



# GROWTH FOR GOOD

Annual Report 2021

**NetClean.**

# Contents

- 3. NetClean: Growth for Good
- 4. A Message from our CEO
- 7. Industry Deep dive
- 9. Our strategy and our roadmap to deliver
- 15. CTO's Statement
- 18. Inside our products
- 20. Our Sustainability Story
- 22. CMO's statement
- 24. The People Powering our Growth
- 26. Management Report
- 28. Annual Report
- 33. Notes

NetClean at a Glance

# NetClean: Growth for Good

We're a world-leading software company that creates technology products that protect businesses, enhance their resilience and reduce real-world harm to children.

Our product is our purpose. That means our growth, is good.

In a world where purpose is fashionable, it's been at the heart of our business from the beginning. But over the past two years, we've transformed NetClean. We're still driven by purpose but now we're built to scale too, with a product offering centred on security.

We've made brave decisions. We're driving each other to deliver on them. Our strategy, our products, our governance and our culture are now working in unison, helping us to achieve our goals and create impact that enables a brighter future for children.



A message from our CEO

# Unleashing our potential

## **Unleashing our power**

I look back on 2021 as the year we moved to unleash the full potential of NetClean. It was the year the working world changed for good, redefining our customers' needs and driving our business to evolve faster. Twelve months on, we're governed with greater clarity, we're going to market in a new way and our culture is aligned to our commercial ambitions. These are significant changes. They are the foundation for our growth.

## **Changing backdrop**

The global shift to hybrid working across multiple sectors has very specific implications for NetClean. Permanently elevated levels of corporate device distribution create a larger pool of people who may

access illegal material. Our first-of-its kind poll of security professionals found that a majority believed Covid had made the problem of online CSAM worse. The problem we exist to combat has grown.

Because of the unique link between NetClean's products and our purpose, we can enhance our impact by addressing market opportunity. That's why we've created a clear growth strategy and aligned our business behind it.

## **The leadership to drive growth**

We've strengthened and broadened our leadership team. We hired a talented Chief Marketing Officer with experience at the highest levels of global corporates. We brought in a Chief Technology Officer

to build out our engineering teams and roll out our pioneering products. And we've hired NetClean's first Chief Financial Officer, tasked with driving ambitious targets for the business and supporting smart investment.

## **Connecting into a tech ecosystem**

We rebuilt our go-to-market strategy on foundations designed to help us scale internationally and grow our voice in the developing corporate security tech ecosystem. The route to greatest impact for our products is through large global software partnerships, which is why we've grown our relationship with cloud giant VMWare, data analysis platform Splunk and distributor Arrow. A distributor agreement is helping us reach the right resellers and scale.



**We're governed with greater clarity, we're going to market in a new way and our culture is aligned to our commercial ambitions.**

We have built a 20% market share in Sweden, and we are ready to open ourselves up to further market opportunities. We believe that the fastest way to scale is through partnerships and channel sales. With this realigned approach, our growth curve will be exponential.

#### **Impact through culture**

A strong commercial strategy will create the opportunity for growth, but culture is what will deliver it. The reality is that change, at speed, can be challenging. And at times last year, we had to work hard to help our people visualize our new destination. I'm proud that by the end of the year, our Net Promoter Scores were as high as they'd ever been. Today, each of our people knows our strategy and knows the part they play in delivering it. Our people are remarkable. Passionate, smart, dedicated, respectful of our past, and excited about where we're going.

#### **Growth for good**

It's a privilege, truly, to be playing my part in a business which delivers the real-world impact we do at NetClean. Our mission from here is to grow our business, to grow our impact. This is growth for good.

Anna Borgström, CEO



Bravery, Drive & Impact

# NetClean's 2021 milestones

January	February	March	April	May	June	August	September	October	November	December
Integration into VMware WorkspaceONE finalized	Appointment of new CTO Emma Rosell	Appointment of new CMO Hanna Belleus	Integration into VMware Carbon Black	Rollout of our internal transformation plan begins  First PoC with VMware and End Customer  First contract with Arrow – VMware's largest European distributor	Completion of our refreshed corporate narrative  NetClean ISO 9001 Certification completed  Released iOS APP for NetClean ProTective	Rollout of our vision, mission and purpose with the NetClean team  EMEA agreement with Arrow finalized and signed	CEO Anna Borgstrom delivers keynote at VMware's Vmworld conference  Kick-off with Arrow to define way of working	New graphic profile that supports our messaging and scale up journey launched	Introduction to Splunk	Splunk Application development starts  First Splunk-NetClean POC customer identified  CFO recruitment starts

## Industry Deep dive

# The realities and the risks in corporate cyber security

The IT industry remains profoundly unprotected from the threats posed by Child sexual abuse material (CSAM).

The coronavirus pandemic will leave a CSAM legacy. Lockdowns and school closures drove a global increase in online child sexual abuse crime, as both adults and children spent more time at home and online.

At the same time, the pandemic impacted the capacity of law enforcement to investigate child sexual abuse crimes, creating a landscape where instances of these crimes are rising and convictions remain low.

In a first of its kind survey of IT professionals conducted by NetClean in 2021, we uncovered deep insights into the state of our industry. This research found that 64% of all organisations surveyed have experienced a case of CSAM over the last five years, with 57% experiencing repeat incidents.

Although knowledge of the problem is widespread – 87% of IT professionals that we spoke to are aware of the threat of CSAM and 82% have personally heard of other firms who have had to deal with CSAM that has been brought into their organisation – the IT industry continues to underestimate the proportion of devices that have CSAM on them.

We know that around 1 in every 500 computers contains CSAM. But 25% of IT professionals believe that this number is closer to 1 in 1000 computers, and 20% believe it is closer to 1 in 10,000 computers.

Despite high levels of awareness of the threats posed by CSAM, there remains a fundamental underestimation of the proportion of computers that are actually affected by CSAM. Amongst IT professionals, there is also a perception that the problem of CSAM is getting worse. They recognise the challenges that the coronavirus pandemic has brought, weakening the resilience and security of IT systems.

## Industry Deep dive

**64%** of all organisations surveyed have experienced a case of CSAM over the last five years

**57%** experiencing repeat incidents

Most people in the industry expect more cases of child sexual abuse material in the next year than the last and assessments of industry readiness are poor. Despite the fact that IT professionals believe their organisations take the threat of CSAM seriously, 54% still believe the companies they work for respond too late to threats.

