Q1

Interim Report Jan – Mar 2017

Clavister Holding AB

clavister

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SECURITY BY SWEDEN

INTERIM REPORT
JANUARY-MARCH 2017

First quarter 2017

- Revenues amounted to 20,6 (18,0) MSEK, an increase of 14,6% compared to first quarter in 2016
- Gross profit amounted to 16,6 (12,7) MSEK, an increase of 30,6%
- Gross margin amounted to 80,5 (70,7) %
- Net profit for the period amounted to -15,2 (-17,2) MSEK
- Cash positive by the end of the period was 59,3 (47,3) MSEK. In addition, own shares are added at a value of SEK 16.1 million at the end of the quarter, which together with cash and cash equivalents yields a total of SEK 75.4 million
- Earnings per share amounted to -0,67 (-0,91) SEK

Important events in the first quarter

- Clavister launches innovative Endpoint protection solution
- Aptilo and Clavister launch collaboration on Wi-Fi and IoT solutions
- Johan Öhman appointed as new President and CEO in March 2017
- Clavister has received first order for its Virtual Security Solution from Nokia Networks during Q1 2017, as previously announced. A smaller add-on order for the same operator was received in May and a trial order for validation purposes for another tier-one operator was received earlier in the quarter.

Quote from Johan Öhman, President and CEO

"We are very pleased that the cooperation with Nokia is materialized even though it has taken more time than expected. We see great opportunities in the future, with existing customers as well as in new geographic markets. Strategically, we narrow our focus with the goal of revenue growth and the actions taken move us forward and in the right direction"

Summary in figures (TSEK)	Jan - March 2017	Jan - March 2016	Jan - Dec 2016
Operating revenues	20 579	17 952	78 117
Gross profit	16 575	12 683	53 467
Gross margin	*81%*	*71%*	*68%*
Operating expenses	-34 854	-28 426	-125 976
Operating profit	-18 279	-15 743	-72 509
Operating margin	*-89%*	*-88%*	*-93%*
Cash flow from operating activities	-17 660	-17 338	-52 395
Cash flow for the period	-16 058	3 752	31 784
Cash, end of period	59 253	47 279	75 311

Comments by Johan Öhman, President and CEO

The first quarter of 2017 was highlighted by the first commercial order from Nokia and strong demand for our new product line "Identity Access Management" (IAM). Gross margin increased to 80,5% compared to 70,7% in the same period last year which shows the profitability potential in our business. Several initiatives are being taken aimed at making our company even better prepared to capture the opportunities that lie ahead of us.

Business Update

During the first quarter we received our first commercial order from Nokia pertaining to a western-European tier-one operator. The order was for initial deployment in one jurisdiction and was subsequently complemented by a smaller add-on order for additional functionality to the same operator. We have also received a trial order from another tier-one operator for technical validation purposes – tests that have been successful. We are delighted that the partnership with Nokia has started to bear fruit even if it has taken much longer than we had anticipated. It´s almost two years since we were selected to provide key functionality to Nokias virtual security solution. Nokia holds a significant market share in network infrastructure and IT-security is a crucial component in the mobile networks of today and tomorrow. Over the past months, Nokia's global care and delivery organizations have been certified by Clavister to deploy and support upcoming installations. The demand for virtual platforms is growing and most major infrastructure providers have announced new contracts where security is a key component. As a result, we are excited about the future and expect to receive additional purchase orders in the near future.

I recently had the pleasure visit Japan and meet with two of our Japanese customers; Canon ITS and NTT-BP. Japan is a focus market that hold significant potential for us going forward. The technical challenges experienced are being resolved and once verified we expect volumes to Canon ITS to gradually increase. NTT-BP continue the deployment of their national WiFi network in preparation for the Olympic- and Paralympic games in 2020. They have selected Clavister for IT-security and traffic management and the project holds significant potential for us over the years to come.

Another region that represents interesting business opportunities for us is Africa where we over the past 1,5 years have been working hard to create local awareness and presence. I am pleased about the progress made and we have a growing pipeline of opportunities - some of which we hope to be able to close over the course of this year.

Regulation

In 2016 the European Parliament passed the General Data Protection Regulation (The GDPR) which will come into force on May 25th 2018. The GDPR aims to strengthen data protection for EU residents and give them control of their personal data. The GDPR applies to all companies processing data of EU residents and provides strict rules and penalties of up to 4% of world-wide turnover in case of violation. A consequence of the GDPR is an increasing awareness of the need for IT-security and it is expected to increase demand for the type of solutions provided by Clavister.

Products

In 2016 we acquired PhenixID, a provider of Identity Access Management (IAM) solutions and in March this year we introduced our Endpoint Security offering. These solutions extend our product offering and increase the addressable market significantly.

During the second quarter, we will be launching an entry-level Next Generation Firewall product which is targeted towards the SMB-segment and hence a volume product. Clavister has been lacking this type of product in the portfolio, hence excluding us from quite a substantial amount of customer projects. Canon ITS is one of the customers that is excited about this new product, being a perfect fit for a segment where they currently deliver up to 20,000 units annually.

