**Annual report 2020**

**Cyber Security 1 AB (Publ) Group**

**Consolidated and Parent Company**

**Financial statements**

***Administration Report***
*with Corporate Governance Report 2020*

***Key financial ratios for the Group***

*All amounts in the annual report are reported as thousands of EURO (TEUR) unless otherwise stated*

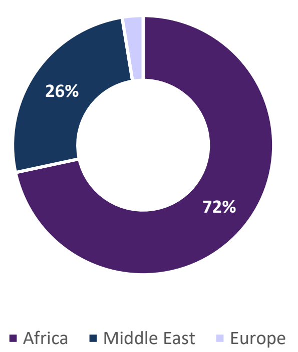
| | **2020** | **2019** |
|---|---|---|
| **Key Financial Ratios** | **TEUR** | **TEUR** |
| Revenue | 27 356 | 68 731 |
| Loss before tax | (13 875) | (641.1) |
| Loss from discontinued operations | - | (410) |
| Operating margin | (49.6%) | (0.6) % |
| Net Debt | 0 | 0 |
| Cash Flow from operations | (2 821.8) | (1 781.9) |
| Basic Earnings per share | (0,039769) | (0,00520) |
| Number of shares at the end of the Period | 348 890 226 | 295 486 482 |
| Employees at the end of the period | 146 | 198 |

**2020 IN BRIEF AND POST BALANCE EVENTS**

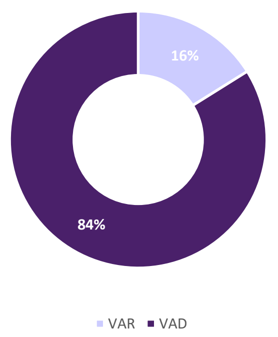
- Gross Margin increased year over year by 8%, from 20% in 2019 to 28% in 2020.
- Operating Expenditure from continuing operations has reduced by 20% to TEUR 12.3m in 2020 from TEUR 15.3m in 2019
- Revenue decreased by 60% to TEUR 27.3m in 2020 from TEUR 68.7m in 2019.
- Cyber1 recorded significant drop in EBITDA mainly due to COVID-19 impact, liquidity constraints and the disinvestment from ITway
- Operating loss increased to TEUR 13.8m from TEUR 1.1m.
- Cyber1 appointed a new board of directors in August 2020
- Cyber1 produced a profitable result for Q1 2021, following the company's restructuring during the reconstruction process.
- Cyber1 is expected to come out of reconstruction in June 2021

A full list of Cyber1's announcements and reports can be found at www.cyber1.com.

**Revenue by jurisdictional Segment**




**Operating loss by product segment**



**Managements' administration report**

**Details of the Parent's business**

Cyber Security 1 AB (Publ) ("**Cyber1**") is the Parent company in the Cyber Security 1 AB Group. The company, named Cognosec AB (Publ) at the time, was listed on the Nasdaq First North Stock exchange in September 2016. It is a holding company that directly or indirectly owns the operating subsidiaries of the Cyber Security 1 AB Group.

Cyber1 is a NASDAQ-listed, agile global company with offices in UK, UAE, Europe and Africa. It operates across the public and private sectors in the Cybersecurity space and assists organisations to reduce cyber risks, become resilient to attacks, assess organisations' processes, procedures and systems for non-compliance and vulnerabilities.

Cyber1 operates across multiple public and private sector organisations including government, healthcare, retail, insurance, manufacturing and hospitality and specialises in security, risk and compliance services that allows it to offer the best in payments, communications, network and e-commerce security. Cyber1 designs, implements and manages solutions that protect critical IT infrastructure, data assets, independent product advice and professional services across all cybersecurity application areas.

The Cyber1 share register is managed by Euroclear.

Mangold Fondkommission AB was the Nasdaq First North certified advisor to Cyber1 during the year.

Consolidated earnings for the twelve months through to 31 December 2020 amounted to a loss of TEUR 13 875 (2019: loss TEUR 1 493). Consolidated shareholders' equity at 31 December 2020 amounted TEUR 202,5 (2019: TEUR 13 582) of which TEUR 156 (2019: TEUR 240) relate to equity attributable to minority shareholders.

Cyber1 AB's loss for the 12 months up to and including 31 December 2020 amounted to TEUR 15 640 (2019: loss TEUR 3 235). Equity in the Parent Company at 31 December 2020 amounted to negative TEUR 2 357,6 (2019: TEUR 12 097).

**Related party transaction**

Transactions with related parties have all been executed on market terms and are further described in Note 24.

**Share data**

As of 31 December 2020, the Company had a total of 348 890 226 issued shares (2019**:** 295 486 482). The quota value amounted to 0,0000261 EUR (2019: 0,000262 EUR) per share. For more information about the Company's shares, see Note 21, 22 and 23.

**Business review and going concern**

Despite the muted performance in 2020 the group is optimistic and currently building up its capabilities and growing its strategic base, particularly in Europe and the EMEA Region. Whilst core cash flow generation in established geographies remains challenging, the restructured European entities will free up liquidity burdens on these geographies. As such the group is still reliant on support from its existing and future shareholders and has been in receipt of such cash support in 2020 and into the first quarter of 2021.

Management is fully aware of the groups liquidity position, with the expectation of future growth and support from external sources to meet its immediate needs. However, as at the reporting date, looking at its current cash position and cashflow projections for the business, the company is dependent on external funding to cover its cashflow gap. If Cyber1 cannot acquire additional external funding or, grow the business sufficiently swiftly, there is a risk that a liquidity deficit will continue. Taken as a whole, this means that there are material factors of uncertainty that, if not alleviated by the current plans' management have in place to secure funding and grow the business, it could lead to doubt regarding the ability of the company to continue to be a going concern. This may primarily affect the valuation of goodwill at group level and shares in subsidiaries at parent level.

**Strategy**

In the VAD "Value-Added Distribution" segment, Cyber1 works to maximize long term profitability, leveraging its strong market presence and trusted brand. In addition, capitalizing on its leading market position in a number of its core jurisdictions in this category, Cyber1 will maintain a continued focus to drive benefits from synergies existing and new from across the group.

In the advisory and managed services segment, Cyber1 will drive profitable growth through strong sales and marketing execution, while maintaining strict cost discipline. Cyber1 continues to adapt its assortment in order to maintain its leadership in offering high quality services with outstanding value with a focus on services in growing higher margin segments.

Cyber1 will continue to grow and establish new international markets based on Cyber1's strong and expanding service capabilities and high-quality brands it is vendor portfolio.

**Financial development**

The VAR business segment maintained its position in the African market and lost revenue in the European and Middle East region mainly as a result of the disinvestment in the Itway operations. In 2020, Cyber1's VAR business recorded a decline in revenue of 63% to TEUR 21 200 (2019: TEUR 57 100).

Like-for-like organic VAR revenue dropped by 20% to TEUR 21 000 (2019: TEUR 26 300), adjusted for Itway operations to be divested. Operating margin dropped significantly due to the loss of the disinvestment a loss of TEUR 554 (2019: TEUR 9 035).

VAD (Value added distribution) revenue totalled TEUR 8 500 (2019; TEUR 11 900) due to combine impact of Covid-19 as well as liquidity constraints. Coupled with a decline in revenue, gross profit margin decreased marginally to 26.6%.

### Significant events during the year

*Company reorganisation (2020)*

On May 12th, 2020 the Stockholm District Court (SDC) approved Cyber Security 1 AB 's application for corporate restructuring. The Law Firm Carler, appointed Administrator for the proceedings to be held on June 1, 2020. In light of current general trading conditions and consequences of the formal Chairman K Paulsen's demise, compounded with financial difficulties, have prompt the new board to initiate the corporate restructuring process.

The company utilised this period to validate creditors and reposition the parent company to be leaner and efficient. The year on year effects of this can be read in detail within the Q1 2021 report.

On November 12th, 2020. the company requested that the court appoints Marcus Wenner, of 180 Grader, as the new administrator for the reconstruction proceedings, which was subsequently approved.

*COVID 19 impact – Affirmed Full -Year Guidance*

Cyber1's approach in facilitating organic customer growth and upselling of solutions into existing infrastructures are both key indicators for the long term success of the business. New customer acquisition in comparison has been overall hindered by the recent economic outlook surrounding the proliferation of COVID-19. For example, the companies planned expansion into India as a key growth market was paused, during the height of the pandemic. Other strategic territories such as the UAE, have experienced strong lockdown provisions, preventing planned initiatives for customer acquisitions. South Africa continues to see high cases overall given the slower than expected vaccination rollout. Despite this, the company has been adaptable in its offering, continuing to deliver salient solutions related to new working environments, for example through cloud and remote access solutions.

### Events after the reporting period

*Company reorganisation (2021)*

On May 12th, 2020 the Stockholm District Court (SDC) approved Cyber Security 1 AB 's application for corporate restructuring. The Law Firm Carler, appointed Administrator for the proceedings to be held on June 1, 2020. In light of current general trading conditions and consequences of the formal Chairman K Paulsen's demise, compounded with financial difficulties, have prompt the new board to initiate the corporate restructuring process.

The company utilised this period to validate creditors and reposition the parent company to be leaner and efficient. The year on year effects of this can be read in detail within the Q1 2021 report.

On November 12th, 2020. the company requested that the court appoints Marcus Wenner, of 180 Grader, as the new administrator for the reconstruction proceedings, which was subsequently approved.

On the 11th of May, 2021, the Company has lodged an application for composition hearings (Sw; ackordsförhandling), including a composition proposal (Sw; ackordsförslag), with the Stockholm District Court. The composition proposal entailed a twenty-five (25) per cent pay-out of the Company's subordinated debt accrued before the commencement of the reconstruction, equating to a write-down of seventy-five (75) per cent of the relevant debt. The proposed composition payments to subordinated creditors shall be made in cash within twelve months from the Stockholm District Court's decision on a compulsory composition agreement (Sw; offentligt ackord) has gained legal force.

On the 12th of May, 2021, the company received confirmation from the Stockholm District Court on the date of the composition hearing, set for the 7th of June, 2021.

On the 17th of May, 2021, CYBER1 confirmed it had secured operating capital towards the ongoing restructuring process.The loan, of in total TEUR 500,000, to the Company is undertaken by existing shareholders, Marlo Finance B.V., KAV Invest Holding AG, JFG Capital B.V. and Ramphastos Participaties Coöperatief U.A. at a fixed interest rate of 10%.

On the 27th of May, 2021, the company announced subject to approval by the Annual General Meeting ("AGM"), resolved to carry out an issue of shares and warrants ("Units") with preferential rights for existing shareholders of approximately EUR 1.774 million before issue costs (the "Rights Issue"). Upon full exercise of all warrants, Cyber 1 may receive additional issue proceeds of approximately EUR 1.774 million before issue costs. The Rights Issue is to 100 percent covered by external guarantee commitments from an external qualified investor. The Rights Issue requires approval at the AGM on 29 June, 2021.

### Board and Chief Executive Officer

The Board of Directors of the Company during the year, were the following members: Johannes Bolsenbroek (Chairman), Antoine Karam (Chairman), Corné Melissen, Frank Kamsteeg, Thomas Bennett, Daryn Stilwell, Robert Blase, Alan Goslar, Pekka Honkanen and Zeth Nyström

On the 21st of February, Nick Viney was released from the position of Chief Executive Officer, with Daryn Stilwell nominated in this role until August the 17th, when Mr. Peter Gustafsson assumed the role of Acting CEO.

On the 12th of October 2020, Robert Brown was appointed Cyber1 Chief Executive Officer. On the 1st June 2021 Peter Sedin was appointed Cyber1 Chief Executive Officer.

The following board directors resigned and ceased to be board members on the following dates:

- Johan Bolsenbroek resigned his role as Chairman, due to business challenges during the Covid-19 outbreak. Mr. Bolsenbroek has subsequently been elected as Chairman on the 27th of August 2020.
- Frank Kamsteeg ceased his role as board director on 27th August 2020.

- Corné Melissen, ceased his role as board director on 27th August 2020.
- Antoine Karam ceased his role as board director on 27th August 2020.
- Thomas Bennett resigned on August 17th 2020. Following re-election within an EGM on the 27th of August 2020, Thomas Bennett elected not to accept his appointment as a board member.
- Daryn Stilwell ceased his role as board director on 27th August 2020.
- Robert Blase resigned on the 12th of October.

**Other Events**

Subsequent to the balance sheet date, no other appointments have been made by the company.

**Employees**

At the end of the financial year, the number of employees in the Group amounted to 146, compared with 198 at the beginning of the year.

**Research and Development**

With the aim of strengthening and developing Cyber1's position as one of the leading global cybersecurity providers of strong brands to the public and private sectors in Africa, Europe and the Middle East regions, the Group primarily invests its resources in the continued development of proprietary product brands and various concepts and service solutions for its customers and partners. Activities implemented during 2020 included continued product development within the framework of the Company's proprietary brands, digitisation, the development of various service concepts and customer solutions, the development of logistics and e-commerce solutions for resellers and end customers, and training for end users.

**Financial and business risks**

Efficient and systematic risk assessment of financial and business risks is important for the Cyber1 Group. The Group's Financial Policy establishes guidelines and goals for managing financial risks in the Group and regulates the distribution of responsibility between the Board of Directors of Cyber Security 1 AB, the CEO and the CFO and Managing Directors of the subsidiaries. All foreign-currency management and granting of credit to customers are handled within the framework of the established policy. For a detailed account of financial and business risks and the Group's management thereof, refer to pages 7–9 and Note 20 Financial instruments and financial risk management on pages 60–64.

**Future Development**

Market trends in 2021 will be carefully monitored by the Group's businesses. Cyber 1 Group has good potential to continue improving its profitability in many areas. During the year, the focus will be on volume growth, increased profitability and a reduction in funds tied up in working capital in the Group. The Group companies will continue developing services and proprietary product brands, which have accounted for an increased portion of the Group's total sales in recent years.

The Group's goal is for its earnings growth over the next business cycle to amount to at least 20% and a minimum of 5% annually thereafter.

**Annual general meeting**

The annual general meeting (AGM) is scheduled for 29th June 2021.

**Control Balance Sheet**

During 2020, the Board conducted an extensive project to update the valuation of the Subsidiaries. This work was done through an external third party to provide a realistic and unbiased valuation. The results of the valuation are included in the Q2 report of 2020. The board has now further established that presumptions made in the valuation are still valid and conclude there is headroom in the value of the subsidiaries and that the stated investment of 2,3 MEUR is of the most conservative view.

Should the Group realise the adjusted valuation the Parent company would increase its Equity value to the extent that it would not be below the registered 50%. The control balance sheet has been audited by the Group's Auditors, RSM.

**Proposed Appropriation of the Parent Company Current Year Loss**

The below funds and proposed treatment of them is to be decided at the company's annual general meeting.

| | |
|---|---|
| Free Equity | 12 006 029 EUR |
| Current year Loss | (15 640 017) EUR |
| Foreign Exchange differential | |
| Share Issue | 1 185 370 EUR |
| **Total** | **(2 448 618) EUR** |

The board proposes that the available deficit is carried forward.

| | |
|---|---|
| **To be brought forward** | **(2 448 618) EUR** |

***Financial reporting***

Cyber1's financial reporting for 2020 consists of financial summary and financial reports, as well as accounting policies and notes.

The financial summary consists of annually and key performance measures, the financial reports consist of consolidated and Parent Company statements of comprehensive income and balance sheets, as well as changes in shareholders' equity and a cash flow statement.

The accounting policies and notes provide detailed company-specific information that more thoroughly describes the company's financial position.

***Consolidated and Parent Company Income Statement***
**for the year ended 31 December 2020**

| | *Note* | **Group** | Group | **Parent** | Parent |
|---|---|---|---|---|---|
| | | **2020** | 2019 | **2020** | 2019 |
| | | **TEUR** | TEUR | **TEUR** | TEUR |
| Revenue | *5* | 27 356,1 | 68 731,2 | 894,4 | 1 573,0 |
| Cost of sales | | (19 831,5) | (54 533,8) | - | (484,0) |
| **Gross profit** | | **7 524,6** | 14 197,4 | **894,4** | 1 089,0 |
| Sales expense | *5* | (6 167,7) | (8 014,1) | (108,4) | - |
| Administrative expenses | *6,7* | (6 128,3) | (6 592,9) | (4 261,5) | (4 307,9) |
| Other Operating expenses | *8* | (8 803,9) | | (12 305,7) | |
| **Operating Loss** | | **(13 875,3)** | (409,6) | **(15 781,2)** | (3 218,9) |
| Financial income | | 6,4 | 50,0 | 141,2 | - |
| Financial expense | | (220,0) | (281,4) | - | (16,8) |
| Other financial Items | | (86,3) | - | | - |
| **Loss before taxation** | | **(13 875,2)** | (641,1) | **(15 640,0)** | (3 235,7) |
| Income tax expense | *9* | - | (442,4) | - | - |
| **(Loss)/profit of continuing operations** | | **(13 875,2)** | (1 083,4) | **(15 640,0)** | **(3 235,7)** |
| Loss of discontinued operations | *15* | **-** | (409,5) | - | - |
| **Loss for the period** | | **(13 875,2)** | (1 493,0) | **(15 640,0)** | **(3 235,7)** |
| **Attributable to** | | | | | |
| Equity holders of parent | | (13 791,0) | (1 536,5) | | |
| Non-controlling interest | | (84,3) | 43,5 | | |
| | | **(13 875,2)** | **(1 493,0)** | | |
| **Basic earnings per share (euro per share)** | *22* | **(0.039769)** | **(0.0052)** | | |

**Consolidated and Parent Company Statement of Comprehensive Income**
**for the year ended 31 December 2020**

| | **Group** | Group | **Parent** | Parent |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **TEUR** | TEUR | **TEUR** | TEUR |
| **Loss for the period** | **(13 875,2)** | (1 493,0) | **(15 640,0)** | (3 235,7) |
| **Other comprehensive income** | | | | |
| Exchange differences on translating foreign operations | 139,5 | (301,9) | - | - |
| Currency revaluation effects | **-** | **-** | - | (3,0) |
| **Total comprehensive loss for the year** | **(13 735,7)** | (1 794,9) | **(15 640,0)** | (3 238,7) |
| **Attributable to** | | | | |
| Equity holders of parent | (13 651,5) | (1 838,4) | | |
| Non-controlling interest | (84,2) | 43,5 | | |
| | (13 735,7) | (1 794,9) | | |