This backdrop creates favourable conditions for NetClean. It means that IT professionals are actively considering purchasing specific forms of protection against CSAM and they understand the value of our products. 89% of the IT professionals surveyed by NetClean indicated they were considering protection against CSAM in some form.

There is already a recognition within the industry that incidents of CSAM in corporate environments pose a large risk for businesses and senior leaders.

**IT professionals are awake to the threat that CSAM poses for their firms and are willing to act. They are committed to using technologies that work to safeguard children and want to limit the threats posed by CSAM.**

What is crucial now is fulfilling these promises.

At NetClean we believe that it is time for the industry to deliver.



## Our Strategy

# Our strategy and our roadmap to deliver

### Protecting what matters

This year, we developed a unifying Mission and Vision to focus our efforts and resources and to guide us in every decision we make. These principles have helped shape our work, guiding the journey we're on to make NetClean products a natural part of the cyber security eco-system and a given solution for companies worldwide, utilized on all corporate IT devices.

### Our proposition to businesses

Our products reduce the risk to the IT security and brand reputation.

Our customers can demonstrate that they take clear action to improve society by reducing real world harm to children, using products whose impact is concrete and documented.

Our software combines innovative technology with quality data – and is continually updated through close cooperation with law enforcement agencies, ensuring secure and efficient products.

## Our Strategy

### Growth and business goals for good

All technology businesses want to scale. Everyone wants their product to be used by more people in more places. But for NetClean, scaling is a moral obligation. The more we grow, the faster we scale and the more lives we change.

Our growth and business goals for 2023 are to:

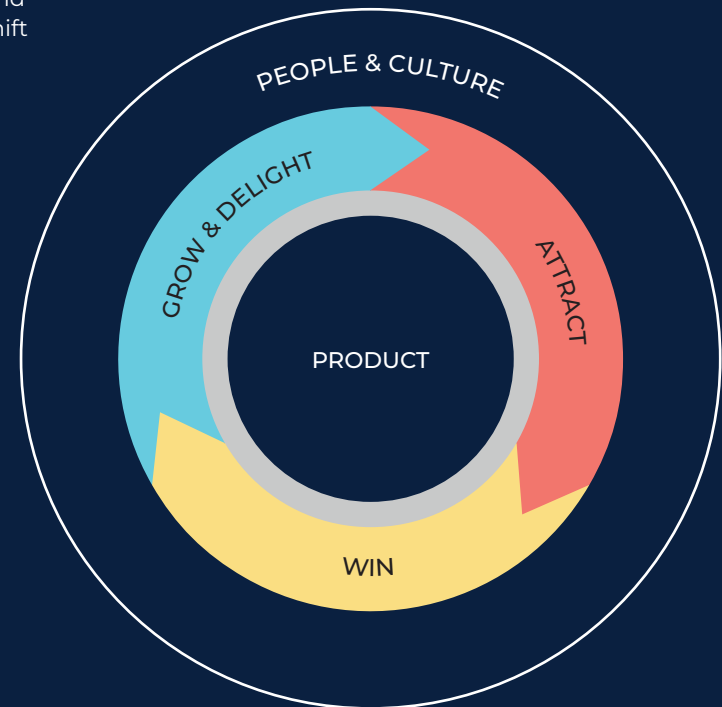
- Reach over 100 MSEK in annual recurring revenue (ARR)
- Be a natural part of the cyber security eco-system
- Scale through distributors and resellers globally
- Integrate our products into IT-platforms like VMware, Splunk and Microsoft.

### A strategy to maximize impact

In 2021, we established a new strategy for NetClean to capture our growth potential, focusing on growing our business and maximizing the impact our software products have around the world. We want to delight existing customers and grow our installed base through upsell and expansion.

The new strategy will result in reduced costs, a tighter focus on our core competencies, more efficient marketing, a wider customer reach and faster growth. Our growth strategy entails a shift in how we work, communicate and take our products to market.

### NetClean's main processes



## Our Strategy

### Potential to scale

In 2021, NetClean had 20 percent of the Swedish market. We see great potential to grow our business in Sweden, the Nordics, UK&I and expand into the US. Our target is to grow our annual recurring revenue (ARR) by 41 percent to 68 MSEK in 2022, up from 48 MSEK in 2021. With the new strategy, we will scale significantly faster by focusing on four areas:

### 01.

#### Market development

Expand to other markets

Grow on installed base

### 02.

#### Process improvement

Redefine our business processes

Identify our new customer journey

Ensure systems support and enable API integration to backend provisioning & invoicing systems

### 03.

#### Product development

Integrations with platform partners (Splunk, VMware and Microsoft)

Continued increased security focus

Invest in higher coverage

### 04.

#### Culture development

Redefine HR routines

Improve internal communication

Build a learning growth mindset

## Our Strategy

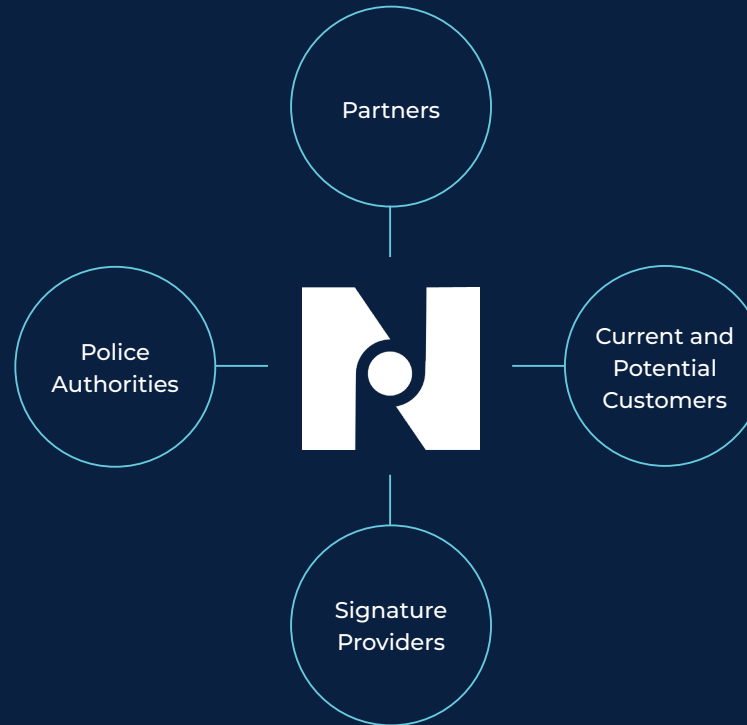
### Our stakeholder landscape

While we can make an impact together with all of our stakeholders, the following have been prioritized based on our product development initiatives.