Future outlook

We see good opportunities for growth through existing contracts and partners, focused market efforts and the business development activities in new areas. The demands for IT-security continue to increase driven by regulatory changes, continued digitalization and incidents like WannaCry which highlighted the vulnerability of organizations and society in large. The WannaCry ransomware attack affected hundred of thousands companies and individuals in over 150 countries with demand for payment of Euro 300 in Bitcoins to decrypt the locked data. Without the ransom being paid within 48 hours all data on the infected computer would be deleted. Clavister's products - both Next-Generation Firewall as well as Endpoint security Client – stopped the WannaCry malware before it affected users. It's why our customers can use our products with confidence to mitigate the risk of being affected by these global cyber threats.

Organizationally and strategically we have taken actions to become better equipped to drive top-line growth and harvest business opportunities. As part of this we are consolidating our sales efforts on markets and relationships where we have good traction and see substantial potential going forward. We have streamlined our organization and condensed the management team to become more focused and efficient. In a rapidly changing world it is imperative to be agile and responsive to capture the opportunities at hand.

We are seeing a solid increase in demand for virtual platforms which is accentuated by the orders from e.g. Nokia. However, with revenues coming in later than expected and as revenue-recognition related to virtualized telecom-orders are small initially and exponentially increasing mid- to long-term, finances need to be closely monitored going forward. At the end of first quarter we had ca 75 MSEK of cash and cash-equivalents.
We have early-stage interest for debt-financing and a mandate from the AGM enabling issuance of new shares at up to 6% dilution.

From a communications perspective, we will limit the use of press releases to events that have a commercial impact on our company and information which regulations require us to release. Information of a more general or product nature will be communicated through a news flow. We will be revising our web-page where it will be possible to select which information to subscribe to.

Johan Öhman
President and CEO

New agreements and customers

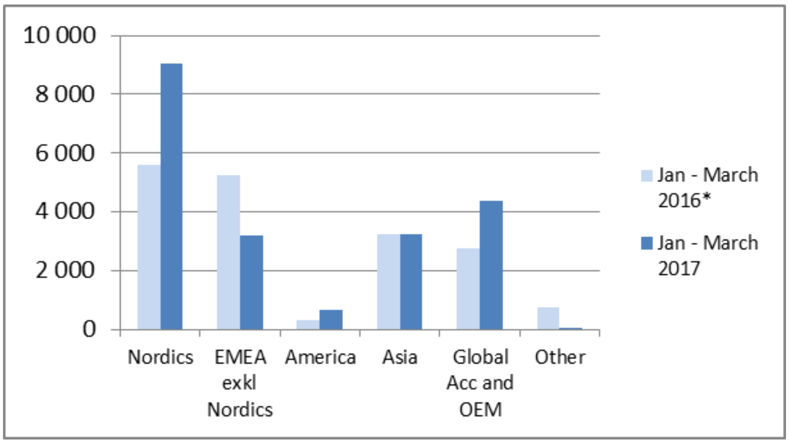
A milestone in the first quarter was the first commercial order from Nokia. The order concerned initial installation in a jurisdiction of a Western European so-called tier-one operator

Revenues in the first quarter

Revenue amounted to 20,6 (18,0) MSEK, an increase of 14,6% compared to the first quarter of 2016. The increase in revenues is explained by the acquisition of PhenixID AB, which was completed in August 2016, revenues from PhenixID are not included in the first quarter 2016. Gross profit for the first quarter amounted to 16,6 (12,7) MSEK and gross margin to 80,5 (70,7)%.

In the first quarter, revenues in the Nordic region increased by 61,0% to 9,0 (5,6) MSEK, with PhenixID sales accounting for growth. For Global Accounts and OEM, revenues increased by 57,0%, from 2,8 to 4,4 MSEK, and for EMEA (excl Nordic) decreased by -39,0%, 5,2 (3,2) MSEK. Asia reached a level of 3,2 (3,2) in the first quarter.

First quarter growth of revenue can be summarized in an increase in the Nordic region, with PhenixID accounting for the increase, and of revenue growth for Global Accounts and OEMs. The Group's total revenues consist of 43,8% of sales in the Nordic countries and 21,1% of sales to Global accounts and OEMs.



When comparing the first quarter of this year and the previous year, the currency has affected revenues positively for the Group by 3,1 percentage points and for the subsidiary Clavister Technology (ASIA) Ltd, the currency has a positive effect on revenue by 1,4 percentage points

Costs and profitability in the first quarter

Total operating expenses amounted to 34,9 (28,4) MSEK, an increase of 22,6%. The Group's investment in the form of capitalized expenditures is expected to continue to increase despite the fact that the recruitment rate of software developers has slowed down. The introduction phase is extensive because full productivity can't be achieved until after a time of employment. Personnel expenses increased by 37,6% and amounted to 27,0 (19,6) MSEK. The number of employees has increased from 134 to 163, an increase of 22%. The increase is attributable to both the company acquisition of PhenixID of 14 employees and new recruitment in Clavister AB.

Other external expenses amounted to 10,6 (8,7) MSEK and increased by 18,2%. The cost increase relates mainly to marketing costs, new recruitment and expansion of local areas and costs associated with the company acquisition.

Investments, capitalization and amortization of development costs

The Group's investments in the form of capitalized expenditures on intangible fixed assets amounted to 6,0 (3,8) MSEK for the period January to March 2017. During the quarter, the company capitalized development costs corresponding to 59% of the company's total development costs.