***Consolidated and Parent Company Statement of Financial Position at 31 December 2020***

| | Note | **Group 2020 TEUR** | Group 2019 TEUR | **Parent 2020 TEUR** | Parent 2019 TEUR |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Goodwill | *10,11* | 6 629,5 | 7 609,4 | - | - |
| Intangible assets | *10* | 21,8 | 4 400,4 | 21,8 | 31,4 |
| Property, plant and equipment | *12* | 177,1 | 181,8 | - | - |
| Right-of-use assets | *13* | 273,4 | 449,9 | - | - |
| Investments in subsidiaries | *14* | - | - | 2 300,9 | 14 357,5 |
| | | **7 101,7** | 12 641,5 | **2 322,7** | 14 388,9 |
| **Current assets** | | | | | |
| Inventories | *16* | 452,0 | 224,5 | - | - |
| Trade and other receivables | *17* | 15 257,0 | 27 243,3 | 6 403,2 | 5 653,6 |
| Deferred Tax | | 18,5 | | | |
| Cash and cash equivalents | | (733,1) | 2 437,6 | 2,2 | 3,2 |
| | | **14 994,4** | 29 905,4 | **6 405,4** | 5 656,8 |
| **Total assets** | | **22 096,1** | 42 546,9 | **8 728,0** | 20 045,7 |
| Current Liabilities | *18* | (21 892,6) | (28 574,5) | (11 085,6) | (7 948,6) |
| Non-current Liabilities | *18* | - | (389,6) | - | - |
| **Total Liabilities** | | **(21 892,6)** | (28 964,1) | **(11 085,6)** | (7 948,6) |
| **Net assets** | | **202,5** | 13 582,8 | **(2 357,6)** | 12 097,1 |
| **Equity attributable to equity holders of the parent** | | | | | |
| Share capital | *21* | 91,3 | 77,3 | 91,3 | 77,3 |
| Share premium | | 20 8574 | 19 678,1 | 20 760,6 | 19 589,3 |
| Revaluation reserve | | 311,0 | 415,8 | - | - |
| Retained earnings | | (21 213,2) | (6 828,6) | (23 209,5) | (7 569,5) |
| | | **46,5** | 13 342,6 | **(2 357,6)** | 12 097,1 |
| **Non-controlling interest** | | 156,0 | 240,2 | **-** | **-** |
| **Total equity** | | **202,5** | 13 582,8 | **(2 357,6)** | 12 097,1 |

**Consolidated Statement of Changes in Equity**
**at 31 December 2020**

| | Share Capital | Share Premium | Revaluation Reserve | Retained Earnings | Non-Controlling Interest | Group Total |
|---|---|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| Balance at 1 January 2019 | **76,5** | **18 863,2** | **717,7** | **(5 180,8)** | **196,7** | **14 673,2** |
| Total comprehensive income | - | - | (301,9) | (1 536,5) | 43,5 | (1 794,9) |
| Business Combinations – acquisition effect | - | - | - | (111,3) | | (111,3) |
| Offset issue | 0,8 | 81,9 | - | - | - | 815,7 |
| **Balance at 31 December 2019** | **77,3** | **19 678,1** | **415,8** | **(6 828,6)** | **240,2** | **13 582,8** |

| | Share Capital | Share Premium | Revaluation Reserve | Retained Earnings | Non-Controlling Interest | Group Total |
|---|---|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| Balance at 1 January 2020 | **77,3** | **19 678,1** | **415,8** | **(6 828,6)** | **240,2** | **13 582,8** |
| Opening balance adjustment | | | | (226,6) | | (226.6) |
| Total comprehensive income | - | - | (104,8) | (13 791,0) | (84,2) | (13 980.0) |
| Foreign exchange translation | | | | (367,0) | | (367,0) |
| Offset issue, net of transaction cost | 14,0 | 1 179,3 | - | - | - | 1 193,3 |
| Share issue | - | - | - | - | - | - |
| **Balance at 31 December 2020** | **91,3** | **20 857,4** | **311,0** | **(21 213,2)** | **156,0** | **202,5** |

**Consolidated and Parent Company Statement of Cash Flows**
**for the year ended 31 December 2020**

| | **Group 2020 TEUR** | Group 2019 TEUR | **Parent 2020 TEUR** | Parent 2019 TEUR |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Loss before tax | (13 875,2) | (641,1) | (15 640,0) | (3 235,7) |
| Non-cash item: | | | | |
| Amortisation of intangible assets | - | 297,6 | - | 262,7 |
| Depreciation of tangible assets | 351,6 | 345,6 | - | - |
| Interest net | | 389,1 | - | - |
| Other non-cash items etc | 8 504,0 | 748,0 | 12 066,1 | 23,9 |
| Interest paid | - | - | - | - |
| Interest received | - | - | - | 16,8 |
| Decrease (+)/increase (-) in inventories | (227,5) | 550,7 | - | - |
| Increase (–)/decrease (+) in operating receivables | 10 588,0 | (8 852,2) | (2 180,3) | (2 383,5) |
| Increase (+)/decrease (–) in operating liabilities | (5 319,6) | 5 380,4 | 3 137,1 | 5 898,2 |
| Total change in working capital | 5 040,9 | (2 921,1) | 956,8 | 3 514,8 |
| Cash from operations activities | **21,3** | (1 781,9) | **(2 758,3)** | 582,4 |
| Tax paid | (1 634,9) | 100,6 | - | - |
| **Cash flows from operating activities** | **(1 613,6)** | (1 681,3) | **(2 758,3)** | 582,4 |
| **Cash flows from investing activities** | | | | |
| Investments in intangible assets | - | - | - | - |
| Investments in machinery and equipment | (356,4) | (771,9) | - | - |
| Sales of fixed assets | - | - | - | - |
| Business combinations | - | - | - | (351,6) |
| **Net outflows from investing activities** | **(356,4)** | (771,9) | **-** | (351,6) |
| **Cash flows from financing activities** | | | | |
| Borrowings | (663,9) | 1 043,5 | | 1 043,5 |
| Related Party Funding loan | - | 665,5 | 2 757,4 | - |
| Acquisition of controlling interests | - | 815,7 | - | 812,7 |
| Dividend | (226,5) | - | - | - |
| Instalment on lease liabilities | (253,5) | (234,1) | - | - |
| **Net cash used in financing activities** | **(1 143,9)** | 203,6 | **2 757,4** | (230,8) |
| **Change in cash and cash equivalents during the year** | | | | |
| Net change in cash, continuing operations | (2 039,4) | (2 249,5) | (1,0) | - |
| Net change in cash, discontinued operations | (1 131,3) | (409,5) | - | - |
| Foreign exchange translation adjustment | 75,3 | (827,6) | - | - |
| **Cash and cash equivalents at the beginning of year** | **2 437,6** | 5 924,2 | **3,2** | 3,2 |
| **Cash and cash equivalents at end of year** | **(733,1)** | 2 437,6 | **2,2** | 3,2 |

**Parent Company Statement of Changes in Equity**
**at 31 December and 2020**

| | Share Capital | Share Premium | Retained Earnings | Parent Total |
|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR |
| Balance at 1 January 2019 | 76,5 | 18 774,4 | (4 330,8) | 14 520,1 |
| Loss for the year | - | - | (3 238,7) | (3 238,7) |
| Offset issue | 0,8 | 814,9 | - | 815,7 |
| **Balance at 31 December 2019** | **77,3** | **19 589,3** | **(7 569,5)** | **12 097,1** |

| | Share Capital | Share Premium | Retained Earnings | Parent Total |
|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR |
| Balance at 1 January 2020 | **77,3** | **19 589,3** | **(7 569,5)** | **12 097,1** |
| Loss for the year | - | - | (15 640,0) | (15 640,) |
| Costs directly related to IPO share issue | - | - | - | - |
| Offset issue, net of transaction cost | 14,0 | 1 171,3 | - | 1 185,3 |
| Share issue | - | - | - | - |
| **Balance at 31 December 2020** | **91,3** | **20 760,6** | **(23 209,5)** | **(2 357,6)** |

*The Notes on pages 17 to 69 form part of these financial statements.*

***Notes to the financial statements***

***Corporate Information***

These consolidated financial statements include the Parent Company, Cyber Security 1 AB ("**Cyber1**" or the "**Parent Company**") corporate identity number 556135-4811, and its subsidiaries ("**the Group**"). Cyber1 is a Swedish public company with its registered office in Stockholm. The address to the head office is Cyber Security 1 AB (Publ), Klarabergsgatan 29 111 21 Stockholm.

This annual report, including the consolidated financial statements, was signed and approved for publication by the board of directors of Cyber1 on 08h June 2021. The statements of income and the balance sheets, for the Parent Company and the Group, included in the annual report and the consolidated financial statements, are subject to adoption by the annual general meeting on 28th June 2021.

The most important accounting principles applied in the preparation of the financial reports are set out below and, where applicable, in the following notes. Mainly, the same principles are applied for the Parent Company and the Group. The Parent Company's accounting principles deviating from those applied by the Group, or considered important to describe, are stated under a separate heading below this note.

The financial statements are prepared under the historical cost convention.

***Basis of preparation – Parent Company***

**Significant accounting policies Parent Company:**
The financial statements of the Parent Company have been prepared in accordance with the Annual Accounts Act and RFR 2 "Reporting in separate financial statements." RFR 2 requires the Parent Company to use the same accounting principles as for the Group, i.e., IFRS, to the extent allowed by RFR 2. There are no material differences between RFR 2 and IFRS.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

The reporting currency for the consolidated financial statements and the parent company is Euro, which is the functional currency of the Parent Company. Unless otherwise indicated, all amounts are rounded off to the nearest thousand.

***Accounting policies and explanatory notes to the financial statements***

## 1 *Significant Accounting policies*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

### *1.1 Basis of preparation and compliance with accounting standards*

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU for financial years beginning on or after 1 January 2018. In addition, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

The Parent Company applies the same accounting policies as the Group, with the exception of those cases specified in Note 1 to the Parent Company financial statements.

### *1.2 Use of assessments in the financial reports*

Preparing financial reports in accordance with IFRS requires that management make assessments and assumptions that affect the accounting principles and reported amounts for assets, liabilities, revenues and costs. The assessments and assumptions are based on historical experience and a number of other factors that may be considered relevant under the prevailing conditions. The actual outcome may deviate from these assessments and assumptions. Assessments and assumptions are reviewed on a regular basis with changes in assessments recognized in the applicable period.

Assessments made by management on the application of IFRS that have a significant impact on financial reports, and estimations made that could entail material adjustments in subsequent years' financial reports, are described in greater detail in Note 2 Critical estimates and judgements

**Accounting polices** *(continued)*

***1.3 Basis of consolidation***

The consolidated financial statements include the Parent Company and its subsidiaries. The financial statements of the Parent Company and the subsidiaries that are a part of the consolidated financial statements refer to the same period and are prepared in accordance with the same accounting policies.

***Notes to the financial statements*** *(continued)*

The consolidated financial statements include the financial statements of the Parent and its subsidiary undertakings made up to 31 December 2020. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

***Notes to the financial statements****(continued)*

**Accounting polices** *(continued)*

**Basis of Consolidation***(continued)*

**Acquisition method of accounting**
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

- The excess of the consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

**Non-controlling interests**

In connection with acquisitions of less than 100 percent, when a controlling influence is achieved, non-controlling interests are determined either as a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Non-controlling interests are recognized as a separate item in the Group's equity. The Group's profit or loss and every component of other comprehensive income are attributable to the shareholders of the Parent and to non-controlling interests. Losses attributable to noncontrolling interests are recognized even if this results in a negative balance. Subsequent acquisitions up to 100 percent and divestments of participations in a subsidiary that do not lead to a loss of controlling influence are recognized as equity transactions.

**Discontinued operations**

Divested operations are reported as discontinued operations if they represent a separate major line of business or geographical area of operations that comprises operations and cash flow that can be clearly distinguished, operationally and for reporting purposes from the rest of the Group. The post-tax profit or loss from discontinued operations and the gain or loss from the sale is presented in a single amount in the income statement as of the transaction date or as of the date when management is committed to a plan to sell and hence operations to be discontinued are reclassified as held for sale. When a business operation is discontinued or classified as held for sale and reported as such prior period income statements are restated. Prior period balance sheets are not restated.

**Classification etc.**

Non-current assets and non-current liabilities in the Parent Company and the Group essentially consist of amounts that are expected to be recovered or paid after more than 12 months, from the reporting date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within 12 months, from the reporting date.

***Notes to the financial statements****(continued)*

**Accounting polices** *(continued)*

**Translation of foreign subsidiaries**

The Group companies prepare their financial statements in their functional currency, i.e. the currency used in the primary economic environment in which they mainly operate. These reports provide the basis for the consolidated accounts which are prepared in Euro, which is the functional currency of the Parent Company and the presentation currency. The income statements and balance sheets of foreign subsidiaries have been translated, from their respective functional currency, to the presentation currency of the Group. All items in the income statements have been translated at the average rate for the reporting period, while assets and liabilities in the balance sheets have been translated at the closing rate. Translation differences are reported in other comprehensive income.

Certain long-term financing related to subsidiaries, where a settlement is not considered to take place in the foreseeable future, is considered as an increase in the Parent Company's net investment in the subsidiaries. Taking the tax effect into consideration, exchange gains and losses are reported in other comprehensive income.

***1.5 Intangible assets***

An intangible asset is an identifiable non-monetary asset that lacks physical substance. Intangible assets that are identified and measured separately from goodwill from business combinations may include trademark-related, customer-related, contract-related and/or technology-related assets. Typical marketing and customer-related assets are trademarks and customer relationships. Customer contracts and customer relationships are attributable to expected customer loyalty and the cash flow that is expected to arise over the remaining useful lives of these assets. The cost for this type of intangible asset consists of the fair value on the acquisition date, calculated according to established valuation methods.

Development costs are recognised as an intangible asset only if it is sufficiently probable that the development project will generate economic benefits in the future and the cost of the asset can be measured reliably. The cost of capitalised development costs includes only expenses directly attributable to the development project. Other internally generated intangible assets are not recognised as assets. Instead, the costs are recognised as an expense in the period in which they arise.

Separately acquired intangible assets are recognised at cost less accumulated amortisation and impairment.

All intangible assets are amortised on a straight-line basis over their estimated useful lives and are reviewed on every balance sheet date. Amortisation begins when the asset is available for use. Certain trademarks have an unlimited lifetime and are not amortised at all. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date.

***1.6 Business combinations and Goodwill***

Business combinations are recognised according to the acquisition method. When a business combination occurs, the company's assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring costs) are identified and measured at fair value.

If the consideration paid by the Group is greater than the fair value of the identified net assets, the difference is recognised as consolidated goodwill. Goodwill is continuously measured at cost less accumulated impairment. Since it is not possible to individually test goodwill for impairment, goodwill is allocated to one or more cash-generating units, depending on how the goodwill is monitored for internal control purposes. Cyber1 has allocated goodwill to three cash-generating units: Africa, Middle East and Europe.

Goodwill is not amortised but is instead tested for impairment annually. *See Note 11 Goodwill and Impairment testing of goodwill.*

***1.7 Tangible fixed assets and depreciation***

Property, plant and equipment are physical assets that are used in the Group's operations and have an expected useful life exceeding one year. Property, plant and equipment are initially measured at cost and are depreciated on a straight-line basis over their estimated useful lives. When property, plant and equipment are recognised, any residual value is taken into account when the depreciable amount of the asset is determined. Depreciation begins when the asset is ready to be taken into use. Land is not depreciated. Property, plant and equipment are derecognised from the balance sheet on divestment or when no future economic benefits are expected from either their use or their sale. Any gains or losses are calculated as the difference between the sale proceeds and the asset's carrying amount. The gain or loss is recognised in profit or loss as other expenses or other income in the accounting period when the asset was divested.

The residual value, useful life and depreciation rate of an asset are reviewed at the end of each financial year and adjusted, if necessary, for subsequent periods.

Customary costs for maintenance and repairs are expensed as incurred. However, costs related to significant renewals and improvements are recognised in the balance sheet and depreciated over the remaining useful life of the underlying asset.

**Accounting polices** *(continued)*

***Tangible fixed assets and depreciation*** *(continued)*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Improvement leasehold property — over 6 years
- Equipment and other similar equipment — over 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

***1.8 Impairment of Intangible and Tangible fixed assets***

If the Cyber1 Group sees internal or external indications that the value of an asset has declined, the asset is to be tested for impairment. For goodwill and assets with indefinite useful lives, such impairment testing is to be carried out at least annually, regardless of whether there is evidence of impairment or not. If an asset cannot be tested separately, it is assigned to a cash-generating unit to which identifiable cash flows can be allocated.

An impairment loss is to be recognised for an asset or a group of assets (cash-generating units) if the carrying amount is higher than the recoverable amount. The recoverable amount is the higher of value in use and net realisable value. Impairment losses are recognised in profit or loss.

For all assets except goodwill and intangible assets with indefinite useful lives, an assessment is made on each balance sheet date as to whether there is an indication that an earlier impairment loss, in whole or in part, is no longer justified. If the assumptions underlying the calculation of an asset's recoverable amount have changed, the carrying amount of the asset or assets is increased to its recoverable amount. Such a reversal is to not to exceed the amount the company would have recognised after depreciation and amortisation if the impairment had not been recognised. The reversal is recognised in profit or loss unless the asset is recognised in a restated amount in accordance with another standard.

The carrying amounts for the Group's assets, with the exception of financial assets, assets held for sale and disposal groups reported in accordance with IFRS 5, inventories, plan assets used for the financing of employee benefits and deferred tax assets, are tested in accordance with IAS 36 on each reporting date to evaluate whether there is an indication of an impairment. Should such an indication exist, the asset's recoverable amount is assessed. An impairment charge is recognized in the income statement when the carrying amount exceeds the calculated recoverable amount.

Goodwill is allocated to different cash-generating units. If the allocation of goodwill cannot be completed before the end of the year during which the acquisition was carried out, the initial allocation should then be carried out before the end of the financial year following the year when the acquisition was carried out. In such cases, amounts relating to non-allocated goodwill and the reason why they have not been allocated should be stated. Impairment of goodwill and intangible assets with indefinite useful lives is not reversed.

For goodwill and other intangible assets with an indefinite useful life and intangible assets that are not yet ready for use, their recoverable amount is calculated annually, or when an impairment is indicated. The recoverable amounts, defined as the higher of value in use and fair value less cost of disposal, are normally determined on the basis of value in use, applying discounted cash flow calculations. An impairment charge against the income statement is made when the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, goodwill and trademarks with indefinite life is allocated to the lowest level of groups of cash generating units based on product groups and geographical markets, at which it is monitored by management. For more information on the Group's goodwill and impairment testing see *Note 11 Intangible assets*

Reversal of an impairment loss recognised in prior periods for assets other than goodwill are recognised when there is an indication that an impairment loss recognised in prior periods no longer exist or may have decreased. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Intangible assets within Cyber1 essentially pertain to goodwill, customer relationship and trademarks. Assessments are made on an ongoing basis to ensure that the book value of goodwill, customer relationship and trademarks does not exceed their recoverable amount. Intangible assets with indefinite useful lives are not amortized, but instead tested for impairment at least annually or when circumstances indicate that the value of the intangible assets is impaired. Impairment tests include significant judgements made by management, such as assumption of projected future cash flows used in the valuation of the assets. Future events could cause management to conclude that impairment indicators exist and that an intangible asset should be impaired. An impairment loss could have a material impact on the financial condition and result of operations. The Group's intangible assets as of December 31, 2020 amounted to 21.8 TEUR, and amortizations and impairment charge amounted to 84 TEUR. The amount for goodwill, which has been included in intangible assets, amounted to 6 629.4 TEUR. For further information on impairment test of intangible assets see Note 11 Intangible assets

***Notes to the financial statements****(continued)*

**Accounting polices** *(continued)*

### *1.9 Parent Company Investments*

Fixed assets investments in the parent consist of investments in subsidiaries and are stated at cost less provision for diminution in value

### *1.10 Pensions*

The group operates only defined contribution pension plans. For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The pension costs charged in the financial statements represent the contributions payable by the group during the year.