1. Partners + potential customers
2. Existing customers
3. Signature providers
4. Police authorities

### Our way of working

NetClean's revenue and commercial model is a saas model with regular, ongoing payments over a defined time period, often three years in exchange for the use of the software products. To integrate NetCleans products into already existing security and management platforms and service offerings are key parts of our strategy and growth. We work with platform partners and resellers to find the integrations and offerings that create most customer value and use distribution to go to market. This way of working means reduced costs of sales, one agreement with distributors instead of many with resellers and local market knowledge and joint marketing activities. From here, our focus is on increasing the number of distributors and resellers in our target markets which is where our sales teams play an important role.



## Our Strategy

### New partnerships

Over the last few years, we have entered several important partnerships which have strengthened our offering and growth possibilities. In 2021, we took our partnership with VMware to the next level when we accelerated to Advanced Tier in the VMware Technology Alliance Partner programme. Our products are today integrated in VMware's Digital workspace eco-system with integrations to Workspace ONE and Carbon Black. The interoperability makes it easier than ever for businesses to deploy and manage NetCleans software products as well as the possibility to do easier and faster investigations when child sexual abuse material is detected in the IT-environment.

In 2021, we also signed a distribution agreement for the EMEA region with Arrow Electronics. This agreement provides Arrow's resellers access to NetClean's products ProActive and ProTective as standalone products or bundled with VMware platforms, which helps businesses discover and reduce the spread of child sexual abuse material.



**NetClean's solutions integrate seamlessly with VMware's Digital Workspace ecosystem and mean we can provide even greater business value to our joint customers. Working with NetClean to take an enhanced combined solution to market, we can satisfy a wider range of customer needs, helping them to build a brighter and more secure future for all.**

Ralf Gegg, Vice President End-User Computing,  
VMware Europe, Middle-East and Africa



## Our Strategy



Anna Borgström, CEO



Martin Ene, CFO



Hanna Belleus, CMO

### Enabling growth through our people

In 2021, we took several important steps to drive growth and to implement our growth strategy. We made three new recruitments to our management team; Hanna Belleus (CMO), Emma Rosell (CTO), and Martin Ene (CFO) who will join us later on this year.

With the new management team in place, we have the right foundation to continue to drive growth, pull the company in the same direction with “a company first approach” and promote a culture-driven business. All of NetClean’s employees are connected to the strategy, meaning they understand our goals and can identify where they fit in.

As we continue our growth journey, we need our team to expand to meet the needs of the business. That’s why in 2021 we increased our headcount by 26%. The growing strength and prominence of our brand nationally and internationally, will increasingly support attraction and retention of high-skilled talent.

### A continued mindset for growth

In 2022, we’re pushing to achieve our goals in line with our growth strategy, with a strong focus on market, product, process and culture development.



Richard Matti, CCO



Emma Rosell, CTO

We will:

- Expand to more markets and continue to demonstrate transparency with partners and strengthen our sales teams.
- Drive the execution of an always on digital marketing strategy which will allow us to be visible to resellers and end-customers.
- Adapt and develop our internal infrastructure, to allow API integration into back-end administrative to support our growth and to deliver a seamless customer buying experience

We look forward with confidence to rise to the challenge. With a renewed mindset for growth, we feel more prepared than ever to scale our business, protect IT environments against risk and achieve a greater impact.

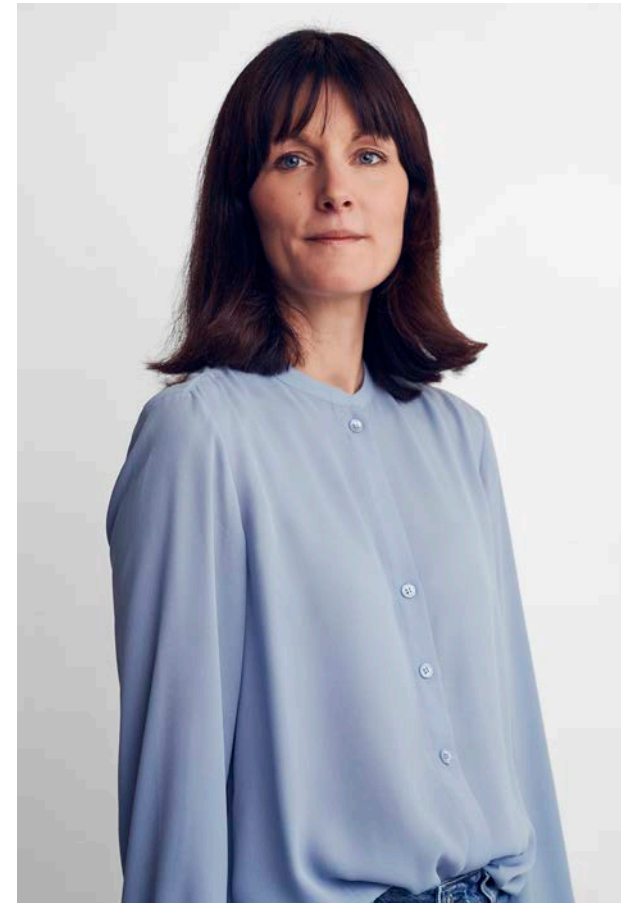
## CTO's Statement

# The tech to draw talent: A perspective from our CTO

A lot has happened since I joined NetClean 12 months ago. It's been a year of change and challenge, but I've learnt that these are exactly the conditions in which the NetClean development teams thrive.

Over the past year, we've pushed ourselves to adapt and tailor our products to meet our customer needs in an ever-changing landscape. In 2021, we established a totally new product vision and strategy, tightly aligned to our wider business goals.