The Company continues to capitalize time spent and therefore to invest in software development. This is done both by the existing staff and the extensive recruitment of developers that the company made in 2015, 2016 and during the first quarter of 2017. Investments in property, plant and equipment consist primarily of servers and other computer equipment in order to meet new technical requirements and ensure capacity and performance. During the first quarter there were ongoing purchases that were expensed directly. Depreciation of property, plant and equipment amounted to 0,1 (0,1) MSEK during the first quarter, and amortization of intangible assets amounted to 3,1 (3,8) MSEK, mainly attributable to amortization of previous capitalizations.

Cash and cash equivalents, financing and financial position

Cash flow from operating activities during the first quarter amounted to -17,7 (-17,3) MSEK. Cash flow from investing activities amounted to -6,0 (-3,8) MSEK. Description of investment activities is shown in the section on investments, capitalization and amortization above. Cash and cash equivalents amounted to 59,3 (47,3) MSEK at the end of the period.

The company has secured several heavy agreements including Nokia Networks as well as Canon IT Solutions, which provide for increased sales and thus a successively reduced consumption rate of liquid funds. Increasing demand and increasing customer interest in cyber security and Clavister's offer is also expected to continue to require investments, including further development resources. Establishment in new markets, such as in Africa and in Japan, requires similarly sales efforts and investments.

The acquisition of PhenixID also included 330,000 own shares, which at the end of the quarter amounted to 16,1 MSEK, reported as equity in the balance sheet.

The Board evaluating and follows continuously the ongoing development of the Group's liquidity and financial position in the short and long term.

Impairment testing

According to IAS 36 goodwill and other intangible assets, such as capitalized development costs and deferred tax assets, are sampled annually for devaluation irrespective of whether there are indications that the asset should be devalued or not. Goodwill is an item arising on business combinations if the purchase price exceeds the value of its assets and is seen as a record that will provide repayment through future economic benefits, difficult to identify. In order to properly assess whether devaluation has both internal and external sources of information used. Value in use is that the calculated value of the asset has been calculated on the future cash flows (DCF), based on the strategic plans adopted by management for the next five years, as well as on external information such as market interest rate, loan margins, etc. The Company has considered whether there is a devaluation related to the acquisition of PhenixID and Clavister APAC. There is a need for devaluation regarding goodwill associated with Clavister APAC, therefore an impairment was applied in the Group of SEK 1.9 million. Other items show no need for devaluation.

In conjunction with the 2016 annual report, a review of the Group's goodwill was tested for the acquisition of PhenixID and Clavister APAC. This impairment test resulted in impairment of goodwill linked to Clavister APAC, whereby a write-down in the Group was made by SEK 2.6 million. Other items showed no impairment loss. No major changes have occurred during the first quarter of 2017, with the need for impairment being unchanged.

Events after the end of the period

A milestone in the first quarter was the first commercial order from Nokia. The order concerned initial installation in a jurisdiction of a Western European so-called tier-one operator

Market

The cybersecurity market continues to demonstrate a strong growth. According to Cybersecurity Ventures, the global cybersecurity market is forecasted to more than 120 billion USD for year 2017, with an annual growth of between 12 to 15%.

Enterprise Segment

Limited to the Enterprise segment, the expectation is that the market will be worth 95 billion USD for the year 2017, and will grow to 125 billion USD by the year 2021. With the current product portfolio, Clavister is able to address about 20% of this market. The product group Next-Generation Firewalls, being Clavister's core product area, is expected to be worth close to 12 billion USD by the year 2017, representing an increase of about 1 billion compared to previous year. The newly launched product groups Identity Access Management and Endpoint Security represent an addressable market for Clavister worth 3.5 billion USD and 3.8 billion USD, respectively. All in all, this presents a total addressable market to Clavister at about 19 billion USD for the current year, see figure 1 (Source: Gartner; "Forecast: Information Security, Worldwide, 2015-2021, 1Q17 Update").

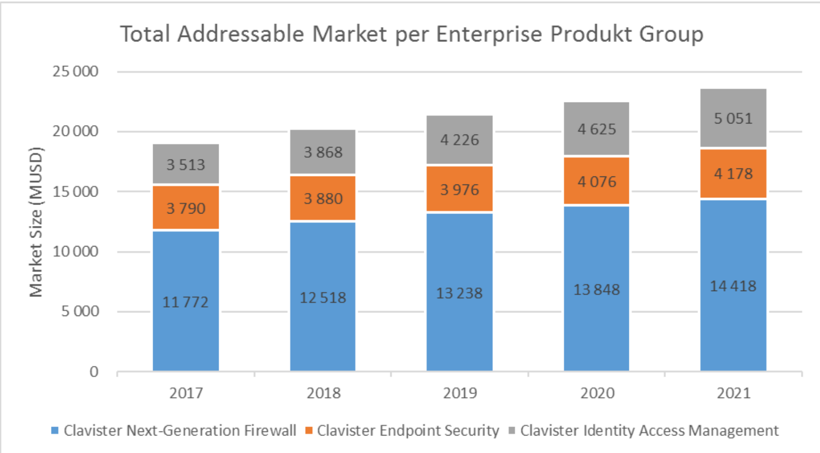


Figure 1. Total addressable market for Clavister's product portfolio in the Enterprise segment 2017 - 2021 (MUSD).