### *1.11 Recognition of foreign currency exchange effects*

Transactions denominated in a currency other than the Group's functional currency are restated at the rate prevailing on the transaction date. Assets and liabilities denominated in a currency other than the Group's functional currency are restated at the closing day rate. Exchange differences are recognised in profit or loss as they arise.

***Receivables and liabilities in foreign currency***

Receivables and liabilities denominated in foreign currency have been restated at the closing day rate. Exchange gains and losses pertaining to operating receivables and liabilities are recognised in operating profit. Exchange differences related to financial assets and liabilities are recognised in financial expenses in net financial items. As of 1 January 2020, exchange differences related to inter-company financial assets and liabilities are recognised in other comprehensive income.

**Exchange Rate**

| | | **Average rate** | | **Closing rate** | |
|---|---|---|---|---|---|
| **Country** | Currency | **2020** | 2019 | **December 31, 2020** | December 31, 2019 |
| Dubai | AED | 4.467 | 4.108 | 4.489 | 4.119 |
| UK | GBP | 0.906 | 0.873 | 0.903 | 0.850 |
| Kenya | KES | 126.086 | 112.997 | 120.695 | 112.536 |
| South Africa | ZAR | 18.119 | 16.122 | 17.908 | 15.745 |
| USA | USD | 1.2163 | 1.118 | 1.2224 | 1.121 |
| Sweden | SEK | 9.388 | 10.586 | 10.044 | 10.474 |
| Turkey | TRY | 9.095 | 6.347 | 9.080 | 6.669 |

### *1.12 Lease contracts*

From January 1, 2019 lease contracts are recognized as right-of-use assets and lease liabilities on the Group's balance sheet and are affected by management's judgement and estimates of certain variables that have a direct impact on the reported balances. The most significant is the assumption on the discount rates applied in the measurement of the right-of-use assets and the corresponding lease liabilities. Other judgements that may have a significant impact on the reported balances are assessments of the likelihood of using or not using extension and termination options in lease contracts. The assessment of utilizing or not utilizing extension and termination options impact the lease period of future lease payments included in the measurement of the lease liabilities and the related right-of-use assets. As per December 31, 2020, the Group's lease liabilities amounted to 281,4 TEUR and corresponding balance for the right-of-use assets amounted to 273,4 TEUR. For further information on the Group's accounting principles and methodology for the measurement of lease liabilities and right-of-use assets see Note 1 Accounting principles and section Leases and details of the Group's right-of-use assets and lease liabilities are presented in Note 13 Leases.

***Notes to the financial statements****(continued)*

**Accounting polices** *(continued)*

***1.12 Leases contract*** *(continued)*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is the chief executive officer. The operating segments are Africa, Middle East and Europe.

Leases are classified in the consolidated financial statements as either finance or operating leases. A finance lease exists when the financial risks and rewards of ownership are essentially transferred to the lessee.

Assets that are leased under finance leases are recognised as noncurrent assets in the balance sheet and are initially measured at the lower of the fair value of the lease object and the present value of the minimum lease payments when the lease is entered into. The obligation to pay future lease payments is recognised as non-current and current liabilities. The leased assets are depreciated over the useful life of the asset in question, while the lease payments are recognised as interest and repayment of the liability.
Leases where the lessor retains essentially all of the risks and rewards of ownership are classified as operating leases. Operating lease payments.

***1.13 Classification and Measurement***

***Financial assets***
Debt instruments: The classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the nature of the contractual cash flows.

Instruments are classified as follows:
- amortised cost
- fair value through other comprehensive income, or
- fair value through profit or loss.

The Group's debt instruments are classified at amortised cost

Financial assets classified at amortised cost are initially measured at fair value plus transaction costs. Accounts receivable and lease receivables are initially recognised at their invoiced amount. After initial recognition, the assets are measured according to the effective interest method. In accordance with the business model, assets classified at amortised cost are held for the purpose of collecting the contractual cash flows, which exclusively comprise payments of the principal and interest on the outstanding principal. The assets are covered by a loss allowance for expected credit losses.

Derivatives: Classified at fair value through profit or loss. The Group does not apply hedge accounting.

Fair value is determined according to the description in Note 20 Financial instruments and financial risk management.

***Financial liabilities***
Financial liabilities are classified at amortised cost with the exception of derivatives. Financial liabilities recognised at amortised cost are initially measured at fair value including transaction costs. After initial recognition, they are measured at amortised cost according to the effective interest method.

***Implementation of IFRS 9***
On 1 January 2018, the group implemented IFRS 9 which allows for an assessment of impairment needs regarding impairment of financial assets measured at amortized cost, including trade receivables and contract work, according to the simplified expected credit loss model. The model entails that the expected loss over the asset's useful life is recognized immediately in the income statement and monitored on an ongoing basis according to the group's risk management until realization. Impairment is computed based on expected loss rates which are stated individually, distributed by geographical location. Loss rates are computed on the basis of historical data. This data is based on expected loss over the total maturity of the amount receivable, corrected for estimates of the effect of expected changes in relevant parameters, for instance financial development, political risks etc. on the market in question.

***1.14 Cash and Bank Balances***

Cash and current bank balances in the balance sheet consist of bank deposits, available cash and demand deposits with a maturity of three months or less from the date of acquisition. Cash and bank balances are subject to the requirements for a loss allowance for expected credit losses.

***Notes to the financial statements****(continued)*

**Accounting polices** *(continued)*

***1.15 Financial liabilities***

The Group's financial liabilities are divided into two categories:
• Financial liabilities measured at fair value through profit or loss
– Held-for-trading financial liabilities
– Financial liabilities initially measured at fair value ("fair value option")
• Financial liabilities measured at amortised cost

***Financial liabilities measured at fair value through profit or loss***

Some of the Group's acquisitions include additional purchase prices. These are recognised as a financial liability measured at fair value through profit or loss. Additional purchase prices have been classified at level 3 since there is no observable market data to apply.

Changes in the value of financial liabilities that are measured at fair value ("fair value option") and are attributable to changes in the credit risk associated with the liability are to be recognised in other comprehensive income.

***Financial liabilities measured at amortised cost***

Liabilities are initially recognised at fair value less transaction costs. In subsequent periods, these liabilities are recognised at amortised cost in accordance with the effective interest method.

Fees paid for loan commitments and borrowings (commitment fees) are recognised as transaction costs and are allocated over the term of the loan commitments/loans in profit or loss. In cases where quoted information/inputs are not available in order to measure financial instruments at fair value, established valuation methods that can be more or less dependent on quoted information/inputs are used.

In some cases, valuation methods based on the company's own assumptions and estimates are applied. The fair values of financial assets and liabilities are assumed to be their nominal values for those assets and liabilities with a term of less than one year. The fair values of financial liabilities are their discounted cash flows. Discounting is carried out at the interest rate that is available to the Group for similar financial instruments.

Purchases and sales of financial instruments are recognised on the trade date, which is the date on which the Group commits to purchase or sell the financial instrument. Financial instruments are derecognised when the right to receive or pay cash flows attributable to the financial instrument expires or has been transferred, or the Group has explicitly transferred all risks, allocations and obligations entailed by the holding of the financial asset or liability.

***Financial Derivatives and Hedge Accounting***

Derivative financial instruments are measured initially and subsequently at fair value. Changes in fair value are recognised through profit or loss unless they comprise part of an effective hedging relationship and hedge accounting is applied. Once a derivative contract has been entered into, the Group chooses to classify the derivative as a fair value hedge, a cash flow hedge or a hedge of a net investment in foreign operations. If a fair value hedge exists and the criteria in IAS 39 have been met, the changes in value are recognised in profit or loss together with changes in the value of the hedged item in the balance sheet. Changes in the value of derivatives that comprise part of an effective hedging relationship are recognised as other comprehensive income. The accumulated change in value for this type of derivative is reversed to profit or loss in the same period in which the hedged item affects profit or loss.

When a hedging instrument is sold, terminated, exercised, revoked or otherwise ceases to meet the criteria for hedge accounting, any gains or losses that have been recognised in other comprehensive income, and ultimately recognised as an adjustment of either expenses or revenue when the planned transaction or assumed obligation is realised, are recognised in profit or loss. However, if a planned transaction or an assumed obligation is no longer expected to occur, the accumulated gain or loss that has been recognised in other comprehensive income for the period in which the hedge applied is immediately transferred to profit or loss.

Cyber1 does not apply hedge accounting.

***Impairment of Financial Assets***

With the exception of financial assets classified at fair value through profit or loss, the Group's financial assets are subject to impairment for expected credit losses. In addition, impairment also encompasses contract assets not measured at fair value through profit or loss. The simplified impairment method can be applied for all of Cyber1's financial assets. In accordance with IFRS 9, impairment losses are recognised prospectively, and a loss allowance is recognised when there is exposure to credit risk, usually on initial recognition. Expected credit losses reflect the present value of all deficits in cash flows attributable to expected losses, either for the next 12 months or for the expected remaining term of the financial instruments, depending on the type of asset and on potential credit deterioration since initial recognition.

***Notes to the financial statements****(continued)*

**Accounting polices** *(continued)*

***Impairment of financial assets*** *(continued)*

Expected credit losses reflect an objective, probability-weighted outcome taking into consideration multiple scenarios based on reasonable and well-founded forecasts. The calculation of the impairment requirement for doubtful receivables, which are the most material financial assets subject to a loss risk, comprises a combination of a collective and an individual assessment. In the collective assessment, a provision is made for the loss risk for all accounts receivable that are more than 180 days past due. For other accounts receivable, an individual assessment of the loss risk is carried out based on the customer's ability to pay and other relevant factors for individual customers or for the specific market in which the customer operates.

On each balance sheet date, the Cyber1 Group assesses whether there are any objective circumstances that indicate that a financial asset may need to be impaired. Financial assets are recognised in the balance sheet at amortised cost, meaning the net of their gross value and the loss allowance. Changes in the loss allowance are recognised in profit or loss.

During the spring of 2020, the financial impact of the Covid-19 Corona virus was apparent within a number of industries. As regards our business, there has been trivial effect to date and we also have a sound order book, though it is difficult to make an assessment of the long-term effect as we are only in the initial phases of this situation.

***1.16 Income Tax***

***Current tax***

Current tax assets and liabilities for the current and prior periods are measured at the amount that is expected to be recovered from or paid to the respective tax authorities. The Group's current tax is calculated using the tax rates and tax laws enacted or substantively enacted on the balance sheet date.

Current tax attributable to items recognised in equity and in other comprehensive income is recognised in equity and in other comprehensive income and not in profit or loss.

***Deferred tax***

Deferred tax is recognised on the balance sheet date in accordance with the balance sheet method for temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences:

- except when the deferred tax liability arises as a result of impairment of goodwill or when an asset or liability is recognised as part of a transaction that is not a business combination and which, at the time of the transaction, affects neither the recognised gain nor the taxable gain or loss, and
- for deductible temporary differences attributable to investments in subsidiaries, apart from cases where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future

A deferred tax asset is recognised for deductible temporary differences, including loss carry forwards to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amounts of deferred tax assets are reviewed on each balance sheet date and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow part of or the entire deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that apply for the period when the asset is realised, or the liability is settled, based on the tax rates (and laws) that have been enacted or substantively enacted on the balance sheet date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax amounts are related to the same entity in the Group and the same tax authority.

***1.17 Recognition of Cash Flow***

Cash and cash equivalents consist of available cash, disposable bank deposits and other short-term investments with a remaining maturity of three months or less from the date of acquisition. Cash received and paid is recognised in the statement of cash flows. Cash flow from operating activities is recognised in accordance with the indirect method.

***1.18 Provision for Expected Credit Losses on Accounts Receivable***

Accounts receivable are initially recognised at transaction price in accordance with IFRS 15 and thereafter at amortised cost. A loss allowance for expected credit losses is made on every balance sheet date in an amount that corresponds to the expected credit losses for the remaining term. The assessment is based on criteria that show whether the risk has changed since the initial measurement date. Loss allowances for expected credit losses are recognised in profit or loss under other operating expenses. See Note 17 Accounts receivable.

***1.19 Deferred Tax assets***

Deferred tax is recognised for temporary differences arising between the tax bases and carrying amounts of assets and liabilities as well as for unutilised loss carry forwards. A deferred tax asset is recognised only to the extent that it is probable it can be utilised against future profit. In the event that the actual outcome differs from the applied assumptions, or management adjusts these assumptions in the future, the value of the deferred tax assets could change.

***Notes to the financial statements****(continued)*

**Accounting polices** *(continued)*

***1.20 Revenue recognition based on individual assessment***

The Group applies the percentage of completion method on an individual basis for significant customer contracts, meaning contracts with a value of more than EUR 100 thousand and a term of more than three months. The estimate of total contract costs and revenue is critical for revenue recognition and provisions for onerous contracts, and the outcome of additional invoicing may affect profit.

Revenue and cost from the sale of the Company's product and services are recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed.

Revenue from sale of licences and sale of hardware is recognise when the customer is invoiced. At the same time a corresponding cost of sale is recognised.

Advisory and system integration services at a fixed price are paid in relation to the stage of completion at the balance sheet date (percentage of completion). Completion of an assignment is determined by costs incurred to date with the estimated total expenditure. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent that corresponds to the contract costs incurred that are likely to be recoverable. An anticipated loss on an assignment is reported immediately as a cost.

**Other income**

- **Interest income** is recognised as it is earned.
- **Dividends** are recognised when the right to receive the dividend is assured.

***1.21 Financing income and expenses***

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## 2 *Key accounting assessments estimates and assumptions*

In preparing the financial statements in accordance with the applicable accounting policies, the Board and CEO are required to make certain estimates and assumptions that impact the carrying amounts of assets, liabilities, income and expenses. The areas where estimates and assumptions are of material importance to the Group and which may affect the financial statements are described below:

**Critical Accounting Judgement:** Business combinations

The acquisition of subsidiaries or operations involves that items in the acquired companies' balance sheets as well as items that have not been recognised in the acquired companies' balance sheets, such as customer relations, shall be valued at fair value. Different valuation methods based on number of assumptions are used in fair value determination. Initial accounting is determined provisionally and may be adjusted subsequently. All acquisition calculations are finalised no later than one year after the acquisition is made.

All payments to acquire a subsidiary or operation are recorded at fair value at the acquisition date, including debt related to contingent considerations. The contingent consideration is measured at fair value in subsequent periods with re-measurement through the statement of income.

IFRS Accounting Standard require Directors to form Accounting Policies that gives precedence to the Economic Substance of transactions rather than their legal form.

A list of subsidiaries is presented in note 14 Group companies.

***Notes to the financial statements****(continued)*

**2. *Key accounting assessments, estimates and assumptions****(continued)*

**Critical Accounting Judgement:** Taxes

Determination of income taxes and deferred taxes when the ultimate tax determination is uncertain requires management judgement. The Group recognises deferred tax assets resulting from carried forward tax losses when the realisation of related tax benefit, due to taxable profits, is probable. However, deferred tax asset is always recognised if it can be utilised to current taxable temporary differences. The assumptions regarding future taxable profits are based on the current business plan and further estimates added by consideration for the uncertainties in the current business plan and further estimates. The Group uses estimates for recognition of liabilities for anticipated tax audit issues based on all available information at the time of recognition.

**Critical Accounting Judgement:** Going Concern

The group is building up its capabilities and growing its strategic base, particularly in Europe and the EMEA Region. Whilst core cash flow generation in established geographies is strong, the newly established entities require cash funding. As such the group is reliant on support from its existing and future shareholders and has been in receipt of such cash support in 2019 and thereafter. Previous acquisitions were also funded through this mechanism and that is the expectation for the acquisitions which have already been announced to the market.

Management is fully aware of the cash position, with the expectation of future growth and support from external sources to meet its immediate needs. However, as at reporting date, looking at its current cash position and cashflow projections for the business, the company is dependent on external funding to cover its current cashflow gap. If the company cannot acquire additional external funding or, grow the business sufficiently swiftly, there is a risk that a liquidity deficit will occur. Taken as a whole, this means that there are significant factors of uncertainty that could lead to extensive doubt regarding the ability of the company to continue to be going concern. This may primary affect the valuation of goodwill at group level and shares in subsidiaries at parent level.

**Critical Estimate:** Impairment of assets

The Group reviews each cash generating unit annually, in order to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell, and value in use. These assessments require the use of estimates and assumptions such as discount rates, future capital requirements, and projected growth of each operation. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Fair value for each operation is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash generating units as comprising an independent operation, which is the lowest level for which cash inflows are largely independent of those of other assets.

An impairment test was carried out on the Group's intangible assets as on December 31, 2020. The main share of the intangible and tangible fixed assets relates to the operations in Africa, Middle East and Europe.  For this purpose, a discounted cash flow model has been used extending over a 5-year period. A number of variables are simulated in the model. Among the more important assumptions are growth in EBITDA and the yield required. The base assumption regarding the growth in EBITDA is 5% and the yield required is 12 % per year. The result of the base assumptions is that no impairment is required at year-end 2020.

The impairment tests indicate that there is headroom between the recoverable amounts and the carrying amounts of the shares in subsidiaries as at 31 December 2020 similar to 31 December 2019. Refer to note 11 for key assumptions.

***Notes to the financial statements****(continued)*

## 3 *Financial Instruments and Financial Risk Management*

### *3.1 Financial risk management in the Cyber1 Group*

Cyber1 is exposed to a number of financial market risks that the Group is responsible for managing under the finance policy approved by the Board of Directors. The overall objective is to have cost-effective funding in the Group. The financial risks in the Group are mainly managed in relation to the Group's functional currency, which is EUR. The impact of the financial risks on the Group's earnings is mainly managed through a weekly exchange of non-EUR cash into EUR and, to only a limited extent, through the use of financial instruments. The main risk exposures for the Group are liquidity risk, interest rate risk, currency risk, credit risk and counterparty risk.

***Carrying value and fair value of the Group's significant assets and liabilities***:

Cyber1 applies IFRS 9 to classify and measure financial instruments. IFRS 13 is applied for financial instruments measured at fair value on the balance sheet which implies using a fair value hierarchy that reflects the significance of input used according to the following levels:
Level 1 - Quoted prices (unadjusted) in active markets
Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly. The input data consists mainly of the compounded interest rates from interest rate swaps, basis swaps and conversions rates for variable interest rates to create relevant Cross Currency Intertest Rate Swap (CCIRS) rates. The created interest rates are used to calculate the market value by discounting the external outstanding CCIRS flows including the actual market valuation of involved currencies.
Level 3 - Inputs that are not based on observable market data.