**Our focus is clear: to bring the value and impact of NetClean's products to the broadest customer audience possible. To achieve this, we're adding our products to the broader cybersecurity ecosystem and integrating with our platform partners.**



Emma Rosell, CTO

## CTO's Statement



**NetClean is on a scale-up journey and we are bringing our strategy to life every day. As we look to the future, we see opportunities in broader and deeper partnerships as well as further iteration of our cloud-based detection capabilities.**

There are some powerful real-world examples of our new strategy in action:

- NetClean ProActive is now integrated with VMware's Carbon Black product
- NetClean ProTective is now integrated into VMware's Workspace One product and ProActive.
- As of Q2 2022, we're accelerating progress on Azure Marketplace, Splunk and Microsoft Integrations.

Our journey is happening at pace, and it will continue to advance through 2022.

### **Broadening our detection capabilities**

Our detection capabilities are a strength for NetClean and in 2021 we sought to broaden and

deepen them. We released an iOS app for NetClean ProTective, giving us for the first time coverage within Apple's critical iOS ecosystem.

At the same time, we're swiftly enhancing and developing our Cloud detection capabilities – a vital step in strengthening NetClean's foundations for the future.

### **A magnet for tech talent**

I'm proud to say NetClean's 2021 was marked by a surge in our talent attraction. At a time when the market for developers was especially tight, we managed to recruit in numbers, expanding from one team into two.

Throughout the recruitment cycle, we have heard that talent considers NetClean an attractive employer for the potential for team autonomy, our modern tech stack, our forward-thinking way of working, and, of course, our unique purpose.

NetClean is on a scale-up journey and we are bringing our strategy to life every day. As we look to the future, we see opportunities in broader and deeper partnerships as well as further iteration of our cloud-based detection capabilities.

These moves will serve to reinforce the completeness of the NetClean product suite as a solution for businesses looking to safeguard their own security and take on the scourge of child sexual abuse.



# Board of directors



Mattias Shamlo



Pelle Garå



Robert Kula



Joakim Colliander



Carl Kistenmacher

## Product Overview

# Inside our products

**NetClean ProActive finds images and videos that law enforcement have classified as child sexual abuse material. Designed to detect illegal content, rather than blocking entire URLs or specific file names like traditional filter solutions, ProActive uses advanced detection methods such as robust and binary hashing to protect devices in real time.**

Our products are what make NetClean a different kind of company. We create software products that protect businesses, enhance their resilience and reduce real world harm to children.

Built on experience and engineered for impact, NetClean ProActive and NetClean ProTective plug seamlessly into existing security setups and platforms to tackle the real-world problem of child sexual abuse.

Both products are invisibly effective. They operate discretely in the background, capturing only essential data. When incidents are detected, NetClean software deploys immediate alerts that

enable businesses to work in lockstep with law-enforcement. Importantly, our products only send data at the point an incident is detected, striking a balance between customers' security and individual privacy.

### **The NetClean product offering**

NetClean ProActive finds images and videos that law enforcement have classified as child sexual abuse material. Designed to detect illegal content, rather than blocking entire URLs or specific file names like traditional filter solutions, ProActive uses advanced detection methods such as robust and binary hashing to protect devices in real time.

NetClean ProTective offers an effective solution for blocking child sexual abuse materials on mobile devices. By blocking access to URLs known to contain CSAM using a uniquely combined and continually updated URL list, ProTective helps businesses stay ahead of the curve to tackle the issue of child sexual abuse.

These solutions are developed to protect business computers and mobile devices and are used in more than 110 countries by both multinational companies and public sector organisations.

The impact of NetClean products is further enhanced thanks to our legacy relationships with law enforcement professionals in the markets

# NETCLEAN PROACTIVE

# NETCLEAN PROTECTIVE

in which our customers operate. Our ways of working come from years of close collaboration, interdependence and mutual respect.

The effectiveness of our products is also enhanced thanks to our relationships and integrations with our partners. Security professionals can acquire our protection easily through established global partners and the more we grow, the more lives we can change.

Our products stand out because of their potential to enable real-world impact, limiting the spread of child sexual abuse material and creating a brighter future for children.

## Hear more from our customers yourself

**“NetClean offers a way for us to contribute to SDG 16.2. Taking action to stop child sexual abuse material from being accessed or distributed with the help of company assets is a concrete and very tangible way for us to act on the essence of this global goal.”**

Sara Nordbrand, Telia

**“Brand protection is incredibly important as CSAM crime damages businesses’ reputation immensely. In particular, banking employees are vulnerable to blackmail and so it’s important for banks to ensure that they do not have staff who engage in this criminal behavior.”**

Niklas Rydberg, Nordea

**”This is why leadership from the very top level of an organization is so important. If more take steps, not just business leaders but also governments and other institutions, to implement solutions in their own IT environments, we can further reduce the sphere of operability for criminals.”**

Mats Granryd, GSMA

# Our Sustainability Story

At NetClean, social impact is fundamental to what we do. Our products have a positive impact on society and we're working to make sure our operations can have an equally positive impact on our planet.

To get there we're committed to continuously improving our environmental standards, to ensure that environmental impact is an integral marker for the decisions that we make as an organisation.

As well as complying with the highest standards of environmental legislation and regulation in the markets in which we operate, we're working with partner organizations and environmental authorities to improve our environmental performance wherever possible. Through the discussions that we have as a business, we're confident that we can encourage progress on our environmental targets.

NetClean has identified the following areas as those crucial to ensuring that we continue to develop our sustainable credentials:



**Our products have a positive impact on society and we're working to make sure our operations can have an equally positive impact on our planet.**



## Procurement

NetClean's procurement process ensures that environmental considerations are front of mind when purchasing on behalf of the company. In the case of regular and significant purchases, we consider the environmental impact both through supplier selection and consideration of the environmental impact of individual products and services.



## Energy

We're working to reduce our energy consumption and ensure that the energy that we do consume comes from environmentally friendly sources. The energy that we use in the form of heat, hot water and electricity is the main source of indirect CO2 emissions produced by our businesses and we're working to reduce these emissions by choosing greener energy providers. The building we work from is one of the greenest in Gothenburg, with sustainable targets set for energy efficiency and material selection to further minimise environmental impact.



## Recycling

Wherever possible, we strive to reduce the amount of waste that NetClean generates, ensuring it is disposed of in an environmentally sound manner.



## Travel

Our employee travel policy encourages environmentally friendly means of travel. We encourage employees to make use of video conferencing over travel abroad wherever possible, promote travel by train instead of air, and encourage employees to choose vehicles that have a lower environmental impact.

