciliation of effective tax rate	2022	2021
Earnings before tax	**-112,521**	**-91,525**
Tax according to the rate applicable to the parent company 20,6% (20.6%)	23,179	18,854
Tax effect of:		
Non-deductible interest expenses	-3,863	-3,775
Other non-deductible expenses	-182	-2,682
Unused deficit deduction for which deferred tax assets have not been reported	-19,093	-12,299
Adjustment of deferred tax attributable to tax rate changes	-48	19
Temporary differences	0	6
Unused deficit deduction previously reported as a deferred tax asset, for which no deferred tax asset is currently reported	-279	260
Impairment of receivable from group company	-24	0
Reported tax	**-309**	**384**
Effective tax rate (%)	0.3%	-0.4%

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

Deferred tax liabilities	2022	2021
Convertible debt instruments	-383	-104
Intangible assets	0	0
Carrying value*	**-383**	**-104**

Specification of changes in deferred tax liability:

	2022	2021
Opening carrying value	-104	-681
Changes in temporary differences	0	317
Impairment of deferred tax asset	-279	260
Closing carrying value for deferred tax liability*	**-383**	**-104**

Further information is available under Notes 2 and the heading 'Deferred tax asset / tax liability for deficit deductions'.
*Deferred tax asset above refers to net sum of recognized deferred tax asset and deferred tax liability in the balance sheet.

Note 15 Earnings per share

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

Basic earnings per share	**2022**	**2021**
Profit for the year attributable to parent company shareholders	-112,830	-91,141
Average number of outstanding common shares	56,530,354	54,416,683
Basic earnings per share	**-2.00**	**-1.67**

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	**2022**	**2021**
Profit for the year attributable to parent company shareholders	-112,830	-91,141
Interest expense for convertible debt instruments (after tax)	231	0
Net profit	**-112,599**	**-91,141**
Average number of outstanding common shares	56,530,354	54,416,683
Adjustment for:		
Convertible debt	1,782,532	204,834
Stock options	6,506,515	5,633,719
Average number of outstanding common stock after dilution effects	64,819,401	60,255,236
Diluted earnings per share	**-1.74**	**-1.51**
Effect of limitation	**-2.00**	**-1.67**

Note 16 Intangible Assets

Purchase price	Goodwill	Software rights / licenses	Capitalized expenses for development work	Customer relationships	Total
As of January 1, 2021	**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**
Additions - internally generated	0	0	35,011	0	35,011
Additions - externally acquired	0	20	1,116	0	1,136
As of December 31, 2022	**66,697**	**22,849**	**381,478**	**5,000**	**476,024**

Depreciations and impairments					
As of January 1, 2021	**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**
Depreciation	0	-2,201	-34,188	0	-36,389
As of December 31, 2022	**0**	**-6,696**	**-286,653**	**-5,000**	**-298,348**

Carrying value					
As of December 31, 2022	**66,697**	**16,153**	**94,826**	**0**	**177,676**
As of December 31, 2021	**66,697**	**18,334**	**92,886**	**0**	**177,918**

Note 17 Tangible fixed assets

Equipment	12/31/2022	12/31/2021
Opening acquisition cost	**787**	**787**
Acquisition for the year	0	0
Sales/ disposals	-153	0
Closing accumulated acquisition costs	**634**	**787**
Opening depreciations	**-787**	**-787**
Sales and disposals	153	0
Depreciation for the year	0	0
Accumulated depreciations carried forward	**-634**	**-787**
Carrying value	**0**	**0**