The following table shows carrying value (including accrued interest) and fair value for each category of financial instruments, including their levels in the fair value hierarchy, at December 31, 2020. Items measured at fair value through profit and loss (FVTPL) consist of derivatives, for which hedge accounting is not applied. Derivatives attributable to cash flow hedges are measured at fair value via other comprehensive income (FVOCI) in level 2 of the fair value hierarchy. In assessing the fair values of these derivatives, the Group uses a variety of methods and makes assumptions based on market conditions at each reporting date. Quoted market prices or dealer quotes for identical or similar instruments are used. Items not valued at fair value are measured at amortized cost. All items, except loans and borrowings, have a short duration and are considered non- interest bearing, and therefore, the total carrying value of the financial instruments corresponds to the estimated fair value. The carrying amount for loans and borrowings differ from their fair value as a consequence of changes in the market interest rates, determined by using current official market quotations for our outstanding bonds or similar instruments and discounting future cash flows. The values presented are indicative and may not necessarily be realised.

The accounting principles related to financial liabilities are essentially unchanged compared with previous years. Cyber1 has updated its accounting principles related to expected credit losses and has, in accordance with the standard, implemented the "expected loss model."

The following table shows carrying value and fair value for financial instruments applying IFRS 9 per December 31, 2020

**Carrying value and fair value**

| TEUR | Financial instruments measured at FVTPL | Financial assets measured at amortized cost | Other financial liabilities | Cash flow hedges measured at FVOCI | Other receivables and liabilities | Total carrying value | Estimated fair value |
|---|---|---|---|---|---|---|---|
| Trade receivables | - | 16 713 | | | | 16 713 | 16 713 |
| Other non-current financial receivables | - | - | - | - | - | - | - |
| Other current assets and financial receivables | - | - | - | - | 568 | 568 | 568 |
| Prepaid expenses and accrued income | - | - | - | - | - | - | - |
| Cash and cash equivalents | - | (733) | - | - | - | (733) | (733) |
| **Total assets** | **-** | **15 980** | **-** | **-** | **568** | **16 548** | **16 548** |
| Loans and borrowings | | | 1 584 | | 281 | 1 865 | 1 865 |
| Other non-current financial liabilities | - | - | - | - | 854 | 854 | 854 |
| Other current liabilities | - | - | - | - | 1 584 | 1 584 | 1 584 |
| Accrued expenses and deferred income | - | - | - | - | 373 | 373 | 373 |
| Trade payables | - | - | 16 576 | - | - | 16 576 | 16 576 |
| **Total liabilities** | **-** | **-** | **18 160** | **-** | **3 092** | **21 252** | **21 252** |

***Notes to the financial statements****(continued)*

*Carrying value and fair value of the Group's significant assets and liabilities(continued):*

The following table shows carrying value and fair value for financial instruments applying IFRS 9 per December 31, 2019

Carrying value and fair value

| TEUR | Financial instruments measured at FVTPL | Financial assets measured at amortized cost | Other financial liabilities | Cash flow hedges measured at FVOCI | Other receivables and liabilities | Total carrying value | Estimated fair value |
|---|---|---|---|---|---|---|---|
| Trade receivables | - | 26 951 | | | | 26 951 | 26 951 |
| Other current assets and financial receivables | - | - | - | - | 279 | 279 | 279 |
| Cash and cash equivalents | - | 2 438 | - | - | - | 2 438 | 2 438 |
| **Total assets** | **-** | **29 389** | **-** | **-** | **279** | **23 913** | **23 913** |
| Loans and borrowings | | | 2 752 | | 635 | 3 387 | 3 404 |
| Other non-current financial liabilities | - | - | - | - | 390 | 390 | 390 |
| Other current liabilities | - | - | - | - | 2 189 | 2 189 | 2 189 |
| Accrued expenses and deferred income | - | - | - | - | 1 086 | 1 086 | 1 086 |
| Trade payables | - | - | 21 896 | - | - | 21 896 | 21 896 |
| **Total liabilities** | **-** | **-** | **24 648** | **-** | **4 300** | **28 948** | **28 965** |

DISTRIBUTION BY LEVEL WHEN MEASURED AT FAIR VALUE

| TEUR (TEUR) | December 31, 2020 | | | | December 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **FINANCIAL ASSETS** | | | | | | | | |
| **Financial assets measured at fair value through profit or loss:** | | | | | | | | |
| Derivative financial instruments – hedge accounting | - | - | - | - | - | - | | - |
| **Total financial assets** | **-** | **-** | **-** | **-** | **-** | **-** | | **-** |
| | | | | | | | | |
| **FINANCIAL LIABILITIES** | | | | | | | | |
| **Financial liabilities at fair value through profit or loss:** | | | | | | | | |
| Contingent considerations | **-** | **-** | - | - | **-** | **-** | 17 | 17 |
| Derivative financial instruments – hedge accounting | - | - | - | - | - | - | | - |
| **Total financial liabilities** | **-** | **-** | **-** | **-** | - | - | **17** | **17** |

***Financial instruments, level*** 2

The fair value of financial instruments that are not traded on an active market are determined by means of available valuation techniques. Market information is used when available. The use of corporate-specific information is avoided whenever possible. If all important in-data required for a fair value valuation of an instrument is observable, the instrument is in level 2. Specific valuation techniques used in the valuation of financial instruments include, for example, listed market prices, fair value for interest-rate swaps, calculated as the present value of estimated future cash flows based on observable yield, fair value of currency forward contracts determined through the use of rates for currency foreign exchange contracts on the balance sheet date.

***Financial instruments, level 3***

The change during the year for instruments at level 3 refers to contingent considerations. Contingent considerations are valued at the fair value based on data available such as conditions set forth in the purchase agreement and current assessments of the estimated fulfilment of the conditions.

| MOVEMENTS FINANCIAL INSTRUMENTS LEVEL 3 | | |
|---|---|---|
| **Contingent considerations** | **2020** | **2019** |
| Opening balance January 1 | **17** | 13 |
| Payments | -84 | -13 |
| Reversals | - | - |
| Revaluations | 67 | 17 |
| Translation differences | - | - |
| **Closing balance December 31** | **-** | **1** |

No transfer in or out of level 3 or level 2 has been made during the fourth quarter 2020. The recognised amounts are regarded as reasonable estimates for all items measured at carrying value in the balance sheet, except for loans and borrowings, as these amounts have a long time to maturity. The fair value of loans and borrowings differ from their carrying value as a consequence of changes in the market interest rates. Items not valued at fair value in the balance sheet are measured at amortized cost.

The analysis is based on all undiscounted cash flows, including estimated interest payments and expected instalments on loans. The estimates on interest are based on current market conditions.

Fair value of the loan from credit institutions (Vækstfonden) and leasing liabilities is determined to be equal to its carrying amount these items are based on market rate (level 2 in the fair value hierarchy). Fair value of short-term liabilities is determined to equal their carrying amount.

The payment obligations are expected to be settled through cash inflows from operating activities and through cash from capital injections in previous years

No financial instruments are measured to fair value as at 31 December 2020 and 2019.

The different levels of fair value are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly in the form of quoted prices or indirectly, i.e. derived from quoted prices (Level 2)
- Inputs for the asset or liability which are not based on observable market data (non-observable inputs) (Level 3).

The fair values of financial instruments which are not traded in an active market are determined with the help of valuation techniques. Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument belongs to Level 2. In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3.

**(a) Customer Credit risk**

Management's assessment is that there is no significant concentration of credit risk with any individual customer, counterparty or geographical region for Cyber1.

***Notes to the financial statements****(continued)*

***3. Financial Instruments*** *(continued)*

***3.1 Financial risk factors,* (a) Credit risk***(continued)*

The Group's exposures to credit risk as at the end of the reporting periods based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets are analysed as follows:

| | **2020 TEUR** | 2019 TEUR |
|---|---|---|
| Trade and other receivables (Note 15) | **15 141,0** | 26 951,0 |
| Cash and cash equivalents | **(733,1)** | 2 437,6 |

Credit concentration risk also exists with respect to the Group's cash equivalents, which are held with a reputable financial institution of high-quality standing or rating.

As at 31 December 2020, the Company's trade and other receivables were fully performing. The Company assesses the credit quality of its trade and other receivables considering the financial position, experience and other factors relating to the debtor.

***The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:***

| | **2020** | **2019** |
|---|---|---|
| | **TEUR** | TEUR |
| Africa | **4 449,2** | 6 884,6 |
| Middle East and UAE | **7 139,2** | 8 872,7 |
| Europe | **3 552,6** | 11 193,7 |
| **Total** | **15 141,0** | **26 951,0** |

There are no significant concentrations of credit risk within the Group unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date. The Group has established procedures to minimise the risk of default by trade debtors including credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

***Credit quality of financial assets and impairment losses***

The aging of trade receivables at the balance sheet date was:

**Credit Risk : Movement in allowance for Impairment**

| | **Gross 2020 TEUR** | **Impairment 2020 TEUR** | **Gross 2019 TEUR** | **Impairment 2019 TEUR** |
|---|---|---|---|---|
| not past due | **3 945,1** | **-** | 14 420,2 | - |
| Past due [0-30 days] | **1 033,5** | **-** | 2 887,9 | - |
| Past due [31-120 days] | **1 210,5** | **-** | 9 642,9 | - |
| More than 120 days | **8 951,9** | **-** | 156,7 | 156,7 |
| Total | **15 141,0** | **-** | **27 107,7** | **156,7** |

An assessment of the recoverability of Trade and other receivables shows an impairment indicator of NIL TEUR overdue trade receivables during the year (2019: TEUR 156,7). Therefore, the carrying value of Trade and other receivables fair value as at 31 December 2020 is 15 141,0.

***Notes to the financial statements****(continued)*

***3. Financial Instruments*** *(continued)*

***3.1 Financial risk factors,* (a) Credit risk** *(continued)*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| | Group | | Parent | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **TEUR** | **TEUR** | **TEUR** | **TEUR** |
| Balance at 1 January | **-** | - | **-** | - |
| Impairment loss recognised | **-** | 156,7 | **-** | 156,7 |
| Impairment loss reversed | **-** | - | **-** | - |
| Balance at 31 December | **-** | 156,7 | - | 156,7 |

**Provision for Expected Bad debt Losses**

| | **2020** | **2019** |
|---|---|---|
| Opening balance | **156,7** | 332,5 |
| Acquired companies | **-** | - |
| Change in provision during the year | **-** | 156,7 |
| Reversal of previous provisions | **-156,7** | -332,5 |
| Realised loss on previously reserved accounts receivable | **-** | - |
| Exchange differences | **-** | - |
| Balance at 31 December | **-** | 156,7 |

As at 31 December 2020, trade receivables at an amount of TEUR 12 767,9,0 (TEUR 16 667,8 in 2019) were past due but not impaired. As at 31 December 2020, due receivables relate to a number of independent customers where there is no recent history of non-payment have been received in 2021

The remaining trade and other receivables do not contain impaired assets as these are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

**Transaction Exposure**

The Cyber1 Group's policy for transaction exposure is to minimise the impact of short-term changes in foreign exchange rates for currencies other than EUR by hedging the transaction exposure on a case-by-case basis. The main transaction exposures arise in EUR against local currencies.

**Transaction Risk and Hedges in the Main Currencies**

Cyber1 has outstanding hedges for its transaction exposure in SEK/EUR.

Hedge accounting is not applied.

***Notes to the financial statements** (continued)*

***3. Financial Instruments** (continued)*

***3.1 Financial risk factors** (continued)*

***(b) Market Risk***

***Foreign exchange risk***

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. To reduce its currency exposure, the Group generally matches its asset and liability positions represented by the amounts due by acquirers and other payment service providers and the relative amounts due to the merchants.

The net open currency exposure at the end of the reporting period is detailed below.

| **31 December 2019 Sensitivity to Change in exchange rate** | **Sterling TEUR** | **US Dollar TEUR** | **EUR TEUR** | **KES TEUR** | **AED TEUR** | **ZAR TEUR** | **Total TEUR** |
|---|---|---|---|---|---|---|---|
| **Trade receivables** | | | | | | | |
| **31 December 2020** | | | | | | | |
| **Sensitivity to Change in exchange rate** | | | | | | | |
| Balance sheet exposure | 50,6 | 0,0 | 5 073,9 | 261,5 | 7 139,3 | 4 187,7 | **16 713,0** |
| **Absolute effect from -10% in Exchange rate to Euro** | **5,1** | **0,0** | **507,4** | **26,2** | **714,0** | **418,8** | **1 481,9** |
| **Absolute effect from -20% in Exchange rate to Euro** | **10,2** | **0,0** | **1 014,8** | **52,3** | **1 427,9** | **837,5** | **2 963,7** |
| **Trade payables** | | | | | | | |
| **31 December 2020** | | | | | | | |
| Sensitivity to Change in exchange rate | | | | | | | |
| Balance sheet exposure | (574,9) | (49,7) | (6 670,3) | (140,6) | (5 604,4) | (3 536,4) | **(16 576,3)** |
| **Absolute effect from -10% in Exchange rate to Euro** | **(57,5)** | **(5,0)** | **(667,0)** | **(14,1)** | **(560,4)** | **(353,6)** | **(1 657,6)** |
| **Absolute effect from -20% in Exchange rate to Euro** | **(115,0)** | **(9,9)** | **(1 334,1)** | **(28,1)** | **(1 120,9)** | **(707,3)** | **(3 315,3)** |
| **Cash and cash equivalents** | | | | | | | |
| **31 December 2020** | | | | | | | |
| Sensitivity to Change in exchange rate | | | | | | | |
| Balance sheet exposure | 54,5 | 0,0 | 2,2 | 35,8 | 287,6 | (1 113,2) | **(733,1)** |
| **Absolute effect from -10% in Exchange rate to Euro** | **5,4** | **0,0** | **0,2** | **3,6** | **28,8** | **(111,3)** | **(73,3)** |
| **Absolute effect from -20% in Exchange rate to Euro** | **10,9** | **0,0** | **0,4** | **7,2** | **57,5** | **(222,6)** | **(146,6)** |

***Notes to the financial statements****(continued)*

***3. Financial Instruments*** *(continued)*

***3.1 Financial risk factors, (b) Market Risk****(continued)*

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments

| **31 December 2020** | **Sterling** | **US Dollar** | **Euro** | **SEK** | **TRY** | **KES** | **AED** | **ZAR** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** |
| Cash and cash equivalents | 54,5 | - | 2,2 | - | - | 35,8 | 287,6 | (1 113,2) | **(733,1)** |
| Trade receivables | 50.6 | - | 5 073,9 | - | - | 261,5 | 7 139,2 | 4 187,7 | **16 713,0** |
| secured bank loans | - | - | - | - | - | - | - | - | **-** |
| Other loans | - | - | (1 702,8) | - | - | - | (253,5) | - | **(1 953,3)** |
| Trade payables | (574,9) | - | (6 720,0) | - | - | (140,6) | (5 604,4) | (3 536,4) | **(16 576,3)** |
| **Balance sheet exposure** | **(469,8)** | **-** | **(3 346,7)** | **-** | **-** | **156,7** | **1 568,9** | **(461,9)** | **(2 552,7)** |

| **31 December 2019** | **Sterling** | **US Dollar** | **Euro** | **SEK** | **TRY** | **KES** | **AED** | **ZAR** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** |
| Cash and cash equivalents | 216, 2 | 3,2 | 517,0 | - | 696,9 | 66,4 | 124,6 | 813,3 | **2 437,6** |
| Trade receivables | 61,7 | - | 4 189,3 | 1 633,5 | 5 309,4 | 259,0 | 8 872,7 | 6 625,6 | **26 951,0** |
| secured bank loans | - | - | - | - | - | - | - | - | **-** |
| Other loans | - | - | (2 770,3) | - | - | - | - | - | **(2 770,3)** |
| Trade payables | (664,8) | (49,7) | (2 362,1) | (3252,5) | (3594,9) | (121,2) | (7078,7) | (4772,0) | **(21896,0)** |
| **Balance sheet exposure** | **(386,9)** | **(46,5)** | **(426,1)** | **(1619,2)** | **2 411,4** | **240,2** | **1 918,6** | **2 666,7** | **4 722,2** |

**Exchange Rate**

| | | Average rate | | Closing rate | |
|---|---|---|---|---|---|
| **Country** | Currency | **2020** | 2019 | **December 31, 2020** | December 31, 2019 |
| Dubai | AED | 4,467 | 4,108 | 4,490 | 4,.119 |
| UK | GBP | 0,906 | 0,873 | 0,903 | 0,850 |
| Kenya | KES | 126,086 | 112997 | 120,695 | 112,536 |
| South Africa | ZAR | 18,119 | 16,122 | 17,908 | 15,745 |
| USA | USD | 1,216 | 1,118 | 1,222 | 1,121 |
| Sweden | SEK | 9,388 | 10,586 | 10,044 | 10,474 |
| Turkey | TRY | 9,095 | 6,347 | 9,080 | 6,669 |

***Notes to the financial statements****(continued)*

***3. Financial Instruments*** *(continued)*

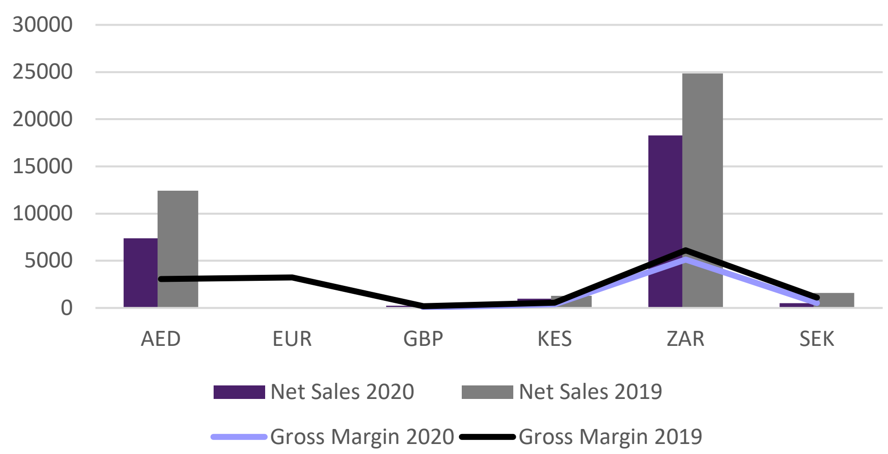
***3.1 Financial risk factors, (b) Market Risk****(continued)*

**IMPACT ON OPERATING RESULT OF A 1 PERCENT WEAKENING OF EUR, TEUR**

| **Currency** | **December 31, 2020** | December 31, 2019 |
|---|---|---|
| USD | 1 | 1 |
| SEK | -9 | -11 |
| GBP | 1 | 1 |
| AED | -4 | -4 |
| ZAR | -18 | -16 |
| Other currencies | -126 | -113 |

The Group's net sales and gross profit margin by currency for 2019/20 are shown in the following diagram.