To increase the leverage from Clavister's sales and marketing activities, there will be more focus on fewer geographical markets compared to previous years. In Europe, home market Sweden will naturally continue to be a key market, where additional investments will be made to claim additional market share. In addition, Germany is a significant market with high potential for Clavister.

In Asia, focus is on Japan given the important contracts and partnerships which have been established over the past couple of years. In China, Clavister is operating using its subsidiary Clavister Technology (ASIA) Ltd.

The investment in Africa continues according to plan, and is showing good progress with a strong pipeline for the current year.

Other geographical markets where Clavister has had limited sales representation in the past will be managed centrally from Sweden to a greater extent to achieve synergies.

Telecom Segment

The total market size is substantially lower within the telecom segment than for the enterprise segment. The telecom market is by definition a much more narrow vertical, and investments in security is still in an early stage. The market is however dominated by a handful of large system providers, such as Nokia, Huawei and Ericsson, which means that a substantial market share can be gained through only a few commercial partners.

Clavister's assumption, based partly on market analyses from for instance Cisco and Ericsson, and partly on known parameters from initial commercial contracts, is that Clavister's current product portfolio for the telecom market, including four concrete solution areas, is able to address a market worth at least 500 million USD for the year 2017, growing to over two billion USD by the year 2020, see figure 2.

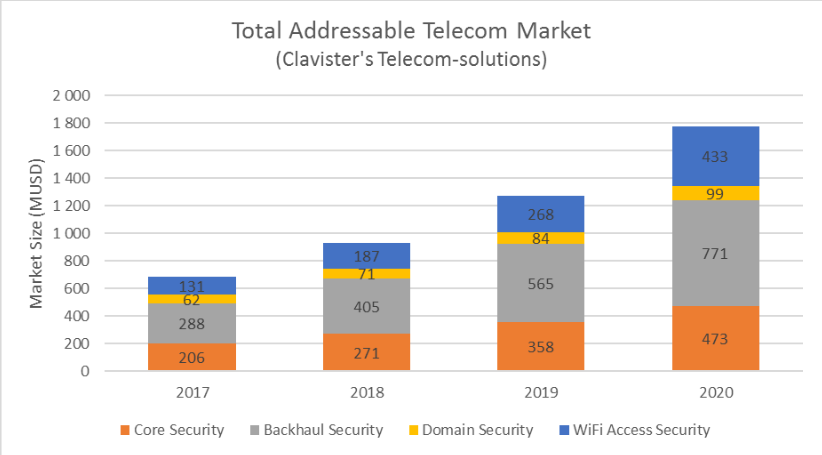


Figure 2. Total addressable market for Clavister's telecom solutions (MUSD). Source:Clavister
https://www.clavister.com/globalassets/documents/investor-relations/cla-business-update-october-16-en.pdf

Data growth, difficulties for operators to maintain profitability when extending network capacity, the importance of rapidly being able to deploy software based solutions and being able to use a model where operator dynamically can scale up based on capacity-needs are all key values that the virtual solutions of Clavister can provide. The advantages are e.g. 40% CAPEX reduction and 60% OPEX reduction[1)]. Operators are now gradually selecting these cloud-based solutions in lieu of traditional appliance based solutions.

[1)] https://www.gartner.com/technology/media-products/newsletters/clavister/1-3K4BQ0F/index.html

The advantages for the operators are significant which is highlighted by a clear interest, and a concrete number of tenders. Clavister has shortly after our solution became commercially available, received three orders. This includes a trial order from a south-European operator for valuation purposes. In addition, Clavister has received a first order from a western-European operator which subsequently was complemented by an ad-on order for additional functionality thereby doubling the initial and long-term revenue.

Even if the advantages with these solutions are significant for the operators, the initial business value for Clavister is limited. As the solutions are rolled out, demand for capacity increases, number of functionalities per solution increase, and potentially more solutions with each operator increase, the increase will be exponentially larger per customer (operator). External analysts point to the fact that most operators will select this type of virtualized solutions which indicates a significant accumulated need in this space.

About Clavister

Clavister is a Swedish company that develops, produces and sells network security solutions in the area of cyber security to customers in the Telecom, Enterprise and IAM (Identification, Authentication & Management) market. The company was founded in 1997 and has its headquarters in Örnsköldsvik. Clavister's solutions are based on proprietary and innovative software with very powerful performance. Thanks to the high degree of own-built software, not only is exceptionally good performance achieved, but the products are also considered to be very secure, especially against the so-called "backdoors", which media and whistleblowers believe are found amongst most competitors. Proprietary software will also provide a very good gross margin and hence price competitiveness, especially in business applications, where licensing can be used.

For further information about Clavister visit www.clavister.com.