Note 18 Financial Instruments

Valuation of financial assets and liabilities on December 31, 2022

Financial assets	Assets were valued at accrued acquisition cost	Liabilities were valued at accrued acquisition cost	Total recognized value	Fair value
Other long-term receivables	1,140	0	1,140	1,140
Accounts receivable	36,262	0	36,262	36,262
Other short-term receivables	4,965	0	4,965	4,965
Accrued income and prepaid expenses	11,307	0	11,307	11,307
Liquid funds	42,412	0	42,412	42,412
	96,085	**0**	**96,085**	**96,085**
Financial liabilities				
Convertible debt instruments	0	8,523	8,523	8,523
Liabilities to credit institutions	0	276,032	276,032	276,032
Leasing liabilities	0	4,009	4,009	4,009
Other long-term liabilities	0	59,316	59,316	59,316
Trade accounts payable	0	10,234	10,234	10,234
Other short-term liabilities	0	9,047	9,047	9,047
Accrued cost	0	86,855	86,855	86,855
	0	**454,016**	**454,016**	**454,016**

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, 2021

Financial assets	Assets were valued at accrued acquisition cost	Liabilities were valued at accrued acquisition cost	Total recognized value	Fair value
Other long-term receivables	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
Liquid funds	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
Other long-term liabilities	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**

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

Note 19 Prepaid expenses and accrued income

	12/31/2022	12/31/2021
Prepaid rent for premises	1,510	1,363
Prepaid leasing fees	379	408
Prepaid insurance premiums	247	227
Accrued consulting and contract revenues	7,225	5,350
Other items	1,946	1,046
Carrying value	**11,307**	**8,394**

Note 20 Liquid funds

	12/31/2022	12/31/2021
Cash and bank balances	42,412	49,886
Carrying value	**42,412**	**49,886**

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 2022	Participation 2021
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%
Omen Technologies AB	Development and sales company	100%	100%
PhenixID AB	Development and 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 94,826 (92,886) as of December 31, 2022.

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, 2022 registered share capital stood at 56,530,354 shares (56,530,354) 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 are due later than five years from the balance sheet date.

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. The repayment plan for these loans was renegotiated in 2022 and repayment will now take place on an ongoing basis during the period 2023-2026. 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 3,756,714 (3,513,918) and each warrant bestows the right to subscribe to one share in the company.

The interest liability MSEK 55.1 (37.9) linked to the non-current part of the liabilities to credit institutions forms part of the line item.

Note 24 Provisions

	12/31/2022	12/31/2021
Restructuring reserve	0	3,400
Carrying value	**0**	**3,400**

Note 25 Accrued expenses and prepaid income

	12/31/2022	12/31/2021
Accrued pay-related liabilities	11,673	13,753
Accrued interest	1,826	0
Prepaid income	64,375	60,187
Accrued other items	8,981	6,766
Carrying value	**86,855**	**80,706**

Note 26 Statement of cash flows

Adjustment for non-cash items	2022	2021
Reversal of depreciation	41,021	36,423
Reversal of gains on disposal of leases	-615	0
Reversal of accrual financial cost loans	19,318	15,087
Reversal of exchange rate difference	18,028	3,788
Reversal of interest on loan from EIB	17,190	12,437
Reversal estimated interest on convertible loans	654	612
Carrying value	**95,597**	**68,347**

Changes in liabilities arising from financial activities	IB 2022	Cash flow	Reclassification from non-current to current liability	Re-valuations	Miscellaneous	UB 2022
Current financial liabilities (excl. leasing liabilities)	9,728	0	-4,164	0	0	5,564
Non-current financial liabilities (excl. leasing liabilities)	222,588	-3,009	-5,564	18,028	38,424	270,467
Leasing liabilities	8,842	-4,790	0	0	-43	4,009
Total liabilities from financing activities	**241,158**	**-7,799**	**-9,728**	**18,028**	**42,664**	**284,323**

Changes in liabilities arising from financial activities	IB 2021	Cash flow	Reclassification from non-current to current liability	Re-valuations	Miscellaneous	UB 2021
Current financial liabilities (excl. leasing liabilities)	0	0	9,116	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**

Note 27 Pledged collateral

	12/31/2022	12/31/2021
Pledge accounts receivable	3,617	6,852
Liquid funds	0	0
Other pledged assets	121	121
Total	**3,738**	**6,973**

Note 28 Contingent liability

	12/31/2022	12/31/2021
No contingent liabilities	0	0
Total	**0**	**0**

Note 29 Business acquisitions

Acquisitions 2022
No acquisitions were made during 2022.