NET SALES AND GROSS PROFIT MARGIN PER CURRENCY
TEUR




**Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets that mature in the long-term, its income and operating cash flows are substantially independent of changes in market interest rates. The Company's cash flow interest rate risk arises from cash and cash equivalents. Up to the reporting date, the Company did not have any hedging policy with respect to interest rate risk as exposure to such risk was not deemed to be significant by the directors since these assets are of a short-term nature.

Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to fair value interest rate risk.

***Notes to the financial statements** (continued)*

***3. Financial Instruments** (continued)*

***3.1 Financial risk factors** (continued)*

***(c) Liquidity risk***

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally settlement processing obligations and other liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The Company manages this risk, by monitoring future cash flows together with changes in available liquidity on a regular basis. Senior management is updated on a regular basis on the cash flow position of the Company.

The Company's financial projections reveal that the financial performance of the Company is expected to improve in the foreseeable future thereby generating net cash inflows after the end of the reporting period.

***3.2 Capital Risk Management***

The Group's capital structure should be maintained at a level that ensures the ability to advance the business in order to generate returns for the shareholders and benefits for other stakeholders, while at the same time maintaining an optimal capital structure to reduce capital costs.

To maintain or adjust the capital structure, the Group may, upon approval by the shareholders and external lenders when appropriate, vary the dividend that is paid to the shareholders, reduce the share capital to enable payments to the shareholders, issue new shares or sell assets to reduce its debt. The Group continuously analyses the relationship between debt and equity as well as the relationship between debt and equity including loans from shareholders.

NET DEBT/EQUITY RATIO

| EUR thousand | Note | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Interest-bearing liabilities | | 1,956 | 2,770 |
| Cash and cash equivalents and short-term investments | | -733 | -5,924 |
| Net debt | | 1233 | 333 |
| Total equity | | 1 776 | 13,583 |
| **Total capital** | | **-2 999** | **13,916** |
| **Net debt/Equity ratio** | | **-0,69** | **0,02** |

The net debt/equity ratio was -0.69 compared to 0,02 to prior fiscal year. See Note 3.3 for more information on interest-bearing liabilities.

***3.3 Interest Bearing Liabilities***

Maturity Analysis: Financial Liabilities

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| TEUR (TEUR) | < 1 yr | > 1 yrs< 5yrs | Total | < 1 yr | > 1 yrs< 5yrs | Total |
| Loans | 1,584 | 373 | 1,956 | 2,135 | 635 | 2,770 |
| Finance leases | - | - | - | - | - | - |
| Accounts payable | 16,576 | - | 16,576 | 21,896 | - | 21,896 |
| Derivative financial instruments – outflow, gross | - | - | - | - | - | - |
| Derivative financial instruments – inflow, gross | - | - | - | - | - | - |
| Other liabilities | 3,360 | - | 3,360 | 4,298 | - | 4,298 |
| **Total** | **21,520** | **373** | **21,892** | 28,329 | 635 | **28,964** |

All amounts in currencies other than EUR are translated at the closing day rate and interest payments on loans with variable interest have been calculated at the closing day rate. The weighted average interest rate on external loans and borrowings, including margins and the effects of interest rate hedges, was 3.00% (2019 : 3.00%).

***Notes to the financial statements****(continued)*

## 4 *Segment Information*

Cyber1's business segments are VAD (value-added distributing), Advisory Services and MSSP/(Managed Services) and are based on the customers' affiliation with the segments. ***VAD*** consist of system security, GRC solutions, incident response & forensics initial license agreements and periodic maintenance agreements covering product updates and customer support. License fee revenue included in those agreements is recognized when the product is initially delivered, whereas the license agreements' maintenance revenue is recognized over the maintenance period. Most of the license sales are usage-based and booked based on usage reports, but there are also fixed price operator agreements. The terms of these agreements vary significantly, and their revenue recognition *at a point in time* when product solutions is transferred to the customer at the expected consideration to be received for such delivery.

***Advisory Services***- Cyber1 offers its customers a wide range of professional advisory services, which includes legal compliance, installation and integration of various cybersecurity system components, and in general serve as outsourced staff that can be employed as needed, on demand; while ***MSSP/Managed services*** covers Data Security, Network Security, Gateway Security, Managed Compliance & SIEM Services, Incident Response, Business Continuity & Cyber Forensics - where we take a 'total' and long-term approach, and look at the bigger picture of IT security in organisations , is recognized at the *time of delivery of the service*.

The three main segments have been identified without aggregation of operating segments. Segment income and costs include any items that are directly attributable to the individual segment and any items that can be reliably allocated to the individual segment. Non-allocated costs refer to income and costs related to joint group functions. Assets and liabilities are not included in segment reporting.

| EUR thousand | Value Added Reseller (VAR) | Advisory Services | MSSP & others | Total |
|---|---|---|---|---|
| **2020** | | | | |
| Revenue | 18 330,6 | 8 524,9 | 500,6 | 27 356,1 |
| Cost of sales | -13 575,0 | -6 256,5 | - | -19 831,5 |
| **Gross profit** | **4 755,6** | **2 268,4** | **500,6** | **7 524,6** |
| Direct costs | -3 789,2 | -2 270,1 | -108,4 | -6 167,7 |
| **Earning before indirect costs** | **376,4** | **-1.7** | **392,2** | **1 356,9** |
| Indirect costs | -1 0271 | -493,3 | -4 256,2 | -5 776,6 |
| **Segment profit** | **349,3** | **-495,0** | **-3 864,0** | **4 419,7** |
| Non-allocated costs | | | | -8 803,9 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | | | | **-13 223,6** |
| Depreciation and amortisation | | | | -351,6 |
| **Earnings before interest, tax (EBIT)** | | | | **-13 575,2** |
| Financials, net | | | | -299,9 |
| **Earning before tax (EBT)** | | | | **-13 875,2** |

No single customer makes up more than 10% of the total revenue.

| TEUR | Value Added Reseller (VAR) | Advisory Services | MSSP & others | Total |
|---|---|---|---|---|
| **2019** | | | | |
| Revenue | 56 903,0 | 10 255,3 | 1 573,0 | 68 731,2 |
| Cost of sales | -46 581,3 | -7 486,5 | -484 | -54 533,8 |
| **Gross profit** | **10 321,6** | **2 786,8** | **1 089,0** | **14 197,4** |
| Direct costs | -2 128,6 | -905,2 | -202,6 | -3 236,3 |
| **Earning before indirect costs** | **8 193,1** | **1 881,6** | **886,4** | **10 961,1** |
| Indirect costs | -5 078,1 | -2 525,2 | -686,1 | -8 289,3 |
| **Segment profit** | **3 115,0** | **-643,5** | **200,4** | **-2 671,8** |
| Non-allocated costs | | | | -3 383,9 |
| **Earning before interest, tax, depreciation and amortisation (EBITDA)** | | | | **-712,1** |
| Depreciation and amortisation | | | | -643,2 |
| **Earning before interest, tax (EBIT)** | | | | **-1 355,3** |
| Financials, net | | | | 304,7 |
| **Earning before tax (EBT)** | | | | **-1 050,6** |

**Geographical information**

Cyber Security 1 AB primarily operates on the UK and European, Swedish, UAE and Africa markets. The below allocation has been made based on the service and products' place of sale. Geographical information as well as information on core business and related business should be regarded as supplementary information.

| TEUR | Revenue | Adjusted organic growth | EBITDA | EBITDA margin | Non-current assets |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Africa | 20 463,7 | -22,9 | 19,1 | 0,9 | 352,1 |
| Middle East | 7 375,3 | -40,7 | -157,8 | -21,4 | 114,9 |
| Europe | 734,7 | -97,7 | -4 345,1 | -5 914,2 | 2 324,6 |
| Eliminations | -1 217,6 | 0,2 | -4,6 | -4,6 | - |
| **Core business** | **27 356,1** | **-60,0** | **-4 483,9** | **-161,6** | **2 791,6** |
| Other Markets | | - | - | - | - |
| **Cyber1 Group** | **27 356,1** | **-60,0** | **-4 483,9** | **-161,6** | **2 791,6** |

| TEUR | Revenue | Adjusted organic growth | EBITDA | EBITDA margin | Non-current assets |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Africa | 26,558.3 | 23.5 | 263.5 | 9.9 | 5,821.7 |
| Middle East | 12,436.4 | 84.7 | 392.6 | 31.6 | 1,111.9 |
| Europe | 30,701.7 | 110.2 | -855.3 | -27.9 | 7,680.1 |
| Several markets | 1,573.0 | 2.5 | -402.9 | -25.3 | 770.0 |
| Eliminations | -2,683.9 | - | -198.9 | 74.1 | -2,730.8 |
| **Core business** | **68,585.6** | **57.0** | **-801.2** | **-11.7** | **12,653.1** |
| Other Markets | 145.7 | -0.6 | 89.0 | 1.3 | 2.2 |
| **Cyber1 Group** | **68,731.2** | **56.4** | **-712.1** | **-10.4** | **12,655.3** |

1) Previously part of other markets
2) Adjustment for intercompany revenue has been made

***Notes to the financial statements*** *(continued)*

**Revenue from contracts with customers**

The majority of Cyber1 customers are B2B and distributers.

*Disaggregation of revenue*

**Sales to external customers**

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| **Primary geographical markets** | **VAD (Value Added Distributing)** | **Advisory & Managed Services** | **Total Segments** | **VAR** | **Advisory & Managed Services** | **Total Segments** |
| **Revenue** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** | **TEUR** |
| Africa | 14 325 | 6 139 | 20 464 | 14 436 | 9 622 | 24 058 |
| Middle East | 6 706 | 669 | 7 375 | 11 765 | 568 | 12 333 |
| Europe | 234 | 501 | 735 | 30 702 | 1 639 | 32 341 |
| **External customer sales** | **21 265** | **7 309** | **28 574** | **56 903** | **11 828** | **68 731** |
| Timing of revenue recognition | | | | | | |
| **Goods and services transferred at a point in time** | 21 265 | 7 309 | 28 574 | 56 903 | 11 828 | 68 731 |
| **Total revenue from contracts with customers** | **21 265** | **7 309** | **28 574** | **56 903** | **11 828** | **68 731** |
| **Segment gross margin** | **4 755** | **2 769** | **7 524** | **9 057** | **5 141** | **14 198** |

**Tangible and Intangible Assets per Segment**

| **2020** | **Africa** | **Middle East** | **Europe** | Total |
|---|---|---|---|---|
| | **TEUR** | **TEUR** | **TEUR** | TEUR |
| Tangible Assets per Segment | 147,5 | 27,7 | 1,9 | 177,1 |
| Intangible Assets per Segment | - | - | 21,8 | 21,8 |
| Total per segment | **147,5** | **27,7** | **23,7** | **198,9** |

| **2019** | **Africa** | **Middle East** | **Europe** | Total |
|---|---|---|---|---|
| | **TEUR** | **TEUR** | **TEUR** | TEUR |
| Tangible Assets per Segment | 86,7 | 54,0 | 41,0 | 181,8 |
| Intangible Assets per Segment | 5 398,1 | 941,8 | 5,429,7 | 11 769,6 |
| Total per segment | **5 484,8** | **995,8** | **5 470,7** | **11 951,4** |

***Notes to the financial statements*** *(continued)*

***5. Segment Information*** *(continued)*

**Reconciliation between EBITDA per Segment and Operating profit/(Loss) per Segment**

| **2020** | **Africa** | **Middle East** | **Europe** | **Total** |
|---|---|---|---|---|
| | **TEUR** | **TEUR** | **TEUR** | **TEUR** |
| EBITDA | 19,1 | (157,8) | (13 084,9) | (13 223,6) |
| Non-cash impacting items | (197,6) | (69,0) | (84,9) | (351,6) |
| **Operating profit/(Loss)** | (178,7) | (226,8) | **(13 169,8)** | **(13 575,2)** |

| **2019** | **Africa** | **Middle East** | **Europe** | **Total** |
|---|---|---|---|---|
| | **TEUR** | **TEUR** | **TEUR** | **TEUR** |
| EBITDA | 263,5 | 392,5 | (1 368,1) | (712,1) |
| Non-cash impacting items | 53,8 | 184,0 | (881,0) | (643,2) |
| **Operating profit/(Loss)** | **317,3** | **576.5** | **(2 249,1)** | **(1 355,3)** |

**Group revenue**

Geographical

Revenue from Africa accounts for 71% of the total net revenue (2019: 35%).

Revenue from the Middle East accounts for 27% of the total net revenue (2019: 19%).

Revenue from the United Kingdom and Europe accounts for 2% of the total net revenue (2019: 46%)

Segmental

Revenue from VAD (value-added distribution) operational segment delivery and accounts for 67% (2019: 82%) of the total revenue.

Revenue from professional Advisory Services accounts for 31% (2019: 15%) of the total revenue.

Revenue from MSSP & Managed Services accounts for 2% (2019: 3%) of the total revenue.

**Parent company**

Revenue in the parent company mainly consists of revenue from collaborate project advisory fees and management fee to subsidiaries.

***Notes to the financial statements****(continued)*

## 5 *Salaries and other Salary Remuneration*

| | **2020** | 2019 |
|---|---|---|
| **Total Remuneration Senior management and Other staff** | **TEUR** | TEUR |
| Board of directors, CEO and key management | 1 338,4 | 927,6 |
| Other Staff | 4 829,1 | 7 361,8 |
| **Group** | **6 167,7** | 8 289,3 |
| *Of which Pension and Salary Overhead Costs* | *799,6* | *535,1* |

| | **2020** | 2019 |
|---|---|---|
| **Board of Directors' Remuneration** | **TEUR** | TEUR |
| Board fee | 71,3 | 127,5 |
| Consulting services | - | 17,5 |
| **Total remuneration Board of Directors** | **71,3** | 145,0 |

| | **2020** | 2019 |
|---|---|---|
| **CEO and Key Management Remuneration** | **TEUR** | TEUR |
| CEO | 136,6 | 360,8 |
| Key management | 1 130,4 | 421,8 |
| **Total Remuneration CEO and Key Management** | **1 267,1** | 782,6 |

CEO remuneration consisted of salary 136 TEUR (2019: 315 TEUR) and Bonus NIL TEUR (2019: 46 TEUR)

Key Management consists of the Business Managers for Africa, Middle East and Europe.
Remuneration consisted of salary 1 253 TEUR (2019: 595 TEUR) and Bonuses of 14 TEUR (2019: 96 TEUR).

| **Salaries and other Salary Remuneration** | **2020** | 2019 |
|---|---|---|
| **Totals for Parent Company and Subsidiaries** | **TEUR** | TEUR |
| Parent Company | 108,4 | 216,6 |
| Subsidiaries | 6 059,3 | 8 072,8 |
| **Group** | **6 167,7** | 8 289,3 |

| **Board members** | **Role** | **Board fee** | **Salary** | **Bonus** | **Consulting fee** | **Total** |
|---|---|---|---|---|---|---|
| | | SEK | SEK | SEK | SEK | **SEK** |
| Johan Bolsenbroek | Chairman | 350 000 | - | - | - | **350 000** |
| Alan Goslar | Director | 300 000 | - | - | - | **300 000** |
| Pekka Honkanen | Director | 300 000 | - | - | - | **300 000** |
| Zeth Nystrom | Director | 300 000 | - | - | - | **300 000** |
| **Total Remuneration to the Board** | | **1 250 000** | **-** | **-** | **-** | **1 250 000** |

***Notes to the financial statements*** *(continued)*

***Note 6* – Salaries and other Salary Remuneration** *(continued*

Salaries to the CEO and other senior executives are established by the Board. Salary level is to be based on market conditions in relation to qualifications and performance. In addition to fixed salary, variable remuneration may include a maximum bonus of 100% of fixed salary. This policy may be deviated from with the express consent of the Remuneration Committee. The outcome of the bonus is mainly based on the attainment of financial targets.

The company uses only premium-based pension solutions for senior executives. These pension solutions vary between 3% and 8% of annual fixed salary.

The notice period for senior executives is between three and six months. The CEO has a notice period of three months and termination benefits are paid during this period. In the event of termination of employment on the part of the company, the notice period is three months.

Other benefits include company car benefits, car allowances and health insurance.

The CEO and three other members of the Group Management Team are entitled to terminate their employment with the right to receive severance pay in accordance with the terns of their individual employment contracts if a major organizational change should occur that significantly restricts their position, and/or they are not offered equivalent employment terms.

**Personnel**

The average number of employees, including temporary employees, in the Parent Company during 2020 was zero, and in the Group 146. The corresponding numbers in 2019 were 6 and 197, respectively. The decrease in the average number of employees primarily relates to the restructuring of product and services in the UK and Europe as well as creating operational efficiencies across Africa.

Group employees by region are summarized in the table below:

| | **2020** | | **2019** | |
|---|---|---|---|---|
| **Average no. of employees per Segment** | **Average number of employees** | **(of whom men, %)** | **Average number of employees** | **(of whom men, %)** |
| **Parent Company** | | | | |
| CYBER1 | 0 | 0 | 6 | 60 |
| **Subsidiaries** | | | | |
| Africa | 114 | 66 | 134 | 57 |
| Middle East | 29 | 76 | 25 | 85 |
| UK & Europe | 3 | 100 | 32 | 62 |
| **Total** | **146** | **61** | **197** | **65** |

***Notes to the financial statements****(continued)*

***Note 6* – Salaries and other Salary Remuneration** *(continued)*

**Split between Men and Women**

| **Average number of staff in Full Time Employment (FTE)** | **Female** | **Male** | **2020 Total** | **Female** | **Male** | **2019 Total** |
|---|---|---|---|---|---|---|
| **Parent Company*** | 0 | 0 | 0 | 2 | 4 | 6 |
| **Subsidiaries** | | | | | | |
| Africa | 39 | 75 | **114** | 44 | 90 | **134** |
| Middle East | 7 | 22 | **29** | 7 | 18 | **25** |
| Europe | 0 | 3 | **3** | 17 | 15 | **32** |
| **Subsidiaries** | **46** | **100** | **146** | **68** | **123** | **191** |
| **Total** | **46** | **100** | **146** | **70** | **127** | **197** |

*The Parent Company had no employees during 2020 or 2019;
Director's for the Parent Company's Board of Directors and a contracted consultant performed duties for the Parent Company.

**Split between Men and Women**

| **Board of Directors and key management (Average FTE)** | **Female** | **Male** | **2020 Total** | **Female** | **Male** | **2019 Total** |
|---|---|---|---|---|---|---|
| **Parent Company** | | | | | | |
| Board of Directors | 0 | 4 | **4** | 1 | 5 | **6** |
| CEO and Key Management | 0 | 0 | **0** | 1 | 2 | **3** |
| **Group** | | | | | | |
| Board of Directors | 0 | 4 | **4** | 1 | 5 | **6** |
| CEO and Key Management | 2 | 2 | **4** | 1 | 4 | **5** |

*Remuneration and other benefits to Group Management Team*

Application of principles on variable salary for 2020. In order to ensure alignment with long term shareholder interests, to strengthen the retention element of the variable salary and to promote company shareholding among the Group Management Team ("GMT") the variable salary includes a cash incentive and a long-term share incentive program. The performance period for the long-term programs will be between three to five years.