Personnel and organization

As of 2017-03-31 the number of employees in the group amounted to 163 (134), of which Clavister AB 118 (100), 14 in PhenixID AB (wholly owned subsidiary from August 2016) and 29 (31) in Clavister China. This is an increase of 22% in the workforce. The parent company Clavister Holding AB, with limited operations, has 2 (1) employees. The number of employees and employed persons corresponds to the number of full-time positions. In addition to permanent staff, Clavister also engages consultants in customer projects and sales corresponding to 10 (9) full-time positions. Clavister thus employed a total of 31 March 2017, including employees and consultants, 173 (143) persons

Employees are the Group's most important asset, the employees and the strategy is to continue working for a good and stimulating work environment with challenging tasks and development opportunities. This, along with various supports for maintaining good health, considers the company to be crucial factors in continuing to attract, recruit and retain qualified employees.

Parent Company

The parent company Clavister Holding AB has a limited business.

Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accoutning Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by European Union (EU). The Group also applies the Annual Accounts Act (1995: 1554) and the recommendation of the Council for Financial Reporting RFR 1 “Supplementary Accounting Rules for Groups”.

New revenue recognition standard IFRS 15

The preparations for the new revenue recognition standard, IFRS 15, are in progress. IFRS 15 will be implemented from January 2018 and the initial analysis indicates a need for changes in the company’s transactions systems and revenue recognition. The changes identified will result in a delayed revenue recognition of the company’s support and maintenance services, which to a greater extent will be deferred over the contract period. The assessment regarding current revenue accounting for sales of hardware and software licenses is they will not be affected.

Disputes and Litigation

There are no litigation cases or legal proceedings on-going at present.

Transactions with Related Parties

No significant transactions between related parties and Clavister have occurred in the group or the parent company during the reporting period.

Risks and uncertainties

The company refers to the Annual Report 2016 and the website www.clavister.com/investor-relations/financial-documents/ where a more extensive summary is made of the risks and uncertainties in the business that could significantly affect the results and share performance. The Company does not believe that during the reporting period any material changes to the risks and uncertainties have been made, compared with those featured in the annual report. Risks are a natural part of the activities. Clavister works continuously to identify, assess, evaluate and prevent the risks that the business is exposed. If risks occur, they can affect Clavister’s sales, earnings and financial position. In brief mention operational risks where market or operational risks such as competition, product development and technical difficulties, product liability and guarantees, the risks to employees and key personnel, declining economic conditions, political events, intangible assets that are not patented and legal risks are included. Interest rates, credit and liquidity risks as well as tax risks, are described under the financial risks. Regarding currency risk, all sales are either in SEK, USD, EUR regulated by agreements with the customer. Currency EUR dominates, followed by Swedish kronor. Currency fluctuations both in terms of supplier payments and customer payments can create losses or gains and the impact on the financial position.

The company in China invoices and reports in the Chinese currency CNY(Yuan). As trade and purchase of products in Clavister China for the most part take place locally and in CNY, the exchange rate impact on earnings is limited, but impacts the profits of the Group.

Hedging occurs by offsetting payments received with disbursements in the same currency. In terms of the overall distribution between different currencies with respect to sales in EUR for around half of group sales, followed by SEK CNY and USD with a third each. The cost is dominated by SEK to around two thirds, and the remainder is distributed between the USD, EUR and CNY.

Financial information

Clavister intends to distribute financial reports on the dates below

Interim report April-June 2017	August 15, 2017
Interim report July-September 2017	October 25, 2017
Earnings report and report for the fourth quarter 2017	February 15, 2018

Financial reports, press releases, and information are available from the date of publication on Clavister's website www.clavister.com.

The Board of Directors and company management make estimates and assumptions that affect the company's results and financial position. The assumptions are continually evaluated and are based on past experience, and expectations of future events that are expected to be reasonable under prevailing circumstances. Actual results may differ from these estimates. The areas where estimates and assumptions could result in significant risk of adjustments to the carrying values of the results and financial position in future reporting periods are primarily, estimates of sales and market conditions, the useful lives of the Group's intangible assets, impairment test for goodwill and value of our shares, valuation of deferred tax assets and accounts receivable. Any forward-looking statements in this report are based on the Company's best assessment at the time of the report. Clavister makes no forecasts.

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

Björn Norrbom *Chairman of the Board*	Ilkka Hiidenheimo *Board member*	Sigrun Hjelmquist *Board member*	Annika Andersson *Board member*
Peter Dahlander *Board member*	Göran Carstedt *Board member*	Jan Ramkvist *Board member*	Viktor Kovacs *Board member*
Johan Öhman *President and CEO*			

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

Condensed consolidated income statement and statement of total income for the Group

Income statement (TSEK)	Jan - March 2017	Jan - March 2016	Jan-Dec 2016 *
Revenue	20 579	17 952	78 117
COGS	-4 004	-5 269	-24 650
Gross profit	**16 575**	**12 683**	**53 467**
Gross margin, %	*81%*	*71%*	*68%*
Cap. Dev. Expenses	6 032	3 795	20 406
Staff costs	-27 021	-19 627	-89 751
Other external costs	-10 635	-8 695	-41 896
Depreciation and impairment loss	-144	-120	-629
Amortization and impairment loss	-3 086	-3 779	-14 106
EBIT	**-18 279**	**-15 743**	**-72 509**
Financial items	-1 123	-1 399	796
Result after financial items	**-19 402**	**-17 142**	**-71 713**
Taxes	4 199	-31	16 516
Net profit - loss	**-15 203**	**-17 173**	**-55 197**
Average number of shares (before dilutive effect)	*22 821 254*	*18 861 783*	*20 642 541*
Average number of shares (after dilutive effect)	*24 488 375*	*19 876 700*	*22 015 009*
Result per share, SEK	*-0,67*	*-0,91*	*-2,67*
Result per share (after dilutive effect), SEK	*-0,62*	*-0,86*	*-2,48*
Net profit realting to Shareholders of the Parent Company	**-15 203**	**-17 173**	**-55 197**
Total results of the Group:			
Net profit (loss) end of the period	-15 203	-17 173	-55 197
Other profit	44	-152	108
Net profit (loss)	**-15 159**	**-17 325**	**-55 089**