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
Liquid funds	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	Miscel-laneous	Receivables on the balance sheet date	Liabilities on the balance sheet date
2022	19,042	19,042	0	0	0
2021	15,814	15,814	0	0	0

The companies in the group have few transactions between them.

Transactions with the Board, aside from the agreed board fee, include consultancy fees; see Note 6 regarding remuneration as salary. Board Chairman Viktor (through 3/29/2022) Kovacs invoiced the group TSEK 0 (51) 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 37 (364).

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

	12/31/2022	12/31/2021
Not due accounts receivable	27,987	23,787
Due receivables 1–30 days	6,598	6,840
Due receivables 31–90 days	9	2,971
Due receivables >90 days	1,669	614
Carrying value	**36,262**	**34,212**

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

Provision for credit losses on receivables	12/31/2022	12/31/2021
Opening carrying value	494	846
Reversal of previously made provisions	-29	-435
Adjustment due to exchange rate changes	40	12
Provisions for the year	42	71
Closing carrying value	**546**	**494**

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

Credit risks due to prepayments to supplier
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 mainly consists of currency risks.

Currency risk

Currency risk is the risk of fluctuations in fair value or future cash flows from a financial instrument due to changes in foreign exchange rates. The primary exposure stems from the Group's sales, product purchases and royalty payments in foreign currency. This exposure is called transaction exposure. 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 subsidiary Clavister GmbH as the translation of 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 counted in Swedish currency. The group's financial transaction exposure is however limited by the fact that sales are made in the currencies SEK, USD and EUR, regulated in customer agreements. Product imports, which take place mainly in USD, can be netted against the company's payment inflow / customer payments in USD. The group's overarching goal for financial risks is to minimize them by netting the incoming and outgoing flows of payment.

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 1,970 (392) on profit/loss before income tax, while a decrease would have a negative effect of TSEK-1,970 (-392). For USD, an increase in the USD exchange rate against SEK of +5% would have a negative impact TSEK 1,091 (-863) on profit/loss before income tax, while a decrease of 5% would have a positive effect of TSEK 1,091 (863).

	2022		2021	
Currency exposure (%)	**Operating-Earnings**	**Operating costs**	**Operating income**	**Operating-Costs**
SEK	52%	71%	57%	64%
EUR	44%	14%	38%	23%
USD	4%	14%	5%	12%
GBP	0%	1%	0%	1%

Transaction exposure sensitivity analysis

EUR	**Changes in EUR exchange rate**	**Impact on gross profit**
2022	5.0%	1,970
2021	5.0%	392

USD	**USD exchange rate**	**Impact on gross profit**
2022	5.0%	-1,091
2021	5.0%	-863

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

The convertible subordinated loan in the amount of MSEK 10 matures 05/31/2027. Interest rate risk exists in the convertible subordinate loan as the interest rate is based on STIBOR 90 +2.5%. STIBOR is affected by the Riksbank's (Swedish central bank) interest rate changes in the discount rate, and the risk increases as the Riksbank increased the discount rate during 2022. This also increases interest payments for the convertible subordinated loan. Loans from external financiers, the EIB, totaling TSEK 277,681 (242,463) are subject to interest rate risk, where renegotiation of the rate of repayment of the loans has resulted in higher interest rates, which together with the fact that reference rates have risen across a broad spectrum, increases interest rate risk. 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 4,651 (4,291).