- Variable salary pertains to accruals charged to the consolidated income statement during the year for short term incentive programs.
- Other benefits pertain to company cars, medical insurance, club membership and other benefits.
- Reported pension costs correspond to service costs for defined benefit pension plans and fees relating to defined contribution pension plans (excluding payroll taxes)
- During 2020 and 2019 no earnings-related compensation has been paid to the Group Management Team
- During 2020 and 2019 no severance has been paid to the Group Management Team.

***Notes to the financial statements****(continued)*

## 6 *Audit and consulting fees*

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Audit assignment** | **TEUR** | TEUR | **TEUR** | TEUR |
| RSM | 89,4 | 80,1 | 70,0 | 80,1 |
| PwC | - | - | - | - |
| **Fees for audit assignment** | 89,4 | 80,1 | 70,0 | 80,1 |
| **Audit activities in addition to audit assignment** | | | | |
| RSM | - | - | - | - |
| PwC | - | - | - | - |
| **Fees for audit activities in addition to audit assignment** | | | | |
| **Tax advisory services** | | | | |
| RSM | - | - | - | - |
| PwC | - | - | - | - |
| **Fees for tax advisory services** | - | - | - | - |
| **Other assignments** | | | | |
| RSM | - | - | - | - |
| PwC | - | 21,5 | - | 21,5 |
| **Fees for Accounting advisory services** | - | 21,5 | - | 21,5 |
| **Total fees to auditors** | **89,4** | **101,6** | **70,0** | **101,6** |
| **Subsidiary auditors** | | | | |
| Statutory audit fee | 35,2 | 30,2 | | |
| Audit fees other than statutory audit fee | - | 15,1 | | |
| **Total Subsidiary Audit and Advisory fees** | **35,2** | **45,3** | | |
| **Total Cyber1 Group Audit and Advisory fees** | **124,6** | **146,9** | | |

Audit assignment refers to auditing of the annual report and financial accounts and the administration by the Board as well as other audit tasks that are incumbent upon the company's auditors.

***Notes to the financial statements****(continued)*

## 7 *Depreciation, amortisation and write-downs*

| | **Group** | Group | **Parent** | Parent |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **TEUR** | **TEUR** | **TEUR** | **TEUR** |
| Amortisation of intangible assets | 84,0 | 332,4 | 9,6 | 10,5 |
| Depreciation of tangible assets | 267,6 | 310,8 | - | - |
| **Total Amortisation and Depreciation** | **351,6** | **643,2** | **9,6** | **10,5** |

| **Group** | **2020** | **2019** |
|---|---|---|
| | TEUR | TEUR |
| Buildings | - | - |
| Plant, operating equipment, | 30,6 | 40,8 |
| Tenancy, lease | 237,0 | 270,0 |
| **Total depreciation and write-down on property, plant and equipment** | **267,6** | **93,4** |
| Customer -related assets | 74,4 | 297,6 |
| Software | 9,6 | 10,5 |
| Impairment of intangible assets | - | 24,3 |
| **Total amortisation and impairment of intangible assets** | **84,0** | **159.2** |

***Notes to the financial statements*** *(continued)*

## 8 *Other operating Expenses*

| | **Group** | Group | **Parent** | Parent |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | 2019 |
| | TEUR | TEUR | TEUR | TEUR |
| Disvestment ITWAY | 8 803,9 | - | 12 305,7 | - |
| **Total** | **8 803,9** | **-** | **12 305,7** | - |

## 9 *Income Tax*

| | **Group** | Group | **Parent** | Parent |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | 2019 |
| **Current tax recognised via the Income Statement** | TEUR | TEUR | TEUR | TEUR |
| Current tax recognised via the income statement | - | 442,8 | - | - |
| **Total current tax** | **-** | **442,8** | **-** | - |
| | | | | |
| **Deferred Income Tax recognised via the Income Statement** | | | | |
| Deferred tax expense/(income) on temporary differences CFC profits/ losses | - | 203,8 | | |
| **Total deferred tax expense/(benefit)** | **-** | **203,8** | **-** | - |
| | | | | |
| Tax related to prior years | - | (203,8) | - | - |
| **Total Tax recognised via the Income Statement** | **-** | **442,8** | **-** | - |
| | | | | |
| **Tax recognised via Equity** | | | | |
| Deferred Tax from IPO costs recognised over Equity | | | | |
| **Tax recognised via Equity** | | | | |
| | | | | |
| **Tax expenses recognised in profit or loss** | **-** | **442,8** | **-** | - |

The parent company recognises and pays tax on CFC (Controlled foreign corporation) taxable profits from its wholly owned subsidiaries in Dubai since these companies are affected by Swedish CFC taxations rules (Swedish corporate income tax legislation; Chapter 39 7a §).

| **Reconciliation between tax on accounting profit at the aggregate group Tax rate and tax in the Income Statement** | **Group** | Group | **Parent** | Parent |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | TEUR | TEUR | TEUR | TEUR |
| Loss before taxes | (13 875,2) | (641,1) | (3 235,7) | (3 235,7) |
| | | | | |
| Parent: Tax expense at 21.4% (2019:21.4%) | | | (692,4) | (692,4) |
| Group: Tax expense at the aggregate* tax rate of 30% (2019:30%) | (4 162,5) | (192,3) | - | - |
| | | | | |
| Differences between tax at aggregate tax rate and tax at actual rates | - | 1 181,0 | - | - |
| Tax losses not recognised as deferred tax assets | 4 162,5 | (1 431,1) | 692,4 | 692,4 |
| **Tax expense** | **-** | **(442,4)** | **-** | **-** |

*The applicable tax rate is the aggregate of the national income tax rates for the Groups Subsidiaries

Unused tax losses for which no deferred tax asset has not been recognised amount to 4 162,5 TEUR.

***Notes to the financial statements****(continued)*

## 10 *Intangible assets*

Intangible assets contain goodwill, customer relationships and other intangible assets. Other intangible assets mainly consist of acquired technology. Amortization of intangible assets is reported in the income statement and allocated to functions as applicable. There are no intangible assets related to manufacturing processes or the like, therefore no amortization is allocated to cost of goods sold.

**Goodwill**
Goodwill comprises the positive amount by which the sum of (i) the cost of shares in subsidiaries, (ii) the value of non-controlling interest and (iii) the fair value of previously held equity interest exceeds the fair value of the Group's share of acquired identifiable net assets at acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis, or more frequently if indicated. See also section Impairment.

**Customer relations and other intangible assets**
Intangible assets also include Cyber1 brand, technology, brands, and customer relations. In conjunction with the acquisition of such assets, the acquisition values are reported as assets, which are amortized on a straight-line basis over the estimated useful life.

**Amortisation Periods:**

| | |
|---|---|
| Software & Technology | 5–10 years |
| Brands | 5–10 years |
| Customer relations | 14–20 years |

**Impairment**
The carrying amount of a depreciated asset is tested for impairment whenever there are indications that the carrying amount might not be recoverable. If there are indications of impairment, the asset's recoverable amount is calculated. The recoverable amount consists of the higher of the value in use of the asset in operations and the value that would be received if the asset was sold to a third party, the net realizable value. Value in use consists of all incoming and outgoing payments attributable to the asset during the period it is expected to be used in operations, plus the net realizable value at the end of the useful life. If the calculated recoverable amount is less than the carrying amount, impairment is made to the asset's recoverable amount. An impairment loss recognized in previous periods is reversed if the reasons for the impairment no longer exist. However, a reversal will not be higher than the carrying amount would have been if an impairment loss had not been recognized in previous periods. Goodwill is subject to annual impairment testing even if there are no indications of impairment. The carrying amount of goodwill is allocated to cash generating units. When testing for impairment of goodwill, the assets are grouped in cash-generating units and assessments are made on the basis of these units' future cash flows. Impairment losses on goodwill are not reversed. All impairment losses, and any reversals of the same, are recognized in the income statement.

**Estimates and assessment**
For the Group, the most significant estimates and assumptions are those relating to impairment testing of goodwill. This means that the effect on the financial reports may be considerable if the estimates and assessments made would prove to deviate significantly from the actual outcome. In connection with impairment testing of goodwill the carrying amount is compared with the recoverable amount. The recoverable amount is determined by the higher of an asset's net realizable value and its value in use. Normally, it is not possible to determine the net realizable value. Therefore, the value in use is normally the value being compared with the carrying amount. Thus, each cash generating unit's value in use is calculated in assessing any impairment of goodwill. Calculations are performed through discounting future estimated cash flows. In order to perform the calculations a number of assumptions concerning future circumstances and estimates of parameters are made, for example growth and discount rate. Any adjustments of the assumptions made could have an effect on the carrying amount of the goodwill. Assuming a lower growth rate would lead to a lower recoverable amount. A higher discount rate would also lead to a lower recoverable amount. Goodwill amounted to 6 629,5 TEUR (2019: 7 609,4 TEUR).

During the year the Group recognised Intangible Customer Relations assets of NIL TEUR NBV after amortisation. Goodwill shows a balance of 6 629,5 TEUR in 2020, (2019: 7 609,4 TEUR).

***Notes to the financial statements*** *(continued)*

***Note 10* – Intangible assets** *(continued)*

INTANGIBLE ASSETS

| | Group | | | | Parent Company | |
|---|---|---|---|---|---|---|
| | Goodwill | Customer relationships | Other intangible assets | Total Group | Other intangible assets | Total Parent Company |
| Accumulated acquisition value January 1, 2020 | 7,609,4 | 4,463,7 | 52,3 | 12,125,4 | 52.3 | 52.3 |
| Business combinations | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - |
| Purchases/Capitalization | - | - | - | - | - | - |
| Divestments/Disposals | -979,8 | -3 943,0 | - | -4 922,8 | - | - |
| Translation differences | - | - | - | - | | - |
| **Accumulated acquisition value December 31, 2020** | **6 629,6** | **520,7** | **52,3** | **7 202,6** | **52.3** | **52.3** |
| Accumulated amortization January 1, 2020 | - | -446,34 | -20,9 | -467,2 | -20,9 | -20,9 |
| Reclassifications | - | - | - | - | - | - |
| Divestments/Disposals | - | - | - | - | - | - |
| Amortization for the year | - | -74,4 | -9,6 | -84,0 | -9,6 | -9,6 |
| Translation differences | | | | | | |
| **Accumulated amortization December 31, 2020** | **-** | **-520,7** | **-30,5** | **-551,2** | **-30,5** | **-30,5** |
| **Carrying amount December 31, 2020** | **6 629,6** | **-** | **21,8** | **6 651,4** | **21,8** | **21,8** |
| Accumulated acquisition value January 1, 2019 | 7 609,4 | 4 463,7 | 575,4 | 12,648,5 | 52.3 | 52.3 |
| Business combinations | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - |
| Purchases/Capitalization | - | - | - | - | - | - |
| Divestments/Disposals | - | - | -58,5 | -58,5 | - | - |
| Translation differences | - | - | - | - | - | - |
| **Accumulated acquisition value December 31, 2019** | **7 609.4** | **4 463.7** | **516,9** | **12 590,0** | **52,3** | **52.3** |
| Accumulated amortization January 1, 2019 | - | -148,8 | -99,1 | -247,9 | -10,5 | -10,5 |
| Reclassifications | - | - | - | - | - | - |
| Divestments/Disposals | - | - | - | - | - | - |
| Amortization for the year | - | -297,6 | -34,8 | -332,4 | -10.5 | -10.5 |
| Translation differences | - | - | - | - | - | - |
| **Accumulated amortization December 31, 2018** | **-** | **-446,4** | **-133,9** | **-580,2** | **-20,9** | **-20,9** |
| **Carrying amount December 31, 2019** | **7 609.4** | **4 017,4** | **383,0** | **12 009,7** | **31,4** | **31,4** |

Other intangible assets mainly relate to technology acquired through business combinations, as well as other capitalised costs such as software and branding licences.

***Notes to the financial statements*** *(continued)*

## 11 *Impairment test of Goodwill*

Goodwill is tested for impairment every year in order to assure that the carrying amount of each of the Group's cash-generating units is not higher than its recoverable amount. The Group's cash-generating units equal the geographic regions, which also constitute the Group's operating segments. The carrying amount equals capital employed and the recoverable amount for each cash-generating unit is determined based on a calculation of value in use for each unit. The allocation of goodwill to cash-generating units (operating segments) is shown in the following table.

**Goodwill by segment**

| TEUR | December 31, 2020 | December 31, 2019 |
|---|---:|---:|
| Africa | 5 398,1 | 5 398,1 |
| Middle East | 941,8 | 941,8 |
| Europe | 289,7 | 1 269,5 |
| **Total** | **6 629,6** | **7 609,4** |

The Group acquired the following subsidiaries in the below table. The acquired companies are active in the Cybersecurity industry as Software Resellers and Distributors and providers of overall Cybersecurity solutions. The Acquisitions are in line with the overall strategy of the Cyber1 AB Group.

| Final Acquisition analysis | Dynamics Recovery Services | Credence SA | Credence (UAE) | Professional Technologies Ltd | Credence UK | Intact Software (PTY) | Total |
|---|---:|---:|---:|---:|---:|---:|---:|
| % of shares acquired | 74% | 100% | 100% | 100% | 100% | 100% | |
| Value acquired assets | 2 443,7 | 328,8 | 2 023,9 | 678,4 | 123,1 | 190,2 | **5 788,1** |
| Value acquired liabilities | -1 960,0 | -311,2 | -1 900,2 | -476,4 | -56,1 | -143,2 | **-4 847,1** |
| **Value of acquired Net Assets** | **483,7** | **17,6** | **123,7** | **202,0** | **67,0** | **47,0** | **941,0** |
| Adjustment Fair Value of Assets and Liabilities | -1 022,4 | -37,2 | -261,5 | -427,0 | -81,7 | - | **-1 829,8** |
| Purchase consideration (Allocated based on Fair Value of net Assets | 3 162,5 | 107,2 | 804,0 | 1 286,4 | 275,0 | 235,0 | **5 870,1** |
| Add in of NCI NA | -129,3 | - | - | - | - | - | **-129,3** |
| Intangible: Customer relationships | | | | | | | |
| **Goodwill** | **3 571,9** | **126,8** | **941,8** | **1 511,4** | **289,7** | **188,0** | **6 629,6** |

Goodwill recognised from this acquisition amount to 6 629,6 TEUR and is attributable to the workforce and the profitability of the acquired business.

The group recognised the non-controlling interests Dynamic Recovery Services (Pty) Ltd at its fair value, therefore the recognised value of the non-controlling interests its proportionate share of the acquired net identifiable assets. See note 1.4 for the group's accounting policies for business combinations.

***Notes to the financial statements** (continued)*

***Note 11 Impairment test (**continued)*

Below table is a summary of paid considerations for the acquisitions as well as the Fair Value of acquired Assets and Liabilities.

| **Purchase Consideration** | **Group** |
|---|---|
| | **2020** |
| **Consideration** | **TEUR** |
| Fair Value of Non-Controlling Interest | -129,3 |
| Cash Consideration | 1 467.5 |
| Non-Cash Consideration | 4 402,6 |
| **Total Consideration** | **5 740,8** |
| Less total net assets | 941,0 |
| Adjustment Fair Value of Assets and Liabilities | -1 829.8 |
| **Goodwill** | **6 629,6** |

Goodwill shows a balance of 6 629,6 TEUR in 2020 (2019: 7 609,4)

None of the recognised Goodwill will be deductible for corporate income tax purposes.

**Impairment testing of Goodwill**

Recognised Goodwill has an indefinite useful life, Management therefore tests Goodwill annually for impairment or at any time an impairment indicator is identified.

The recoverable Value for Goodwill with an indefinite live has been calculated based on the Value in use that management expects to realise. The value in use has been calculated based on the future expected cash flows generated in the five-year period 2020 to 2024. Future expected cashflows were identified as follows:

- 2021: Free Cash Flows detailed in the 2019 Business Plan that was approved by the Board of Directors.
- 2021-2025: Free Cash Flows based on an assumed p.a growth in Free Cash Flow of 5% from the 2021 level.
- Terminal value after 2025 estimates a growth rate of 2%

The growth rate assumed for the period 2019-2023 does not exceed the long-term growth rate for the markets in which the businesses operate in. Key assumptions used are based on management's experience.

Key assumptions in the determination of the Value in Use of Goodwill

| **31 December 2020** | **Africa** | **United Arab Emirates** | **Europe** |
|---|---|---|---|
| Growth rate 2021-2025 | 5% | 5% | 5% |
| WACC | 12.4% | 10.4% | 8.7% |
| **31 Decmeber 2019** | | | |
| Growth rate 2020-2024 | 5% | 5% | 5% |
| WACC | 12.4% | 11,9% | 12.1% |

The value in use for each unit is derived from discounted cash flows, based on estimated future cash flows. The estimates are based on the current financial actuals and expected future development up to five years. Assumptions regarding sales volume, sales prices, operating expenses and product mix form the basis for estimated future growth and margin development. Volume assumptions are based on historical outcome, the executive management's expectations on market development, and expected global market growth. Price assumptions are based on current market trends and inflation forecasts. Margin development is based on current margin levels and product mix adjusted for expected price changes and possible changes in the product mix. For periods to five years, the extrapolation of expected cash flows has been assumed to be a prudent 5 percent (2019:5%), which is considered within anticipated industry growth. The cash flows have been discounted using average pre-tax interest rate of 10.5 percent (2019: 12.13%). The interest rate corresponds to the Group's current weighted cost of capital (WACC) and is based on current market assessments. Impairment testing is performed annual, after the budget and forecast business plans have been determined by the executive management. The 2020 (2019) test showed that there is no impairment.

***Notes to the financial statements*** *(continued)*

***Note 11 Impairment test****(continued)*

| **Allocation of Goodwill to CGU (cash generating unit)'s** | **31 December 2020** | **31 December 2019** |
|---|---|---|
| Africa | 5 398 | 5 398 |
| United Arab Emirates | 942 | 942 |
| Europe | 290 | 1 269 |
| **Total** | **6 630** | **7 609** |

Sensitivity analyses have been carried out with regard to the discount rate (risk) and long-term growth with a general reduction in the growth rate after five years of 2 percentage points (2) (implying an assumption of zero growth) and a general increase in the weighted capital cost of 2 percentage points (2019:2). The sensitivity analyses did not demonstrate any impairment; neither an increase in the WACC to 14.5% or a reduction of growth rate for free cash flows to 1% for the period 2021-2025 would on their own be sufficient to trigger an impairment of Goodwill.

In addition to the annual impairment test, goodwill is tested whenever there are indications of impairment.