** Comparative figures are according to the adopted Annual Accounts of 2016*

Condensed consolidated balance sheet for the Group

Balance sheet (TSEK)	2017-03-31	2016-03-31	2016-12-31 *
Assets			
Intangible assets	110 355	38 166	107 410
Tangible assets	819	1 415	964
Financial assets	70 585	49 917	66 377
Inventories	7 855	7 530	6 577
Current receivables	17 389	6 112	20 530
Cash and bank balances	59 253	47 279	75 311
Total assets	**266 255**	**150 420**	**277 169**
Equity and liabilities			
Equity	196 319	100 019	208 378
Provisions	2 997	0	2 997
Long-term liabilities	25 267	18 740	17 270
Current liabilities	41 673	31 662	48 524
Total equity and liabilities	**266 255**	**150 420**	**277 169**
Pledged assets	69 813	30 313	89 363
Contingent liabilities	0	13 470	0

Condensed consolidated cash flow statements for the Group

	Jan-March	Jan-March	Jan - Dec
Cash flow analysis (TSEK)	**2017**	**2016**	**2016 ***
Profit (loss) after financial items	-19 401	-17 142	-71 712
Adjustments for non-cash items, etc.	3 230	3 899	9 480
Paid taxes	-282	-195	3 167
Cash flow from operating activities before working capital changes	**-16 453**	**-13 438**	**-59 065**
Change in W/C	-1 207	-3 900	6 670
Cash flow from operating activities	**-17 660**	**-17 338**	**-52 395**
Investments in intangible assets	-6 032	-3 795	-20 400
Cash flow from investing activities	**-6 032**	**-3 795**	**-20 400**
Cash flow from financing activities	**7 634**	**24 885**	**104 579**
Cash flow	**-16 058**	**3 752**	**31 784**
Cash, beginning of period	75 311	43 527	43 527
Cash, end of period	**59 253**	**47 279**	**75 311**

** Comparative figures are according to the adopted Annual Accounts of 2016*

Condensed consolidated changes in equity for the Group

Equity (TSEK)	**Jan - March 2017**	**Jan - March 2016**	**Jan - Dec 2016 ***
Equity, beginning of period	208 378	90 929	90 929
Cash issue	4 448	26 475	125 078
Non-cash issue	0	0	65 090
Issue expenses	0	-61	-7 520
Non-registered issue	-4 218	0	6 390
Holdings of own shares	0	0	-16 500
Equity component at convertible loan	2 870	0	0
Other total income for the period	44	-152	108
Result for the period	-15 203	-17 172	-55 197
Equity, end of period	**196 319**	**100 019**	**208 378**

Consolidated key data and figures for the Group

Key data and figures	**Jan - March 2017**	**Jan - March 2016**	**Jan - Dec 2016**
Operating revenues (TSEK)	20 579	17 952	78 117
Gross profit (TSEK)	16 575	12 683	53 467
Gross margin (%)	81%	71%	68%
Operating profit (TSEK)	-18 279	-15 743	-72 509
Net profit (loss) (TSEK)	-15 203	-17 173	-55 197
Earnings per share (SEK) before dilution	-0,67	-0,91	-2,67
Earnings per share (SEK) after dilution	-0,62	-0,86	-2,48
Price per earnings (SEK)	N/A	N/A	-17,24
Equity per share	0,01	0,00	0,01
Number of shares before dilution at the end of the period	22 895 384	19 185 608	22 747 124
Number of shares after dilution at the end of the period	24 562 505	20 530 525	24 139 392
Average number of shares before dilution	22 821 254	18 861 783	20 642 541
Average number of shares after dilution	24 488 375	19 876 700	22 015 009
Number of employees at the end of period	163	134	160
Average number of employees	162	129	142
Number of employees and external resources at end of period	173	141	170
Equity/assets ratio (%)	74%	66%	75%
Quick ratio (%)	184%	169%	198%
Net dept (-), Net cash (+) (TSEK)	25 731	23 079	46 728

Segment reporting

A business segment is a part of the Group which operates from which it can generate revenue and incur costs and for which there is independent financial information available. Clavisters develops products for the business segment of enterprise for medium and large customers as well as for telecom operators (and other service providers) based on Core and Stream platforms. Based on the segments, a resource allocation of the Group's development work is made. Product platforms have unique advantages where Stream has better adapted functionality and performance for telecom while Core generally suits the enterprise segment. The segment of the enterprise accounts for the most significant part of the sales. Through close business cooperation, the company has been able to adapt the telecom solutions, which, together with increased data traffic in the telecom networks, is expected to generate dividends in increased growth and development for the Group.