## CMO's statement

# Growth through Culture: Our CMO on the NetClean spirit

"NetClean isn't like any other business" is something you hear a lot in our offices. It's true. The unity of purpose and product is what makes us different, and we're proud of it. We're sales-focused, but always culture-driven. We're the kind of business where we work hard and in December the CEO hand-delivers a Christmas gift to every employee at their home.

For a business of our size, growth can kill culture. So this year it was a priority of our management to protect and enhance what our people love about the business. We did so the same way we would when designing products: we listened to what people wanted, we gathered data and we made sure we delivered a solution that worked for everyone.

This approach is what makes our culture at NetClean something that we're all responsible for.

### **Listening hard through change**

In 2021, we engaged in an extensive listening exercise inside the business. What defines what's great about NetClean? Where can we be better? People were honest, and tough. We found that our culture was defined by compassion and an urgency to make an impact. We found that we could be



Hanna Belleus, CMO

better around execution speed and at bringing our teams together to suit new ways of working. We found that a lack of cross-functional collaboration could be holding us back.

#### **Data-enabled culture**

We've continued to gather data around culture. As we see it, the principles of product engineering apply to cultural engineering too. Data from our regular listening sessions and pulse surveys are now what we use as our barometer of success, helping us iterate and respond to even subtle changes in employee sentiment. We saw sentiment dip in the first quarter of 2021 and realised we needed to communicate change better. We did, and sentiment scores went back up.

#### **Hiring for challenge**

When we've made hires this year we've been mindful of culture – how will a new voice contribute, and how will they challenge us to be different? We've aimed to hire in gender-blind fashion, to increase the breadth of our cultural influences and to bring in a range of age-groups to the business. We've worked hard to identify training needs and arm our people with the right combination of hard and soft skills.

#### **Be brave, bring drive, create impact**

No-one is quite the same as they were before the pandemic. NetClean's not an exception. Our business has more ambition, our people are working differently and we're more rigorous about our

execution. But NetClean is still a sociable place, where both online and offline people come together to connect, to support each other and to laugh. This year we distilled our approach into a six-word mantra: Be brave, bring drive, create impact.

Today we like to think we have the feel of a family with the drive of a scale-up. We're prouder than ever of the NetClean culture.

# The People Powering our Growth

At NetClean, our values are a key driver of the work that we do. This mentality extends to our own culture. We want to make NetClean a place of kindness and compassion, where people feel encouraged to do their best work with our mission to create a brighter future for children front of mind.

This resonates with our people. They feel inspired by the opportunity to make a real-world impact that a career at NetClean offers and encouraged by our determination to be brave and bring drive.

NetClean was founded with purpose, and we are growing with purpose. It's built into what we do.

We know that the more customer problems we can solve, the bigger difference we can make.

At NetClean we're also committed to fostering an inclusive and positive environment for our people and society.

We're working with recruiters to improve the diversity within our team, with a focus on improving diversity of thought. Right now, our management team is made up of 60% women, but our intention is to hire more neurodiverse talent, as well as employees from different nationalities and ages.



**“Every person wants to make a difference. Most of the time it doesn't feel like I'm going to work. I'm going to place where people understand who I am and want to collaborate together to help create a better world.”**

Kristofer Linnestjerna,  
Senior Software Developer, NetClean





**NetClean's solutions are extremely powerful and with their deep integration into VMware's Digital Workspace ecosystem, they help to ensure that customers adopting the two technologies together achieve radically improved levels of business resilience with a direct and positive impact on the lives of children. Closer integration of the two solutions mean that we can offer real incremental benefits to our joint customers, enriching the capabilities and applicability of both solution portfolios and the wider VMware Digital Workspace ecosystem.**

Ralf Gegg, Vice President End-User Computing,  
VMware Europe, Middle-East and Africa



# Management report

The Board of Directors and Chief Executive Officer of NetClean Technologies AB (NetClean), corporate registration number 559016-9040, hereby submit the Annual Report for the 2021 financial year (the company's seventh financial year).

## GENERAL ACTIVITIES

NetClean develops world-leading software designed to proactively protect businesses and organizations against child sexual abuse material being shared within their IT environment. NetClean's software is installed on over one million company computers in Sweden alone.

## ORGANIZATION

At the start of the financial year NetClean had 29 employees, representing a 26 percent year-on-year increase. The company will continue to add more staff in 2022. It also works with external partners and consultants. The Board of Directors consists of five

members. The Board of Directors met four times during the year. Through October, monitoring and management activities were conducted within the framework of the parent company's management setup.

## OTHER INFORMATION ABOUT THE COMPANY

The company has no subsidiaries. Its registered office is in Gothenburg and business activities are currently conducted from premises leased from the parent company. The company's head office is at Första Långgatan 30 in Gothenburg (see [www.netclean.com](http://www.netclean.com)). A new, independent lease has been signed, with occupancy in July 2022.

## OWNERSHIP AND OPTIONS

The company had 18 shareholders as of December 31, 2021. NetClean Technologies AB is a 90.8 percent-owned subsidiary of Safer Society Group Sweden AB (corporate registration no. 556648-9992), which

prepares the consolidated accounts. The company is a private limited company and does not have any outstanding options.

## MATERIAL EVENTS DURING AND AFTER THE FINANCIAL YEAR

### Review of the past year

The coronavirus pandemic continued throughout early 2021. A remote working arrangement was established and dialogue with customers and partners was done digitally. Work began early in the year on a new strategy and new company positioning, which were launched in May. A new management team was formed during the spring in conjunction with complementary recruitments, focused on driving growth. Embedding the new strategy involved a change in the way the products are built and introduced to the market. New KPIs and cross-functional work methods were implemented in the organization.

A European distribution agreement was signed in August with a major software distributor, and work to transition to partner and channel sales was stepped up. With the new sales strategy, NetClean's products are brought to market by distributors and retailers. The partner model was developed during the fall, and Nordic retailers were identified in collaboration with software distributor Arrow and others.

A new product launched during the year, ProTective, protects employers' mobile phones and tablets from child sexual abuse material. Product development during 2021 focused on integrating the products with VMware, Splunk and other platforms. NetClean strengthened its efforts to become a natural part of the cybersecurity ecosystem.

To support the growth journey, a new brand platform and new graphic profile were developed along with a new narrative. The marketing department changed

over to a digital, interactive working method focused on supporting increased sales.

A tool for measuring employee commitment and well-being was implemented and worked with actively during the second half of the year, to ensure employee participation and dedication during the intensive growth journey and ongoing transition.