## 12 *Tangible fixed assets*

| Property, plant and equipment | **2020**<br>**TEUR** | **2019**<br>**TEUR** |
|---|---|---|
| **Cost at beginning of year** | **911,2** | **624,2** |
| Purchases/investments | 262,9 | 287,0 |
| **Cost at end of year** | **1 174,1** | **911,2** |
| **Accumulated depreciation at beginning of year** | -729,4 | -418,7 |
| Depreciation for the year | -267,6 | -310,7 |
| **Accumulated depreciation at end of year** | -997,0 | -729,4 |
| **Net carrying value at end of year** | **177,1** | **181,8** |

Depreciation charges on tangible assets are included in administrative expenses in the income statement and amounts to 267,6 TEUR (2019: 310,7 TEUR). No borrowing costs have been capitalized during 2020 nor during 2019.

## 13 *Leases*

The Group is lessee for a number of assets where real estate leases, such as rental of office premises, and warehouses, represent the major part of the total value of leases. The Group's leases also include storages etc. with the exception of short-term leases and leases of low-value, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Lease payments are generally fixed, but a limited number of real estate leases are linked to periodic changes in an index. Variable lease payments, which do not depend on an index or a rate, are excluded from the initial measurement of the lease liabilities and assets.

Some leases contain options to extend the lease for one or more terms or to terminate the lease. Assessment of the likelihood of using extension or termination options are made and the amount of optional lease payments not included in the lease liabilities at December 31, 2020.

***Notes to the financial statements*** *(continued)*

***Note 13 Leases****(continued)*

The average duration of the Group's lease liability was 2.3 years, including assessments of the likelihood of utilizing extension and termination options.

Leases at December 31 comprised the following:

***Right-of-use assets***

| TEUR | Tenancy | Others | Total |
|---|---|---|---|
| **2020** | **TEUR** | **TEUR** | **TEUR** |
| Cost 1/1 | 719,9 | - | **719,9** |
| Foreign currency translation adjustments | -90,8 | - | **-90,8** |
| Additions during the year | - | - | **-** |
| Disposals during the year | - | - | - |
| **Cost 31/12** | **629,1** | **-** | **629,1** |
| | | | |
| Write-down and depreciation 1/1 | 270,0 | - | **270,0** |
| Foreign currency translation adjustments | -90,8 | - | **-90,8** |
| Write-down and depreciation during the year | 90,8 | - | **90,8** |
| Write-down and depreciation of abandoned assets | - | - | - |
| **Write-down and depreciation 31/12** | **270.0** | **-** | **270.0** |
| | | | |
| **Carrying amount 31/12** | **359,1** | **-** | **359,1** |

***Long-term lease liabilities***

| TEUR | 2020 |
|---|---|
| Maturity > 1 year < 5 years, undiscounted | 214,3 |
| Maturity > 5 year, undiscounted | 133,3 |
| Long-term lease liabilities 31/12, undiscounted | **347,6** |
| Discounting on lease liabilities > 1 year < 5years | -13,3 |
| Discounting on lease liabilities > 5 years | - |
| **Long-term lease liabilities 31/12** | **334,4** |
| | |
| **Amounts recognised in the Profit & loss statements** | |
| Depreciation of right -of-of use assets | 90,8 |
| Interest expense on lease liabilities | 70,4 |
| Expense relating to variable lease payments not included in the measurement of lease liabilities | - |
| **Total** | **161,2** |
| | |
| **Cash outflow for lease** | |
| Instalments on lease liabilities | -90,8 |
| Interest payments | -70,4 |
| **Total cash outflow for leases** | **-161,2** |

***Notes to the financial statements** (continued)*

## 14 *Investment in subsidiaries*

| | **Parent 2020 TEUR** | Parent 2019 TEUR |
|---|---|---|
| **Opening balance 1 January** | **14 357,5** | 14 258,2 |
| Acquisition | - | 10 549,2 |
| Impairment of Investments | (12 056,6) | (366,0) |
| Investment in Subsidiaries | - | 351,5 |
| **Closing balance 31 December** | **2 300,9** | 14 357,5 |

The Parent holds the following issued ordinary share capital in the group undertakings listed below:

| **Cyber Security 1 AB Subsidiaries** | **Company Registration Nr.** | **Domicile** | **% of Shares owned** | **% of Voting rights owned** | **Balance Carried at 31 December 2020** | **Balance Carried at 31 December 2019** |
|---|---|---|---|---|---|---|
| Cognosec Ltd | 224746800 | United Kingdom | 100% | 100% | 275,0 | 1 705,0 |
| Cognosec GmbH Germany | 768/K/2016 | Germany | 100% | 100% | - | - |
| Cognosec Nordic AB | 559062-3228 | Sweden | 100% | 100% | - | - |
| Credence Security JLT | JLT 4874 | UAE, Dubai | 100% | 100% | 204,8 | 204,8 |
| Cognosec DMCC | DMCC 40384 | UAE, Dubai | 100% | 100% | - | - |
| Professional Technologies Ltd | NO.C 81571 | Kenya | 100% | 100% | 308,6 | 308,6 |
| Dynamic Recovery Services (Pty) | 1997/019520/ | South Africa | 74% | 74% | 1 248,4 | 1 248,4 |
| Credence Security (Pty) Ltd | 1999/009285/ | South Africa | 100% | 100% | 29,1 | 29,1 |
| Cognosec GmbH Austria | FN3697951 | Austria | 100% | 100% | - | - |
| Intact Software Dist. (Pty) Ltd | 2011/103356/ | South Africa | 100% | 100% | 235,0 | 275,0 |
| Credence Security Ltd | 6821858 | United Kingdom | 100% | 100% | - | 235,0 |
| Itway Hellas S.L. A | 00401210100 | Greece | 100% | 100% | - | 5 175,8 |
| Itway Turkyie Ltd | 663346 | Turkey | 100% | 100% | - | 5 175,8 |
| **Total** | | | | | **2 300,9** | **14 357,5** |

The principle activity of all subsidiaries is to market and sell solutions to increase safety on the internet and to sell products and services in this area.

**Impairment test**
Investments in subsidiaries are measured in the parent company's financial statements at cost price. If there is an indication of impairment, the recoverable amount of the asset is calculated. The recoverable amount is the highest of the fair value or value in use.

The carrying amount for investments in subsidiaries amounts to TEUR 2 300,9 as at 31 December 2020 (TEUR 14 357,5 as at 31 December 2019).

The group has realised a loss of TEUR 13 875,2 in 2020. Expectations for the next years are aiming to generate sales above MEUR 68,07 in 2025, supported by the strong underlying market. Cyber1 targets a gross margin exceeding 20 percent in the medium term

The group's activities are primarily carried out in Dynamics Recovery Services (DRS) with a booked amount of TEUR 1 248 as at 31 December 2020, and in a smaller scale in Credence SA with a booked amount of TEUR 29 as at 31 December 2020. Cyber1 Group AB's sole activity is holding of shares in subsidiaries and associates as well as the stock listing on NASDAQ First North.

***Notes to the financial statements*** *(continued)*

***Note 14 Investment in subsidiaries*** *(continued)*

Based on the market value of Cyber1 Group AB on NASDAQ First North in Stockholm management assesses there are enough headroom between the recoverable amount and the carrying amount of the subsidiaries as at 31 December 2020.

Furthermore, management has prepared impairment tests on all the subsidiaries listed below based on the discounted cash flow model reflecting the financial targets for the coming five-year period, market reports on future growth and technology trends. Management applies a five-year period to reflect the long-term approach to customers' purchasing decisions. Cash flows for the five-year period are extrapolated using an estimated growth rate of 5% (2019:5%).

The impairment tests indicate that there is significant headroom between the recoverable amounts and the carrying amounts of the shares in subsidiaries as at 31 December 2020

| | Dynamic Recovery Services (Pty) Ltd<br>TEUR | Credence SA<br>TEUR | Intact Software Distribution (Pty) Ltd<br>TEUR | Professional Technologies Ltd<br>TEUR | Credence UAE<br>TEUR | Cognosec UK<br>TEUR | Credence Security Ltd<br>TEUR |
|---|---|---|---|---|---|---|---|
| Result | -354 | -112 | 0 | -2 | -331 | -507 | 34 |
| Equity -DCF | 16 580 | 368 | 21 | 264 | 14 513 | 1 703 | 982 |
| Proportion of shares | 74% | 100% | 100% | 100% | 100% | 100% | 100% |
| Booked value | 1 248 | 29 | 275 | 309 | 205 | 1 705 | 235 |
| Carrying amount of equity 2020 | 16 580 | 368 | 21 | 264 | 14 513 | 1 703 | 982 |

***Notes to the financial statements** (continued)*

## 15 *Discontinued Operations*

At the end of 2018, management decided to discontinue its operations in Austria and Germany and restructured its activities in line with the Group's strategy to focus and develop its advisory & MSSP business in other regions within Cyber1 business environments. Consequently, assets and liabilities allocable to GmbH Austria and Germany were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of these subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item in the statement of profit or loss.

Operating profit of GmbH Austria and Germany until the date of disposal and the profit or loss from re-measurement of assets and liabilities classified as disposal are summarised as follows

**The discontinued operations impacted the income statement as follows:**

| | 2020 | 2019 |
|---|---|---|
| | TEUR | TEUR |
| Revenue | - | 250,2 |
| Cost of sales | - | -46,6 |
| **Gross profit** | **-** | **203,6** |
| Costs | - | -402,5 |
| **Earnings before interest and tax (EBIT)** | **-** | **-198,9** |
| Financials | - | 111,0 |
| **Earnings before tax (EBT)** | **-** | **-87,9** |
| Tax on net loss for the period | - | -0,4 |
| **Net loss for the period** | **-** | **-88,3** |
| Write-down to fair value less cost to sell | - | -321,2 |
| **Net loss of discontinued operations** | **-** | **-409,5** |

| | | |
|---|---|---|
| Earnings from discontinued operations in EUR per share outstanding (EPS) | - | -0.0017 |
| Diluted earnings from discontinued operations in EUR per share outstanding (EPS-D) | - | -0.0017 |

### Divestment of subsidiaries

On April 16, 2020, Cyber 1 announced that Itway S.P.A reassumed ownership of the subsidiaries Itway Turkey and Itway Greece. As part of the transaction, the parties agreed that Cyber1 paid a total of MEUR 2.6m in cash and delivered a total of 16, 666, 666 Cyber1 shares at TEUR 0.48 per share to Itway S.p.A; pursuant to the agreements underpinning the transaction. Despite having delivered on certain aspects Cyber1 was following a protracted, and in the end unfortunately unsuccessful negotiation with Itway S.p.A, ultimately not able to honour certain post-completion conditions of the transaction. Itway S.p.A have therefore, in accordance with the terms of the agreements, notified the Company of their immediate exercise of the option to reacquire the assets. See Note 26 for further details,

2020 and 2019 the Itway Turkey and Itway Greece are included in continuing operations.

***Notes to the financial statements*** *(continued)*

## 16 *Inventories*

Inventories are valued in accordance with the 'first in, first out' principle and at the lower of cost and net realizable value. Internal profits arising from deliveries between Group companies are eliminated upon consolidation.

INVENTORIES

| | Group | |
|---|---|---|
| **TEUR** | **December 31, 2020** | **December 31, 2019** |
| Consignment & Components | 452,0 | 224,5 |
| Work in progress | - | - |
| Finished goods | - | - |
| **Total** | **452,0** | **224,5** |

Impairment of inventories during the year amounted to Nil (2019: Nil). In the income statement this is reported as cost of products sold

There were no impairments in 2020 and 2019.

## 17 *Trade and other receivables*

| | **Group** | Group | **Parent** | Parent |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **TEUR** | TEUR | **TEUR** | TEUR |
| Trade debtors | **15 141,0** | 27 107,7 | **2 905,9** | **1 633,3** |
| Pre-payment of supplier invoices | **-** | - | **-** | **-** |
| Prepaid rent | **-** | - | **-** | **-** |
| Tax receivable | **134,5** | 292,3 | **-** | **-** |
| Amounts owed by Group Undertakings | **-** | - | **4 475,7** | **4 177,0** |
| Other receivables | **-** | - | **-** | **-** |
| Less provision for impairment of trade receivables | **-** | (156,7) | **-** | **(156,7)** |
| **Net Total** | **15 275,5** | 27 243,3 | **6 405,4** | **5 653,6** |

**Movements on the group provision for impairment of trade receivables are as follows:**

Trade receivable provision

| | 2020 | 2019 |
|---|---|---|
| **Carrying value at beginning of year** | **-** | **-** |
| Allowances for losses during year | **-** | 156,7 |
| Recovery | **-** | - |
| Write down | **-** | - |
| **Carrying value at end of year** | **-** | 156,7 |

As of December 2020, trade receivables of 12 767,9 TEUR (2019: 27 107,7 TEUR) were past due and Nil (2019: 156,7 TEUR) were impaired. The aging of trade receivables is as follows:

***Notes to the financial statements*** *(continued)*

***Note 17 Trade and other receivables****(continued)*

| **Ageing of trade receivables** | **2020** | **2019** |
|---|---|---|
| Current | **3 945,1** | 14 420,2 |
| Overdue< 31 days | **1 033,5** | 2 887,9 |
| Overdue 31-90 days | **1 210,5** | 9 642,9 |
| Overdue > 90 days | **8 951,9** | 156,7 |
| | **15 141,0** | 27 107,7 |

The remaining trade and other receivables do not contain impaired assets as these are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

Trade receivables are generally held in domestic currencies, which have an insignificant impact on the foreign currency risk. The provision for account receivables mainly pertains to doubtful customer account receivables that have the potential risk for not being collected. The credit risks of the Group's trade receivables are deemed to be low. For more information see Note 20 Financial instruments and financial risks.

## 18 *Liabilities and other provisions*

### *Current liabilities*

| | **Group 2020 TEUR** | **Group 2019 TEUR** | **Parent 2020 TEUR** | Parent 2019 TEUR |
|---|---|---|---|---|
| Trade creditors | **16 576,3** | 21 896,0 | **6 670,3** | 3 252,5 |
| Current tax liabilities | **853,9** | 2 043,2 | **-** | - |
| Other liabilities | **4 180,9** | 3 856,1 | **31,9** | 2 350,4 |
| Interest bearing liabilities | **-** | 422,6 | **-** | - |
| Lease liabilities | **281,4** | 356,6 | **-** | - |
| Amounts due to Group Undertakings | **-** | - | **2 282,2** | 2 345,6 |
| | **21 892,5** | 28 574,5 | **8 984,4** | 7 948,6 |

Current liabilities are stated at book value which is fair value.

### *Other non-current liabilities*

Other non-current liabilities as at 31 December 2020 consist of interest bearing and lease liabilities

| | **Group 2020 TEUR** | **Group 2019 TEUR** | **Parent 2020 TEUR** | Parent 2019 TEUR |
|---|---|---|---|---|
| Interest bearing liabilities | **-** | 211,3 | **-** | - |
| Lease liabilities | **-** | 178,3 | **-** | - |
| | **-** | 389,6 | **-** | - |

***Notes to the financial statements****(continued)*

## 19 *Non-Controlling interest*

The following is summarised financial information for Dynamic Recovery Solutions (Pty) Ltd, prepared in accordance with IFRS. The information is before inter-company eliminations. Cyber1 owns 74% of the Share capital and voting rights in its South African subsidiary Dynamic Recovery Solutions (Pty) Ltd. The Non-controlling interest in Dynamic Recovery Services (Pty) Ltd is 26% and is owned by the EMM Share Trust. The trust is entitled to receive its proportionate Share of any dividend distribution. No dividend payments made in 2019 and 2018 to the Non-controlling interest related to Cyber1's acquisition of Dynamic Recovery Solutions (Pty) Ltd.

The non-controlling interest held by the EMM Share trust ensures that Dynamic Recovery Services (Pty) Ltd complies with the South African Broad-Based Black Economic Empowerment Act (52/2003).

| | **2020** | **2019** |
|---|---|---|
| | **TEUR** | TEUR |
| Revenue | 18 482,6 | 22 095,3 |
| Profit | (324,0) | 167,3 |
| **Profit attributable to NCI** | **(84,2)** | **43,5** |
| Other Comprehensive Income | - | - |
| Total comprehensive income | (324,0) | 167,3 |
| **Total comprehensive income attributable to NCI** | **(84,2)** | **43,5** |
| Current Assets | 3 378,3 | 7 758,7 |
| Non-current assets | 261,2 | 250,3 |
| Current liabilities | (3 282,5) | (6 793,2) |
| Non-current liabilities | - | - |
| **Net Assets** | **(357,0)** | **1 215,9** |
| **Net Assets attributable to NCI** | **(112,5)** | **240,2** |
| **Dividends paid to NCI during the year** | **Nil** | **Nil** |

## 20 *Financial instruments and financial risk management*

**Financial Risk Management in the Cyber1 Group**

Due to its activities, the Group is exposed to various financial risks, including changes in foreign currency, interest, liquidity and credit risks. The Group manages the risks centrally and follows the policies approved by the Board of Directors. The Group does not actively engage in speculation of financial risks.

During the spring of 2020, the financial impact of the Covid-19 Corona virus was apparent within a number of businesses. As regards our business, there has been marginal effect to date and we also have a sound order book, though it is difficult to assess the long-term effect as we are only in the initial phases of this situation.

**Credit risks**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities which mainly relate to contract work in progress, trade receivables and other receivables, and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Maximum exposure corresponds to the carrying amount. For sale of products an advance payment is received from the customer.

***Notes to the financial statements*** *(continued)*

***Note 20 Financial instruments and financial risk management (****continued)*

Until 1 January 2018, impairment was performed to cover losses, this was done based on an assessment of whether an objective indication had been made for the individual amount receivable or whether a portfolio had decreased in value. Objective indicators were based on historical experience on losses.

On 1 January 2018, the group implemented IFRS 9 which allows for an assessment of impairment needs regarding impairment of financial assets measured at amortized cost, including trade receivables and contract work, according to the simplified expected credit loss model. The model entails that the expected loss over the asset's useful life is recognised immediately in the income statement and monitored on an ongoing basis according to the group's risk management until realization. Impairment is computed based on expected loss rates which are stated individually, distributed by geographical location. Loss rates are computed on the basis of historical data. This data is based on expected loss over the total maturity of the amount receivable, corrected for estimates of the effect of expected changes in relevant parameters, for instance financial development, political risks etc. on the market in question.

The Group assesses the risks of losses on an ongoing basis and, if necessary, write-downs are made according to the Group's policies. Excess cash is placed with banks with ratings A or above. As of today, a material part of the Group's sales and revenue is generated from customers. There is a risk that customers do not place orders or otherwise fulfil their respective undertakings due to e.g. lack of financial resources or other circumstances beyond the Company's control. Should the Group lose business from all or some of its top customers it may have an adverse impact on the Group's business, financial position and profits in the future. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by letters of credit or other forms of credit insurance.

The Group's customers are both public and private enterprises. Total trade receivables amount to TEUR 15 141,0 (2019: TEUR 26 951,0) as at 31 December 2020.