The capitalized development costs have been used as a reference when allocating operating assets and operating liabilities. For 2016, the balanced development costs are divided by 62% for enterprise and 38% respectively for the telecom segment. By 2017, they are divided by 63% for enterprise and 37% for telecom.

For more information and description about the operating segments, see Annual report 2016, www.clavister.com.

	Enterprise		Telecom		Group-wide/ elimination		Total Group	
Segment reporting (TSEK)	Jan-March 2017	Jan-March 2016	Jan-March 2017	Jan-March 2016	Jan-March 2017	Jan-March 2016	Jan-March 2017	Jan-March 2016
Revenue								
External revenue	20 007	17 183	495	0	0	0	20 502	17 183
Internal revenue	0	0	0	0	0	0	0	0
Other income	77	769	0	0	0	0	77	769
Total revenue	**20 084**	**17 952**	**495**	**0**	**0**	**0**	**20 579**	**17 952**
Operating profit (loss)	-11 516	-9 761	-6 763	-5 982	0	0	-18 279	-15 743
Financial items	-707	-867	-416	-532	0	0	-1 123	-1 399
Tax on profit of the year	2 645	-19	1 554	-12	0	0	4 199	-31
Net profit (loss)	**-9 578**	**-10 647**	**-5 625**	**-6 526**	**0**	**0**	**-15 203**	**-17 173**
Other information								
Operational assets	167 741	93 260	98 514	57 160	0	0	266 255	150 420
Operational liabilities	21 053	12 648	12 364	7 753	0	0	33 417	20 401
Investments	2 419	2 049	3 613	1 746	0	0	6 032	3 795
Depreciation and Amortizations	3 230	3 899	0	0	0	0	3 230	3 899
Goodwill	53 669	4 397	0	0	0	0	53 669	4 397

Share Capital

The company's share capital amounts to 2 289 538,40 SEK

Shareholders and Shares

Clavister Holdings shares are listed on Nasdaq First North. There is only one type of share. Each share represents one vote at the General Meeting. The number of shareholders is 6,027 shareholders at 2017-03-31. The number of registered shares 2017-03-31 was 22,895,384 according to the Swedish Companies Registration Office (Bolagsverket).

The 10 largest shareholders	**Number of shares 2017-03-31**	**% of total number**
Försäkringsaktiebolaget, Avanza Pension	3 005 448	13,1%
Danica Pension	1 398 678	6,1%
Swedbank Robur	1 184 435	5,2%
Fondita Nordic Micro Cap SR	951 000	4,2%
Swiss Life AG	849 750	3,7%
Nordnet Pensionsförsäkring AB	840 645	3,7%
JP Morgan Securities LLC	715 881	3,1%
Alcur	685 809	3,0%
AMF Aktiefond Småbolag	531 060	2,3%
RGG Adm-Gruppen AB	505 000	2,2%
Other Shareholders	12 227 678	53,4%
Total shares registered under the Companies Registration Office	**22 895 384**	100,0%

Events	**Number**	**Date**
Opening number of shares	**22 747 124**	**2017-01-01**
New share issues du to warrants prg 2016-12-31	148 260	2017-02-15
Closing number of shares	**22 895 384**	**2017-03-31**
Any future share issues during 2016-2026 due to warrants	19 801	
Any future share issues during 2017 due to warrants	175 000	
Any future share issues during 2017 due to convertibles	666 667	
Any future share issues during 2019 due to warrants	530 800	
Any future share issues during 2022 due to convertibles	204 853	
Any future share issues during 2020 due to warrants	70 000	
Number of shares after full dilution	**24 562 505**	

Share related incentive program and convertible loan

Warrants

There are three current incentive programs, all addressed to the Board of Directors and key employees of the Company. Pricing is based on the Black-Scholes option pricing model. Payment of the warrant options has been made in accordance with the extrapolated price according to the Black & Scholes model therefore it has not affected the accounts with any charge. There is an additional program for warrants linked to the October-made loan financing equivalent to 19,801 warrants maturing 2026. Holders of warrants will be entitled to subscribe for one new share in the company for each warrant. The number of warrants issued amounted to a total of 795,601 warrants.

Reasons for the warrants program

Clavister considers it a positive undertaking to offer warrants programs to create greater commitment, loyalty and greater interest among warrant holders, which also favors the development of the company.

Warrants	Number issued	Redeemed	Open	Share Price, SEK
TO 2016-2026	19 801	0	19 801	0,1
TO 2015 - 2017-12-31	175 000	0	175 000	30
TO 2016 - 2019-06-30	530 800	0	530 800	72
TO 2017 - 2020-02-28	70 000	0	70 000	72
	795 601	**0**	**795 601**	

Convertible debenture (loan)

Clavister and Norrlandsfonden entered into a partnership in which Clavister in 2012 received a convertible debenture of SEK 10 million, due in September 2017. Upon conversion, 666,667 shares in Clavister Holding AB will be added, the conversion price amounts to 15 SEK.