The company came through the year strongly thanks to its well-established business model, the drive of its employees, and its loyal customers. The company maintained a low churn rate and a high Net Promoter Score during the year.

#### **Outlook for 2022**

The company signed a new lease this spring and will be vacating the parent company's premises during the summer and moving to new, independent premises at Hälsingegatan 10, Gothenburg.

NetClean's new strategy and positioning in IT security is well-timed, particularly in light of companies' increased investments in the area. According to the "NetClean Insights Report 2021", the global corporate IT environment is unprotected against the risk presented by sexual abuse material and is prepared to invest in products to increase their resilience and protect their environment.

Operating in an environment that continues to develop rapidly in areas such as technology, internet expansion and remote working, alongside an increased threat for companies, NetClean's new sales and distribution strategy and strong team position the company well for robust growth.

# Annual Report 2021

## FINANCIAL OVERVIEW

	2021	2020	2019	2018	2017	2016
Net sales	47,135,688	44,269,396	0	0	0	0
Profit after financial items	12,319,042	11,365,183	0	0	0	0
Equity	11,415,642	14,983,287	50,000	50,000	50,000	50,000
Total assets	77,453,273	76,443,060	47,646,454	10,488,351	3,755,893	5,329,560

\*Key figures for 2016-2018 have not been recalculated.

## CHANGES IN EQUITY

	Share capital	Development expenditure fund	Profit/loss brought forward	Profit/loss for the year
Opening balance	50,000		14,933,333	-46
New share issue	100,000			
Dividends to shareholders			-13,440,000	
Development expenditure fund		9,329,060	-9,329,060	
Allocation as decided at this year's annual general meeting				-46
Profit for the year				9,772,355
<b>CLOSING BALANCE</b>	<b>150,000</b>	<b>9,329,060</b>	<b>-7,835,773</b>	<b>9,772,355</b>

## ALLOCATION OF UNAPPROPRIATED EARNING FOR THE YEAR

The following unappropriated earnings are available for allocation at the annual meeting:

Profit/loss brought forward	-7,835,773
Profit for the year	9,772,355
	<b>1,936,582</b>

The Board of Directors proposes that the unappropriated earnings be allocated as follows:

Dividend to shareholders	-1,900,000
To be carried forward	<b>36,582</b>

For details about the company's results and financial position in general, the following income statement, balance sheet, cash flow statement and supplemental disclosures may be referenced. All amounts are in Swedish kronor (SEK) unless stated otherwise.

**INCOME STATEMENT**

	NOTE	01-01-2021 -12-31-2021	01-01-2020 -12-31-2020
	1		
<b>OPERATING INCOME</b>			
Net sales		47,135,688	44,269,396
Capitalized work on own account		11,661,325	0
Other operating income		13,298	0
<b>TOTAL OPERATING INCOME</b>		<b>58,810,311</b>	<b>44,269,396</b>
<b>OPERATING EXPENSES</b>			
Other external costs	2	-16,938,974	-24,998,686
Personnel costs	3	-23,954,104	-6,764,200
Depreciation and amortization of tangible and intangible fixed assets	4, 5	-5,532,265	-1,066,667
Other operating expenses		-1,087	-13,392
<b>TOTAL OPERATING EXPENSES</b>		<b>-46,426,430</b>	<b>-32,842,945</b>
<b>OPERATING PROFIT/LOSS</b>		<b>12,383,881</b>	<b>11,426,451</b>
<b>FINANCIAL ITEMS</b>			
Interest expense and similar profit/loss items		-64,839	-61,268
<b>TOTAL FINANCIAL ITEMS</b>		<b>-64,839</b>	<b>-61,268</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>		<b>12,319,042</b>	<b>11,365,183</b>
<b>YEAR-END APPROPRIATIONS</b>			
Group contributions made		0	-10,884,833
<b>EARNINGS BEFORE TAX (EBT)</b>		<b>12,319,042</b>	<b>480,350</b>
<b>TAX</b>			
Deferred tax		-2,546,687	-480,396
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>9,772,355</b>	<b>-46</b>

**BALANCE SHEET**

	NOTE	12-31-2021	12-31-2020
	1		
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<i>Intangible assets</i>			
Capitalized expenses for development work and similar work	4	9,329,060	0
Concessions, patents, licenses, trademarks, and similar rights	5	11,733,333	14,933,333
Financial assets			
Deferred tax receivable	6	7,142,469	9,689,156
<b>TOTAL FIXED ASSETS</b>		<b>28,204,862</b>	<b>24,622,489</b>
<b>CURRENT ASSETS</b>			
<i>Current receivables</i>			
Accounts receivable		18,153,631	12,849,606
Receivables from group companies		14,404,000	30,327,833
Current income tax receivables		42,305	0
Prepaid expenses and accrued income		1,478,094	1,800,006
<b>TOTAL CURRENT ASSETS</b>		<b>34,078,030</b>	<b>44,977,444</b>
<i>Cash and bank balances</i>			
Cash and bank balances		15,212,686	6,843,127
<b>TOTAL CASH AND BANK BALANCES</b>		<b>15,212,686</b>	<b>6,843,127</b>
<b>TOTAL CURRENT ASSETS</b>		<b>49,290,716</b>	<b>51,820,571</b>
<b>TOTAL ASSETS</b>		<b>77,495,578</b>	<b>76,443,060</b>

**BALANCE SHEET**

	NOTE	12-31-2021	12-31-2020
	1		
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital (150,000)		150,000	50,000
Development expenditure fund		9,329,060	0
Profit/loss brought forward		-7,835,773	14,933,333
Profit/loss for the year		9,772,355	-46
<b>TOTAL EQUITY</b>		<b>11,415,642</b>	<b>14,983,287</b>
Current liabilities			
Accounts payable		620,824	226,500
Other liabilities		5,782,882	4,553,012
Prepaid income and accrued expenses	7	59,676,230	56,680,261
<b>TOTAL CURRENT LIABILITIES</b>		<b>66,079,936</b>	<b>61,459,773</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>77,495,578</b>	<b>76,443,060</b>