The conditions and final repayment dates for each respective interest-bearing liability are specified in the table below:

	Currency	Maturity	Interest	Carrying value 12/31/2022	Carrying value 12/31/2021
Convertible debt instrument - Norrlandsfonden	SEK	05/31/2022	Variable	0	9,728
Convertible debt instrument - Norrlandsfonden	SEK	05/31/2027	Variable	8,523	0
Deferred tax payment in accordance with Covid 19 liquidity measures	SEK	02/12/2024	Variable	59,316	0
Liability to external funder- EIB	EUR	02/05/2026	Variable	141,733	124,549
Liability to external funder- EIB	EUR	11/07/2026	Variable	73,215	63,396
Liability to external funder- EIB	EUR	10/30/2026	Variable	62,733	54,518
				345,520	**252,191**

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 difficulty fulfilling its obligations related to financial liabilities.

Clavister has a convertible loan that was taken out in 2022 with a due date of 5/31/2027. When the convertible loan was taken out, the agreed conversion price was set at SEK 5.61 per share, to compare with Clavister Holding AB's closing price of SEK 2.93 on 12/31/2022. 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. The maturity of the convertible debt instruments is 5 years and will run until 31/05/2027.

Clavister has also decided to strengthen liquidity by utilizing the Covid-19 related support program until the negative effects of Covid-19 have decreased. 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.

Maturity analysis	<1 year	1–5 years	>5 years	Total
		12/31/2022		
Interest-bearing liabilities	5,564	338,307	0	343,871
Liabilities to leasing companies in accordance with IFRS 16	3,830	179	0	4,009
Trade accounts payable	10,234	0	0	10,234
Other short-term liabilities	96,192	383	0	96,574
	115,820	**338,869**	**0**	**454,688**

Maturity analysis	<1 year	1–5 years	>5 years	Total
		12/31/2021		
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**

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

Capital risk
The group's objective regarding the capital structure is to safeguard the group's ability to continue its operations, and to maintain a capital structure that keeps the cost of capital down, against this background. For a development company like Clavister, the asset-based collateral base for borrowing is limited. The group's strategy for 2022, which remained unchanged from 2021, was to improve net cash.

On December 31, 2022, net financial cash totaled MSEK-254 (-173).

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

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

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

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

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

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

Note 32 Events following the end of the financial year

Since the end of the financial year and in accordance with information communicated, Clavister has applied for an extension of the repayment term for deferred tax payments by 12 months, whereby, upon approval of the application, repayments will be made starting from the beginning of 2024. The extension has been approved for most of the approximately MSEK 60 until the beginning of 2024. For the approximately MSEK 3 for which an extension was not approved, an application made for a 36-month installment plan was submitted, and this repayment plan has been approved by the Swedish Tax Agency. Clavister has also applied for further deferment of tax payments in accordance with the resolution passed at the beginning of 2023, and has been granted deferment for an additional MSEK 15 in tax payments, which further strengthened liquidity.

The Swedish Tax Authority announced, after the end of the financial year, that they deny Clavister AB reduction of employer contributions related to research and development for the period November 2021 to July 2022. The decision will be appealed as Clavister AB considers the research and development projects being conducted meet the requirements for reduced employer contribution according to the Social Security Act.

During the latter part of 2022, a newly formed competing business, Fortified ID AB, began marketing security products in identity management that bore major similarities to those developed, owned, and provided by our subsidiary PhenixID AB over several years. The competing business is headed by former employees of our subsidiary PhenixID AB. The group has reason to believe that the competing business's product range is based on intellectual property rights owned by PhenixID AB. As a result, legal action has been taken. On 18 April 2023, the Patent and Market Court for Stockholm District Court and Nacka District Court decided to instruct the Swedish Enforcement Authority to conduct an infringement investigation of the competing business, as the courts have assessed that it can reasonably be assumed that infringement of PhenixID AB's intellectual property rights has occurred. On 19 April 2023, the Swedish Enforcement Authority conducted a raid. The group is monitoring the legal process and cooperating fully with the relevant authorities in order to ensure that all legal interests are safeguarded.