Clavister extended the cooperation with Norrlandsfonden and has entered into an agreement for a new convertible debenture of SEK 10 million. In case of conversion, approximately 204,853 shares in Clavister Holding AB will be added and the conversion price amounts to 48,82 SEK. The maturity of the convertible is 5 years. The interest rate is based on STIBOR 90. If there is still a negative interest rate, no interest payment will be paid to the Norrlandsfonden.

Convertible loan	Number issued	Redeemed	Open	Share Price, SEK
Norrlandsfonden 2017-09-30	666 667	0	666 667	15
Norrlandsfonden 2022-05-31	204 853	0	204 853	49
	871 520	**0**	**871 520**	

Decisions of the Extraordinary General Meeting 2017-01-17

The decision was taken to issue a maximum of 100 000 warrants. The right to subscribe to the warrants will be extended to ten employees of PhenixID. The warrants will be issued free of charge and entitle a subscription to new shares at a price of 79 SEK. The company’s remuneration cost-free warrant is 815 TSEK. It was also decided to issue a maximum of 120 000 warrants. The right to subscribe to these warrants will be extended to Clavister AB free of charge, with intention of transfer to employees of Clavister AB and PhenixID AB at a purchase price per warrant based on the warrants’ market value and allow subscription in new shares at a price of 72 SEK.

At the extraordinary general meeting of 2017-01-17, the AGM resolved to authorize a convertible bond issue, deviating from shareholders' preferential rights.

Decisions of the Annual Yearly Meeting 2017-04-27

The decision was taken to issue a maximum of 300,000 warrants corresponding to a dilution of no more than 1.3% of the share capital and votes in the company after full dilution. The right to subscribe for the options shall be free of charge to the subsidiary Clavister AB for transfer to senior executives in Clavister AB and the subsidiary PhenixID AB at a cash price per option based on the option's market value. In support of the valuation, the company will seek advice from an independent actor.

Condensed Parent Company income statement

Income statement (TSEK)	Jan - March 2017	Jan - March 2016	Jan - Dec 2016 *
Revenues	1 500	1 500	4 200
Staff costs	-959	-241	-1 239
Other external costs	-595	-527	-2 362
EBIT	**-54**	**732**	**599**
Financial items	-162	-162	-617
Result after financial items	**-216**	**570**	**-18**
Group contribution paid	0	0	-650
Taxes	0	0	143
Net profit - loss	**-216**	**570**	**-525**

Condensed Parent Company balance sheet

Balance sheet (TSEK)	2017-03-31	2016-03-31	2016-12-31 *
Assets			
Financial assets	486 186	313 632	456 210
Current receivables	29	2	392
Cash and bank balances	37 032	36 884	60 500
Total assets	**523 247**	**350 518**	**517 102**
Equity and liabilities			
Equity	504 916	340 502	502 031
Provisions	0	268	0
Long-term liabilities	16 720	8 942	9 554
Current liabilities	1 611	806	5 517
Total equity and liabilities	**523 247**	**350 518**	**517 102**
Pledged assets	437 827	350 508	431 189
Contingent liabilities	19 223	17 349	21 959

** Comparative figures are according to the adopted Annual Accounts of 2016*

Condensed Parent Company changes in equity

Equity (TSEK)	Jan - March 2017	Jan - March 2016	Jan - Dec 2016*
Equity, beginning of period	502 031	311 008	311 008
Cash issue	4 448	26 475	110 047
Non-cash issue	0	2 510	83 010
Issue expenses	0	-61	-7 520
Non-registered issue	-4 218	0	6 010
Equity component at convertible loan	2 870	0	0
Result for the period	-216	570	-525
Equity, end of period	**504 915**	**340 502**	**502 031**

Definitions

Operation revenues
Net sales plus other income

Gross profit
Operating revenues minus cost of goods sold.

Gross margin
Gross profit in relation to operating revenues.

Operating profit
Operating revenues minus operating costs.

Net profit/loss
Operating profit minus, financial items and taxes.

Earnings per share (SEK) before dilution
Profit for the period divided by the average number of shares outstanding during the period, before dilution from options

Earnings per share (SEK) after dilution
Profit for the period divided by the average number of shares outstanding during the period, after dilution from options

Price-Earnings Ratio
Market value per Share divided by the earnings per Share, full year

Equity per share
Shareholders' equity divided by the number of shares outstanding at the end of the period.

Number of shares before dilution at the end of the period
Number of shares outstanding before dilution from options, at the end of the period.

Number of shares after dilution at the end of the period
Number of shares outstanding after dilution from options, at the end of the period.

Average number of shares before dilution
Average number of shares during the period, before dilution from options.

Average number of shares after dilution
Average number of shares during the period, after dilution from options.

Number of employees at the end of period
The number of employees at the end of the period, defined as full-time equivalents.

Average number of employees
The average number of employees during the period, defined as full-time equivalents.

Number of employees and external resources at end of period
The number of employees and external resources such as dedicated persons with contracted suppliers and subcontractors at the end of the period, defined as full-time equivalents.

Equity/assets ratio (Solidity)
Equity at the end of period as a percentage of total assets at the end of the period.

Quick ratio
Current assets in relation to current liabilities.

Net dept, Net cash
Cash equivalents minus interest-bearing short-term and long-term liabilities

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Clavister Holding AB

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