**CASH FLOW STATEMENT**

	1	01-01-2021 –12-31-2021	01-01-2020 –12-31-2020
<b>OPERATIONS</b>			
Profit/loss after financial items		12,319,042	11,365,183
Non-cash items		5,532,265	1,066,667
<b>NET CASH FLOW FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>		<b>17,851,307</b>	<b>12,431,850</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Changes in current receivables		10,899,414	-19,515,295
Changes in current liabilities		4,620,163	13,876,572
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>		<b>15,519,578</b>	<b>-5,638,723</b>
<b>CASH FLOW FROM OPERATIONS</b>		<b>33,370,885</b>	<b>6,793,127</b>
<b>INVESTING ACTIVITIES</b>			
Investment in intangible fixed assets		-11,661,325	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-11,661,325</b>	<b>0</b>
<b>FINANCING ACTIVITIES</b>			
Issue		100,000	0
Dividends paid		-13,440,000	0
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-13,340,000</b>	<b>0</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>8,369,560</b>	<b>6,793,127</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>6,843,127</b>	<b>50,000</b>
<b>CASH AND CASH EQUIVALENTS AT YEAR END</b>		<b>15,212,687</b>	<b>6,843,127</b>



# Notes

## NOTE 1

### ACCOUNTING AND VALUATION PRINCIPLES

#### General information

This annual report has been prepared in accordance with the Annual Accounts Act and BFNAR 2012:01 Annual Report and Consolidated Financial Statements (K3).

The accounting principles remain unchanged compared with previous years.

Receivables and liabilities in foreign currencies have been valued on the closing day. Exchange gains and losses on operating receivables and operating liabilities are reported in operating profit, while exchange gains and losses on financial receivables and liabilities are reported as financial items.

#### Change of accounting principle

The principle for reporting self-developed intangible assets has been changed for the group. These assets, which were previously expensed when incurred, will be capitalized as non-current assets as of this year. Under the exception for retrospective application pursuant to K3, the year's incurred expenses of SEK 11,661,325 are reported as intangible assets in the balance sheet.

#### Intangible assets

The company reports internally developed intangible assets pursuant to the capitalization model. Accordingly, all expenses pertaining to development of an internally developed intangible asset are capitalized and amortized during the asset's estimated useful life, provided BFNAR 2021:1 criteria are met.

#### Revenue accounting

##### Revenue from the sale of licenses and support packages is reported over the entire contract period.

Revenue from the sale of licenses is reported when delivery is completed, provided that no terms for cancellation with repayment are included in the underlying contract. Income-related support packages are relatively small and are reported at the same time as license income.

Ongoing service assignments at fixed prices are reported as revenue according to the respective completion level of the assignment, referred to as the percentage of completion. The percentage of completion is determined by measuring how much of the assignment has been delivered in relation to the entire assignment.

When the outcome can be calculated reliably, revenue and attributable expenses are reported in the income statement based on the completion of the activities on the closing day. If the financial outcome of an assignment cannot be calculated reliably, revenue is reported only at an amount corresponding to the incurred commission costs likely to be compensated by the customer. If it is likely that total commission costs will exceed total commission income from an assignment, the estimated loss is recognized as an expense immediately in the income statement.

The balance sheet compares reported income with the amounts invoiced to the customer during the same period. If the invoiced amounts exceed reported income, the difference is a liability, which is reported as invoiced but unrealized revenue. If income exceeds invoiced amounts, the difference is a receivable, which is reported as earned but not invoiced income.

##### Revenue from hardware sales is reported upon delivery.

Revenue has been reported at the real value of what has been received or will be received and is reported to the

extent it is likely that the economic benefits will be allocated to the company and the income can be calculated reliably.

Remuneration in the form of interest or dividends is reported as income when it is likely that the company will receive the financial benefits associated with the transaction and when the income can be calculated reliably.

#### Consolidated financial statements

##### Consolidation method

The consolidated accounts have been prepared in accordance with the acquisition method. This means that identifiable assets and liabilities are reported at market value according to established acquisition analysis. If the acquisition value of the business exceeds the estimated market value of the expected net assets according to the acquisition analysis, the difference is reported as goodwill.

##### Subsidiary

The consolidated financial statements, excluding the parent company, include all companies for which the parent company directly or indirectly holds more than 50 percent of the voting rights or otherwise has controlling influence and thus has the right to design the company's financial and operational strategies in order to obtain economic benefits.

A subsidiary's revenues and expenses are included in the consolidated financial statements from the date of acquisition until the date on which the parent company ceases to have a controlling influence over the subsidiary.

##### Transactions between group companies

Intra-group receivables and liabilities together with transactions between group companies, in addition to unrealized gains, are eliminated in their entirety.

Unrealized losses are also eliminated unless the transaction corresponds to a write-down requirement.

Changes in internal earnings during the fiscal year have been eliminated in the consolidated income statement.

#### **Fixed assets**

Intangible and tangible fixed assets are reported at cost less planned accumulated depreciation and any impairment losses.

Depreciation occurs linearly over expected useful life, taking into account significant residual value. A 20 percent depreciation rate is applied.

#### **Financial instruments**

Financial instruments are valued according to acquisition value. The instrument is recognized in the balance sheet when the company becomes party to the instrument's contractual terms. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the company has transferred virtually all risks and benefits associated with ownership. Financial liabilities are removed from the balance sheet when liabilities have been cancelled or otherwise terminated.

#### **Shares in subsidiaries**

Shares in subsidiaries are reported at cost less any impairment losses. The acquisition value includes the purchase price paid for the shares, as well as acquisition costs. Any capital injection is added to the acquisition value when incurred.

#### **Customer receivables / current receivables**

Customer receivables and current receivables are reported as current assets at the amount expected to be paid after deducting individually assessed doubtful receivables.

#### **Loans payable and trade payables**

Loans payable and trade payables are initially recognized at cost less transaction costs. If the reported amount differs from the amount to be repaid at the maturity date, the difference is recognized as interest expense over the term of the loan using the instrument's effective interest rate. As a

result, at the maturity date, the reported amount and the amount to be repaid correspond.

#### **Settlement of financial receivables and financial liabilities**

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when a legal settlement right exists and when settlement of a net amount is deemed to occur or when a current disposal of the asset and settlement of the liability is deemed to occur.

#### **Impairment testing of financial fixed assets**

On each closing day, an impairment test is conducted for financial assets. Impairment is tested individually and occurs if the decline in value is deemed to be permanent.

Operating leases are reported as an expense on a straight-line basis over the lease term.