Parent company’s income statement

SEK in thousands	Note	2022	2021
Net sales	3	6,000	6,250
Other operating income	4	3	1
Operating income		**6,003**	**6,251**
Other external costs	5.6	-3,917	-6,384
Employee benefit expenses	7	-13,272	-16,005
Other operating expenses		-2	-4
Operating profit		**-11,188**	**-16,142**
Profit/loss from shares in group companies	10	0	-200,000
Other interest income and similar profit/loss items	8	11	0
Interest expenses and similar profit/loss items	8	-985	-595
Profit/loss before appropriations and taxes		**-12,162**	**-216,736**
Group contributions		-65,500	-80,000
Tax on the year’s earnings	9	-279	261
Profit for the year		**-77,941**	**-296,475**

Parent company’s statement of comprehensive income

SEK in thousands	Note	2022	2021
Profit for the year		-77,941	-296,475
Other comprehensive income		0	0
Total comprehensive income for the year		**-77,941**	**-296,475**

Parent company's balance sheet

SEK in thousands	Note	12/31/2022	12/31/2021
ASSETS			
Fixed assets			
Shares in group companies	10	414,174	400,082
Receivables with group companies	11	1,550	0
Total fixed assets		**415,724**	**400,082**
Current assets			
Other receivables	12	22	88
Prepaid expenses and accrued income	13	352	669
Liquid funds	14	4,361	13,845
Total current assets		**4,734**	**14,602**
TOTAL ASSETS		**420,459**	**414,684**
Equity	15		
Restricted equity			
Capital stock		5,653	5,653
Current capital issue		0	0
		5,653	5,653
Non-restricted equity			
Share premium reserve		2,954	190,360
Accumulated profit or loss		181,697	287,812
Profit for the year		-77,941	-296,475
		106,710	181,697
Total equity		**112,363**	**187,350**
Liabilities			
Long-term liabilities	16		
Other liabilities	16	4,283	0
Convertible debt instruments	16	8,523	0
Liabilities with group companies	11	291,462	211,412
Total non-current liabilities		**304,268**	**211,412**
Provisions			
Other provisions		0	1,830
Deferred tax liabilities	9	383	104
Total provisions		**383**	**1,934**
Current liabilities			
Convertible debt instruments	16	0	9,728
Trade accounts payable		454	1,400
Current tax liabilities	9	409	221
Other liabilities	17	554	464
Accrued expenses and prepaid income	18	2,027	2,175
Total current liabilities		**3,445**	**13,988**
Total liabilities		**308,096**	**227,334**
TOTAL EQUITY AND LIABILITIES		**420,459**	**414,684**

Parent company report of changes in equity .

SEK in thousands	Restricted equity	Non-restricted equity				
	Capital stock	Current capital issue	Share premium reserve	Accumulated profit or loss	Profit for the year	Total equity
Opening equity on 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**
Current capital issue	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**
Opening equity on January 1, 2022	**5,653**	**0**	**190,360**	**287,812**	**-296,475**	**187,350**
Reversal of previous year's earnings	0	0	-190,360	-106,115	296,475	0
Profit for the year	0	0	0	0	-77,941	-77,941
Other comprehensive income for the year	0	0	0	0	0	0
Comprehensive income for the year	**0**	**0**	**0**	**0**	**-77,941**	**-77,941**
Capitol stock issue in progress	0	0	3	0	0	3
Equity, convertible share			1,858	0	0	1,858
Share-based compensation	0	0	1,093	0	0	1,093
New capital issue	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0
Total transactions with owners	**0**	**0**	**2,954**	**0**	**0**	**2,954**
Closing equity on December 31, 2022	**5,653**	**0**	**2,954**	**181,697**	**-77,941**	**112,363**