An impairment analysis is performed at each reporting date. The management assesses credit risk in relation to the individual customer, taking into account whether they are public customers who are deemed to have a lower credit risk than industry customers. Except from the increased risks mentioned in note 3, the Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions. The Group's activities take place in the global market and management does not distinguish between customers' geographical affiliations in the credit risk assessment. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17.

**Foreign exchange risks**

The Group's sales, cost of goods sold, and expenses are mainly incurred in ZAR, AED, KES and GBP. The Group has transactions in other currencies, but exposure in those currencies is not significant. There is no foreign currency hedging regarding transactions in foreign currency.

- A change in foreign exchange rates of +/- 18% in the subsidiaries in ZAR will have an effect on result and equity before tax on TEUR 55,0.
- A change in foreign exchange rates of +/- 4% in the subsidiaries in AED will have an effect on result and equity before tax on TEUR 12,1.
- A change in foreign exchange rates of +/- 1% in the subsidiaries in GBP will have an effect on result and equity before tax on TEUR 4,9.

**Interest rate risk**

The Group's loans are carried at variable interest rates. A change in the interest level will have limited effect on the result or equity.

• A change in the interest of +/- 1% will have an effect in 2020 on result and equity before tax on TEUR 19,6.

***Notes to the financial statements** (continued)*

***Note 20 Financial instruments and financial risk management** (continued)*

**Liquidity risk**

Funding and adequate liquidity are fundamental factors in driving an expanding business, and management of both is an integrated part of the Group's continuous budget and forecasting process. To ensure focus on managing the risks related to funding and liquidity, the Group manages and monitors funding and liquidity and ensures the availability of required liquidity through cash management and borrowing facilities.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has sound payment capacity which reduces the liquidity risk. Payment capacity, i.e. cash from the capital increases and cash equivalents as well as unused credit facilities as at 31 December 2020 was TEUR (733,1) (TEUR 2437,5 in 2020).

The Group's other financing consists of an offset funding loan from potential shareholders. The loan bears a floating rate, 3.0% and 3.3% p.a. as at 31 December 2020. The loan can be redeemed by the Group at par value at any time and is subject to change of control and transfer of assets clauses.

**Group**

| | 0-1-year TEUR | 1-5 years TEUR | Total TEUR | Carrying amount TEUR |
|---|---|---|---|---|
| **31 December 2020** | | | | |
| Borrowings from credit institutions | - | - | - | - |
| Other loans | 1 956,3 | - | 1 956,3 | 1 956,3 |
| Trade and other payables | 16 576,3 | - | 16 576,3 | 16 576,3 |
| | **18 532,6** | **-** | **18 532,6** | **18 529,9** |
| **31 December 2019** | | | | |
| Borrowings from credit institutions | 635,1 | - | 635,1 | 638,2 |
| Other loans | 2 148,5 | 603,5 | 2 752,0 | 2 765,8 |
| Trade and other payables | 21 896,0 | - | 21 896,0 | 21 896,0 |
| | **24 679,6** | **603,5** | **25 283,1** | **25 300,0** |

Fair value of the Offset loan is determined to be equal to it carrying amount (level 3 in the fair value hierarchy). Fair value of short-term liabilities is determined to equal their carrying amount.

The analysis is based on all undiscounted cash flows, including estimated interest payments and expected instalments on loans. The estimates on interest are based on current market conditions.

The payment obligations are expected to be settled through cash inflows from operating activities and through proceeds from capital injections.

***Notes to the financial statements** (continued)*

***Note 20 Financial instruments and financial risk management** (continued)*

**Classification of financial assets and liabilities**

| | Financial instruments carried at fair value through profit or loss held for trading TEUR | Loans and receivables TEUR | financial liabilities TEUR | Total TEUR | Carrying amount TEUR | Fair Value Level 1 TEUR |
|---|---|---|---|---|---|---|
| **31 December 2020** | | | | | | |
| ASSETS | | | | | | |
| Trade and other receivables | - | 15 572,5 | - | 15 572,5 | 15 572,5 | 15 572,5 |
| Marketable securities | - | - | - | - | - | - |
| Cash and cash equivalents | - | -733,1 | - | -733,1 | -733,1 | -733,1 |
| **Total assets** | **-** | **14 839,4** | **-** | **14 839,4** | **14 839,4** | **14 839,4** |
| LIABILITIES | | | | | | |
| Credit institutions | - | - | - | - | - | - |
| Other loans | - | - | 1 956,3 | 1 956,3 | 1 956,3 | 1 956,3 |
| Trade payables | - | - | 16 576,3 | 16 576,3 | 16 576,3 | 16 576,3 |
| Other payables | - | - | 1 135,4 | 1 135,4 | 1 135,4 | 1 135,4 |
| Prepayments | - | - | 2 224,6 | 2 224,6 | 2 224,6 | 2 224,6 |
| **Total liabilities** | **-** | **-** | **21 892,6** | **21 892,6** | **21 892,6** | **21 892,6** |
| **31 December 2019** | | | | | | |
| ASSETS | | | | | | |
| Trade and other receivables | - | 26 951,0 | - | 26 951,0 | 26 951,0 | 26 951,0 |
| Marketable securities | - | - | - | - | - | - |
| Cash and cash equivalents | - | 2 437,6 | - | 2 437,6 | 2 437,6 | 2 437,6 |
| **Total assets** | **-** | **29 388,6** | **-** | **29 388,6** | **29 388,6** | **29 388,6** |
| LIABILITIES | | | | | | |
| Credit institutions | - | - | 635,1 | 635,1 | 635,1 | 635,1 |
| Other loans | - | - | 2 752,0 | 2 752,0 | 2 752,0 | 2 752,0 |
| Trade payables | - | - | 21 896,0 | 21 896,0 | 21 896,0 | 21 896,0 |
| Other payables | - | - | 2 578,9 | 2 578,9 | 2 578,9 | 2 578,9 |
| Prepayments | - | - | 1 086,0 | 1 086,0 | 1 086,0 | 1 086,0 |
| **Total liabilities** | **-** | **-** | **28 947,0** | **28 947,0** | **28 947,0** | **28 947,0** |

Fair value of credit institutions and other loans are deemed to be equal to the total carrying amount, as these items based on market rate.

***Notes to the financial statements** (continued)*

***Note 20 Financial instruments and financial risk management** (continued)*

**Classification of financial assets and liabilities** *(continued*

The fair values of financial instruments which are not traded in an active market are determined with the help of valuation techniques. Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument belongs to Level 2.

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3.

The above table shows financial instruments carried at fair value based on their classification in the fair value hierarchy. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly in the form of quoted prices or indirectly, i.e. derived from quoted prices (Level 2)
- Inputs for the asset or liability which are not based on observable market data (non-observable inputs) (Level 3).

In 2020, no transfers between levels were made.

## 21 *Share capital*

Per 31 December 2020 Cyber1 registered Share capital consisted of 348,9 million shares (2018: 295,5 million) and amounted to 913 TSEK (2019: 834 TSEK). Cyber1 shares are denominated in Euros.

To facilitate an analysis of changes in the number of issued Shares and the Share capital for both 2020 and 2019; Share capital, as presented in the Primary Financial Statements are presented at the exchange rate per 31 December 2020, which was 10.62 SEK per EUR (2019: 10.82). As at 31 December 2020 the par value of each Share is 0.0003 SEK (2019 0.0026) or 0.00002617 EUR (2019: 0.00002618). Each Share has one vote.

The Share capital detailed in the annual accounts is the Share capital which was registered on the 31 December 2020 and 2019 respectively.

| | | Change in issued number of Shares | Issued number of Shares | Par Value SEK |
|---|---|---|---|---|
| **Shares issued at** | **1 January 2015** | **-** | **250000** | **1** |
| Share Split 1 to 1000 | 23 April 2015 | 249750000 | 250000000 | 0.0010 |
| Offset Share Issue | 23 April 2015 | 362000000 | 612000000 | 0.0010 |
| Reverse Split 2 to 1 | 23 April 2015 | (306000000) | 306000000 | 0.0020 |
| Reverse Split 10 to 8 | 23 April 2015 | (61200000) | 244800000 | 0.0025 |
| Directed Share Issue | 7 December 2015 | 2800000 | 247600000 | 0.0025 |
| Initial Public Offering of Shares | 22 June 2016 | 9 579 500 | 257 179 500 | 0.0025 |
| **Shares issued at** | **31 December 2016** | **-** | **257 179 500** | **0.0025** |
| Shares issued at | 1 January 2017 | - | 257 179 500 | 0.0025 |
| **Shares issued at** | **31 December 2017** | **-** | **257 179 500** | **0.0025** |
| Directed Share Issue | 11 January 2018 | 1 474 000 | 258 653 500 | 0.0027 |
| Offset Share Issue | 09 March 2018 | 3 638 243 | 262 291 743 | 0.0027 |
| Directed Share Issue | 13 July 2018 | 16 666 666 | 278 958 400 | 0.0018 |
| Private Placement New Issues | 23 October 2018 | 13 277 097 | 292 235 506 | 0.0018 |
| Private Placement New Issues | 18 March 2019 | 3 250 976 | 295 486 482 | 0.0026 |
| **Shares issued at** | **31 December 2019** | **-** | **295 486 482** | **0.0026** |
| Offset Share Issue | 27 April 2020 | 38 769 247 | 334 225 729 | 0.0003 |
| Offset Share Issue | 27 April 2020 | 14 634 497 | 348 890 226 | 0.0003 |
| **Shares issued at** | **31 December 2020** | **-** | **348 890 226** | **0.0003** |

***Notes to the financial statements****(continued)*

## 22 *Earnings per Share*

| | **2020** | **2019** |
|---|---|---|
| Net result attributable to shareholders of the Parent (TEUR 000) | (13 875) | (1 536) |
| Weighted average number of ordinary shares in issue (Thousands) | 348 890 | 294 677 |
| **Basic earnings per share (TEUR per share)** | **(0.0398)** | **(0.0052)** |

**The group has no dilutive potential ordinary shares. Therefore, the diluted earnings per share is the same as the basic earnings per share**

Cyber1 paid no Dividends in 2020 or 2019.

## 23 *Equity*

**Objectives, policies and processes for managing capital**

The Board of Directors of Cyber Security 1 AB has concluded that in view of the good and stable prospects for the business the financial policy is that the Group will strive to maintain a net debt that does not exceed three times EBITA. Excess funds shall be returned to shareholders through dividends and share repurchases.

**Share Capital**

All shares are of the same class and carry the same voting rights. All shares are paid in full. All shares carry the same entitlement to the company’s assets and profit. There are no restrictions on the transferability of the shares according to the law or the Articles of Association

**Other Contribution Capital**

Other contributed capital pertains to equity contributed by the owners and includes share premium reserves.

In accordance with Chapter 4, Section 2, Paragraph 2 of the Swedish Annual Accounts Act, such funds are not available for distribution.

**Hedging Reserve**

The hedging reserve refers to accumulated gains and losses arising from changes in the fair value of cash flow hedges attributable to hedges of exchange rate fluctuations and interest rate risks. At the end of the year, there were no cash flow hedges recognised in other comprehensive income.

**Foreign Currency Translation Reserve**

The foreign currency translation reserve covers all exchange differences arising on translation of the financial statements of foreign operations that are presented in a currency other than that used for presentation of the consolidated financial statements. The Parent Company and the Group present their financial statements in EUR.

**Fair value reserve**

The fair value reserve included the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

***Notes to the financial statements****(continued)*

## 24 *Related party transactions*

The Group's related parties include associated companies and key management personnel with significant influence over the Group. Key management personnel with significant influence over the Group are Cyber1 Board of Directors and members of the Group Management Team. Related parties' transactions are conducted at an arms-length basis. For further information about the Group's transactions with associated companies see Note 14.

Information about remuneration to the Board of Directors and Group Management Team, see Note 6 Personnel.

Besides this and disregarding intergroup transactions that are eliminated in the consolidated financial statements of the Group, no other related parties' transactions have been conducted during the year. Transactions with related parties are based on established commercial terms for the industry and are entered into under normal commercial terms. Refer to Note 6 for information about salaries and other benefits, expenses and commitments in terms of pensions and similar benefits for the Board, the CEO and other senior executives.

The Group's subsidiaries in South Africa leasehold Office Premises that was formerly a related party, but transactions now take place on market terms. However, the premises were leased via a company that is controlled by the then former Group's CEO; cannot be deemed to be related parties.

Related parties also comprise subsidiaries in which Cyber1 Group has controlling influence.

**Major shareholders**

At 31st March 2021, the following substantial interest (1% or more) in the company's ordinary share capital (voting right) have been notified to the company.

| Shareholder | Percentage of issued ordinary share capital | Value |
|---|---|---|
| | % | SEK |
| DEUTSCHE BANK AG W8IMY | 27,9 | 97 332 336 |
| UBS SWITZERLAND AG, W8IMY | 17,94 | 62 595 329 |
| PERSHING, LLC, W9 | 14,3 | 49 879 836 |
| CREDIT SUISSE (SWITZERLAND)LTD | 8,63 | 30 126 604 |
| SIX SIS AG, W8IMY | 6,11 | 21 328 629 |
| BANK OF NEW YORK MELLON, CORPORATION W9 | 4,85 | 16 913 640 |
| MORGAN STANLEY & CO INTL PLC, W8IMY | 1,65 | 15 975 966 |
| CLEARSTREAM BANKING S.A., W8IMY | 1,43 | 5 755 778 |
| CACEIS BANK, NETHERLANDS BRANCH, W8IMY | 1,36 | 5 005 129 |
| MAGNUS STUART | 1.36 | 4 749 000 |

The company's substantial shareholders do not have different voting rights. Cyber1, so far as is known by the company, is not directly or indirectly owned or controlled by another corporation or by any individual. Cyber1 knows of no arrangements, the operation of which may at a subsequent date result in a change of control of the company.

## 25 *Events After the Balance -sheet date*

**Election Board**

On 26th November 2020 new board of Directors were elected; the following members were ….

- Johannes Bolsenbroek, Chairman
- Alan Goslar, Non-executive Board member
- Zeth Nystrom, Non-executive Board member
- Pekka Honkanen Non-executive Board member

and Robert Brown was appointed as (CEO) Chief Executive Office of Cyber Security 1 AB from the 12th October 2020. Peter Sedin was appointed as (CEO) Chief Executive Officer of Cyber Security 1 AB from the 1st June 2021.

***Notes to the financial statements****(continued)*

***Note 26 Events After the Balance -sheet date*** *(continued)*

**Reorganisation / reconstruction process**

On May 12, 2020 the Stockholm District Court (SDC) approved Cyber Security 1 AB ‘s application for corporate restructuring. This will permit Cyber1 board to evaluate various options available and restore confidence its investors, external stakeholders and internal operational stability.

The Corporate Reorganisation Proceedings (företagsrekonstruktion) will allow the company a period of up to 3 months (which may be extended) to agree a compromise with its creditors and a suitable payment plan of up to 12 months going forward.

Throughout the period of reorganisation, the Cyber1 Group listed status on the Nasdaq First North Growth Market exchange will not be affected and will continue to trade as normal (with some actions requiring the consent of the administrator where the position of existing creditors may be concerned) and such the process does not affect the day to day operations of Cyber1 or any of its subsidiaries.

In view of the Board of Directors the application for Corporate Reorganisation Proceedings (företagsrekonstruktion) is the best option, given the stable underlying business operations, to provide Cyber1 with the stable platform to encourage investment, to address the challenges identified above and to allow the management of the Group to implement Operation Atlas.

**Legal proceedings and disputes**

The Group recognises a liability when a legal obligation exists, and 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. Outstanding legal issues are reviewed on a continuous basis to determine the need to set aside provisions in the financial statements. During these reviews, all cases are taken into consideration using the Group’s internal legal competence and, when necessary, external legal counsel is also consulted. Insofar as the judgements concerning the factors considered do not correspond to the actual outcome, the financial statements may be affected.

**Taxes**

Changes in tax legislation in Sweden and other countries where Cyber Security 1 AB conducts business may change the amount of recognised tax liabilities and tax assets. Interpretations of current tax legislation may also affect the recognised tax liability/tax asset.

Judgments are made to determine both current and deferred tax liabilities/tax assets, particularly with respect to the value of deferred tax assets. Judgments are made as to whether the deferred tax assets will be utilised to offset future taxable income. The actual result may differ from these judgments, partly due to changes in business climate, changed tax legislation and the outcome of not yet completed examinations of tax returns by tax courts.

**COVID-19 Business Impact**

On March 11, 2020, the global outbreak of coronavirus was characterised as a pandemic by the World Health Organization (WHO). The COVID-19 pandemic has had an extraordinary impact on Cyber1’s business during 2020, but the extent and duration of the impact is not clear at this time.
Cyber1’s business is structurally well-suited for the COVID-19 pandemic. Over 60% of Cyber1’s revenue is from the public sector, and a majority of the remaining revenue is from large corporate customers. This customer base is likely to maintain cybercrime spending during the COVID-19 pandemic and any economic downturn which may result.

The impact of COVID-19 on business has been less clear. Growth in sales revenue of Cyber1’s advisory consulting services flattened in March, while growth in value-added distributing remained steady in all regions, but this was due to factors which predate the COVID-19 pandemic.

At the end of March, Cyber1 had a significantly higher order backlog for product deliveries in Q2 than it did at the same time last year. However, Cyber1 has limited visibility as to how COVID-19 may impact order intake and delivery of cybercrime solutions and services after the next 12 months.

## 26 *Appropriation of Current Year Loss for Cyber1*

The below funds and proposed treatment of them is to be decided at the company’s annual general meeting.

| | |
|---|---|
| Free Equity | 12 006 029 EUR |
| Current year Loss | (15 640 017) EUR |
| Share Issue | 1 185 370 EUR |
| **Total** | **(2 448 618) EUR** |

The board proposes that the available funds are carried forward.

**To be brought forward** **(2 448 618) EUR**

## 27 *Approval of Annual Report*

The Board of Directors and the CEO hereby affirm that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements have been prepared in accordance with international accounting standards as adopted by the European Parliament and Council Regulation (EC) No 1606/2002 of July 19, 2002 in respect of the application of international accounting standards.

The Annual Report and the consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Directors' Report for the Parent Company and the Group provides a true and fair overview of the operations, financial position and results of the Parent Company and the Group and describes material risks and uncertainties facing the Parent Company and the companies that are part of the Group.

The Group's income and financial statements will be submitted to the Annual General Meeting on 29th June 2020 for adoption.

***Signatures of the CEO, Board and the Groups' auditor***

08th June 2020

____________________
***Peter Sedin***
CEO

____________________
***Johannes Bolsenbroek***
Chairman

____________________
***Alan Goslar***
Board member

____________________
***Zeth Nystrom***
Board member

____________________
***Pekka Honkanen***
Board member

Our audit report opinion was issued on 8th June 2020.

RSM Stockholm AB

***Malin Lanneborn***
Authorised Public Accountant