#### **Income taxes**

Total tax consists of current tax and deferred tax. Taxes are recognized in the income statement, except when the underlying transaction is reported directly to shareholders' equity, and associated tax effects are reported in equity.

#### **Current tax**

Current tax refers to income tax for the current fiscal year and the portion of previous taxable income tax which has not yet been reported. Current tax is calculated based on the tax rate applicable on the closing day.

#### **Deferred tax**

Deferred tax is income tax attributable to future financial years as a result of past events. Accounting is carried out pursuant to the balance sheet method. According to this method, deferred tax liabilities and deferred tax assets are reported on temporary differences between the accounting value and tax value of assets and liabilities, as well as other tax deductions or deficits.

Deferred tax assets are offset against deferred tax liabilities only if they can be paid as a net amount. Deferred tax is

calculated based on the current tax rate on the closing day. Effects of changes in current tax rates are recognized during the period the change is enacted. Deferred tax assets are reported as financial fixed assets and deferred tax liabilities as provisions.

Deferred tax assets relating to tax losses or other future tax deductions are reported to the extent it is probable that the deductions can be offset against future tax surpluses. Due to the relationship between accounting and taxation, deferred tax liability is not reported separately as untaxed reserves.

#### **Employee benefits**

Employee benefits pertain to all forms of remuneration the company provides to employees. Short-term benefits consist of wages, paid leave, paid absence, bonus and remuneration after termination of employment (pension). Short-term benefits are reported as cost and a liability when there is a legal or informal obligation to pay compensation as a result of an earlier event and a reliable estimate of the amount can be made.

#### **Employee benefits after termination of employment**

The company has only defined contribution pension plans. Under these plans, fixed fees are paid and there is no obligation to pay in excess of these fees.

Expenditure on defined contribution plans is reported as an expense during the period in which employees perform the services that form the basis of the obligation.

#### **Cash flow statement**

The cash flow statement is prepared according to the indirect method. Reported cash flow includes only transactions that have resulted in receipts or payments. Apart from cash items, the company classifies available balances with banks and other credit institutions, as well as short-term liquidity investments listed on a marketplace with durations less than three months from date of acquisition, as liquid funds.

**NOTE 2****OTHER EXTERNAL COSTS**

In light of the transfer of business from the parent company to NetClean during the previous year, expenses have been passed on from the parent company with regard to costs connected with NetClean's operations. A significant proportion of these costs is accounted for by the parent company as personnel costs.

**NOTE 3****EMPLOYEES AND PERSONNEL COSTS**

	2021	2020
<b>AVERAGE NUMBER OF EMPLOYEES</b>		
Women	12	3
Men	14	4
	26	7
Total number of employees as of December 31	29	23
<b>SALARIES AND OTHER REMUNERATION</b>		
Salaries	16,259,223	4,489,598
TOTAL	16,259,223	4,489,598
<b>SOCIAL SECURITY EXPENSES</b>		
Pension costs	1,845,017	617,167
Other statutory and contractual social security expenses	5,661,003	1,588,633
TOTAL	7,506,020	2,205,800
<b>TOTAL SALARIES, RENUMERATION, SOCIAL SECURITY EXPENSES AND PENSION COSTS</b>		
	23,765,243	6,695,398
<b>GENDER BALANCE AMONG SENIOR EXECUTIVES</b>		
Proportion of women on the Board	0%	0%
Proportion of men on the Board	100%	100%
Proportion of women in senior managerial positions	75%	50%
Proportion of men in senior managerial positions	25%	50%

**NOTE 4**

## CAPITALIZED EXPENSES FOR DEVELOPMENT WORK AND SIMILAR WORK

	12-31-2021	12-31-2020
<b>ACCUMULATED ACQUISITION</b>		
Opening acquisition value	0	0
Purchasing during the year	11,661,325	0
<b>CLOSING ACCUMULATED ACQUISITION VALUES</b>	<b>11,661,325</b>	<b>0</b>
<b>ACCUMULATED DEPRECIATION</b>		
Opening depreciation	0	0
Depreciation for the year	-2,332,265	0
<b>CLOSING ACCUMULATED DEPRECIATION</b>	<b>-2,332,265</b>	<b>0</b>
<b>CLOSING CARRYING AMOUNT</b>	<b>9,329,060</b>	<b>0</b>

**NOTE 5**

## CONCESSIONS, PATENTS, LICENSES, TRADEMARKS, AND SIMILAR RIGHTS

	12-31-2021	12-31-2020
<b>ACCUMULATED ACQUISITION</b>		
Opening acquisition value	16,000,000	0
Purchasing during the year	0	16,000,000
<b>CLOSING ACCUMULATED ACQUISITION VALUES</b>	<b>16,000,000</b>	<b>16,000,000</b>
<b>ACCUMULATED DEPRECIATION</b>		
Opening depreciation	-1,066,667	0
Depreciation for the year	-3,200,000	-1,066,667
<b>CLOSING ACCUMULATED DEPRECIATION</b>	<b>-4,266,667</b>	<b>-1,066,667</b>
<b>CLOSING CARRYING AMOUNT</b>	<b>11,733,333</b>	<b>14,933,333</b>

**NOTE 6**

## DEFERRED TAX ASSETS

	12-31-2021	12-31-2020
Opening costs	9,689,156	10,182,805
New receivables	0	7,157,743
Outgoing receivables	-2,546,687	-7,651,392
<b>CLOSING ACCUMULATED COSTS</b>	<b>7,142,469</b>	<b>9,689,156</b>
<b>CLOSING CARRYING AMOUNT</b>	<b>7,142,469</b>	<b>9,689,156</b>

**NOTE 7**

## ACCRUED EXPENSES AND PREPAID INCOME

	2021	2020
Prepaid income	55,331,891	53,106,900
Accrued personnel costs	3,257,419	3,068,538
Other accrued expenses	1,106,920	504,823
<b>TOTAL</b>	<b>59,676,230</b>	<b>56,680,261</b>

**NOTE 8**

## PARENT COMPANY

Name	Org. No.	Residence
Safer Society Group Sweden AB	556648-9992	Gothenburg

**NOTE 9**

## SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

Shares in the company (owned and transferred by the parent company) were allotted to the newly appointed CFO, within the framework of the previously adopted incentive program. NetClean will move to new premises in 2022 and has signed a three-year lease. No other significant events have occurred.

# People of NetClean





**NetClean.**