Parent company report over cash flows

SEK in thousands	Note	2022	2021
Cash flow from operating activities			
Profit/loss before appropriations and taxes*		-12,162	-216,736
Adjustment for non-cash-flow items	19	654	200,612
Cash flow from operating activities prior to changes in working capital		**-11,508**	**-16,124**
Cash flow from changes in working capital			
Changes in operating receivables		383	-212
Changes in operating liabilities		1,639	-7,813
Cash flow from operating activities		**-9,486**	**-24,149**
Investing activities			
Investments in subsidiary shares	10	-14,093	-24,990
Investments in other financial fixed assets		0	0
Cash flow from investing activities		**-14,093**	**-24,990**
Financing activities	19		
Borrowings		10,000	0
Amortization of loan		-10,000	0
Group contributions rendered		-65,500	-80,000
Issue costs		0	-250
Contributions due to share-based compensation		1,093	13,040
New capital issue		3	12,600
Increase of debt from subsidiaries		78,500	85,312
Cash flow from financing activities		**14,096**	**30,702**
Cash flow for the year		**-9,484**	**-18,437**
Cash and cash equivalents at the beginning of the year		13,845	32,282
Cash and cash equivalents at the end of the year		**4,361**	**13,845**

* The item ‘Profit/loss before appropriations and tax’ includes interest received in the amount of TSEK 11 (0) and interest paid in the amount of TSEK -123 (-17).

Parent company notes .

Note 1 The parent company's accounting principles

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

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

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

Financial instruments
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 19.2% (16.5)
- Testing of PhenixID AB 15.1% (14.4)

2) A cash flow forecast for the coming 5 years (2023 to 2027) 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 2027 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	2022	2021
Exchange rate gains relating to operations	3	1
Total	**3**	**1**

Note 5 Other external costs

Other external costs consist mainly of board fees of TSEK 963 (1,945), legal fees of TSEK 445 (838), costs of TSEK 445 (838) and costs to the Certified Advisor of TSEK 184 (180).

Note 6 Auditor fees

The majority of the fees to auditors are reported in the Parent Company, TSEK 377 (517), 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	2022	2021
Interest income	11	0
Total	**11**	**0**

Interest expenses and similar profit/loss items	2022	2021
Other financial costs	0	0
Interest costs	-985	-595
Total	**-985**	**-595**

Note 9 Taxes

Income statement

Current tax expense	2022	2021
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	-279	261
	-279	261
Tax recognized in the income statement	**-279**	**261**

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	2022	2021
Earnings before tax	**-77,662**	**-296,736**
Tax according to the rate applicable to the parent company	15,998	63,502
Tax effect of:		
Non-taxable income	1	0
Non-deductible expenses	16	-134
Impairment of shares in subsidiaries	0	-41,200
Non-deductible interest expenses	-155	0
Impairment of tax assets relating to deficit deduction	-279	261
Increased deficit deduction not recognized as a receivable	-15,860	-22,167
Reported tax	**-279**	**261**
Effective tax rate (%)	0.4%	-0.1%

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

Deferred tax asset/tax liability	2022	2021
Convertible debt instruments	383	104
Miscellaneous	0	0
Carrying value	**383**	**104**

Specification of changes in deferred tax liability:

	2022	2021
Opening carrying value	-104	-364
Impairment of tax assets relating to deficit deduction	-279	260
Closing carrying value for deferred tax asset/tax liability	**-383**	**-104**

Note 10 Shares in Group companies

	12/31/2022	12/31/2021
Opening acquisition cost	400,082	559,822
Acquisitions for the year	1,092	28,310
Shareholder's contributions for the year	13,000	11,950
Closing accumulated acquisition costs	**414,174**	**600,082**
Impairment loss for the year	0	-200,000
Closing carrying value	**414,174**	**400,082**

Further information is found in Note 2 and under "Shares in group companies". Impairment testing has been conducted in Clavister AB. See also Note 16 (KC).

Companies and Corp. C.I.N.	Registered office	Equity-share	Equity on 12/31/2022	Earnings 2022	Book value 12/31/2022	Book value 12/31/2021
Clavister AB (556546-1877)	Örnsköldsvik	100%	54,823	-35,033	300,455	287,362
PhenixID AB (556987-6310)	Stockholm	100%	16,631	-703	98,450	97,450
Omen Technologies AB (559228-0647)	Gothenburg	100%	267	-66	15,269	15,269

Note 11 Receivables and liabilities with group companies

	Counterpart	12/31/2022	12/31/2021
Opening liability	Clavister AB	-199,462	-130,000
Additional receivables	Clavister AB	0	0
Additional liabilities	Clavister AB	-92,000	-69,462
Closing liability Clavister AB		**-291,462**	**-199,462**

	Counterpart	12/31/2022	12/31/2021
Opening liability	PhenixID AB	-11,950	3,900
Additional receivables	PhenixID AB	13,500	-11,950
Additional liabilities	PhenixID AB	0	-3,900
Closing receivable PhenixID AB		**1,550**	**-11,950**

	12/31/2022	12/31/2021
Closing liability group companies	**-289,912**	**-211,412**

Note 12 Other receivables

	12/31/2022	12/31/2021
VAT receivable	0	85
Other receivables	22	3
Carrying value	**22**	**88**

Note 13 Prepaid expenses and accrued income

	12/31/2022	12/31/2021
Leasing costs	54	48
Insurance premium	0	162
Other accrued costs	298	459
Carrying value	**352**	**669**

Note 14 Cash and cash equivalents

	12/31/2022	12/31/2021
Cash and bank balances	4,361	13,845
Carrying value	**4,361**	**13,845**

Note 15 Equity

As of December 31, 2022, capital stock consists of 56,530,350 (56,530,350) shares with a quota value of SEK 0.10 (0.10). See also disclosures in group note 22 Equity.

The shareholders have made unconditional shareholder contributions of SEK 523,027,833 (510,027,833).

Note 16 Long-term liabilities

	12/31/2022	12/31/2021
Convertible loan	8,523	0
Deferred amount, withholding tax and Social Security contributions, incl. interest	4,283	0
Liabilities with group companies	291,462	211,412
Carrying value	**304,268**	**211,412**

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

Note 17 Other liabilities

	12/31/2022	12/31/2021
Employee withholding taxes	281	279
Statutory social security contributions	195	185
Other liabilities	79	0
Carrying value	**554**	**464**

Note 18 Accrued expenses and prepaid income

	12/31/2022	12/31/2021
Accrued pay-related liabilities	1,530	1,252
Accrued other items	498	923
Carrying value	**2,027**	**2,175**

Note 19 Cash flow analysis

Adjustment for non-cash items	2022	2021
Impairments	0	200,000
Estimated interest on convertible loans	654	612
Carrying value	**654**	**200,612**

Note 20 Pledged collateral

	12/31/2022	12/31/2021
No pledged assets	0	0
Total	**0**	**0**

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	Counterpart	2022	2021
Sale of services	Clavister AB	6,000	6,000
Purchase of goods/services	Clavister AB	0	0
Group contributions	Clavister AB	80,000	80,000
Change in settlement account	Clavister AB	12,000	-69,462
Receivables on the balance sheet date	Clavister AB	0	0
Liabilities on the balance sheet date	Clavister AB	-291,462	-199,462
Group contributions received	PhenixID AB	-14,500	0
Sale of services	PhenixID AB	0	250
Change in settlement account	PhenixID AB	-13,500	-15,850
Receivables / Liabilities on closing date	PhenixID AB	1,550	-11,950

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	2,954,311
Accumulated profit or loss	184,651,430
Profit for the year	-77,941,402
	106,710,028

The amount of SEK 106,710,028 was carried forward.

Board signatures .

Örnsköldsvik April 24, 2023

The consolidated financial statements and the annual report were approved for issue by the Board of Directors on April 24, 2023. 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 has been submitted on the date indicated by our electronic signature

Öhrlings PriceWaterhouseCoopers AB

Claes Sjödin
Authorized Public Accountant

CONNECT. PROTECT

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