

ANNUAL REPORT

2017



YOU DON'T HAVE TO BE THE GORILLA IN YOUR MARKET
TO BUILD YOUR OWN TV CDN

Let's make TV amazing again

edgewart



1. Edgware makes it possible to watch TV whenever and wherever you want. 2. Fredrik testing hardware in a climate chamber. 3. Inside the box: Edgware's hardware server with Flash memory and programmable circuits. 4. Kirthi, test engineer. 5. Edgware exhibited at the NAB Show in Las Vegas for the eighth year.

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2017 IN BRIEF

In 2017, net sales totalled SEK 236.8 million (252.2), which corresponds to a decrease of 6.1 percent. The gross margin for 2017 amounted to 74.4 percent (69.6). Gross profit increased to SEK 176.3 million (175.6). Operating income (EBIT) amounted to SEK 11.8 million (19.1). Adjusted EBIT totalled SEK 11.8 million (34.3), corresponding to an adjusted EBIT margin of 5.0 percent (13.6).

1

FIRST QUARTER

- Net sales totalled SEK 68.7 million (63.6), an increase of 8.1 percent.
- Profit for the period amounted to SEK 10.3 million (8.3).
- Edgware added Akamai and Level3 support to its TV CDN architecture.
- Edgware joined the Streaming Video Alliance industry organisation.

2

SECOND QUARTER

- Net sales totalled SEK 40.2 million (51.5), a decrease of 21.8 percent.
- Profit for the period amounted to SEK -10.1 million (-2.2).
- The annual general meeting (AGM) was held on 12 April 2017.
- The AGM adopted the income statement and balance sheet of the parent company and the consolidated income statement and balance sheet for the 2016 financial year. Profit was carried forward and no dividend was paid.
- Edgware acquired the trademark for the name Edgware, a national trademark in the UK, and one for the EU, whereby Edgware now owns the Edgware trademark throughout the EU.

3

THIRD QUARTER

- Net sales totalled SEK 59.6 million (52.6), an increase of 13.2 percent.
- Profit for the period amounted to SEK 4.0 million (2.2).
- Edgware participated in the IBC Conference in Amsterdam for the twelfth year running.
- A new, innovative technology for protecting against content piracy – known as watermarking – was launched at IBC.
- Edgware won Streaming Media Europe's Readers' Choice Award for 2017 in the category of Server Hardware/Software.

4

FOURTH QUARTER

- Net sales totalled SEK 68.4 million (84.6), a decrease of 19.2 percent.
- Profit for the period amounted to SEK 3.3 million (7.4).
- Karl Thedéen was appointed the new CEO of Edgware as of 13 February 2018.

PRIZES AND AWARDS

- IABM AWARD FOR NEW WATERMARKING SOLUTION
- STREAMING MEDIA EUROPE READERS' CHOICE AWARD IN THE CATEGORY OF SERVER HARDWARE/SOFTWARE
- FINALIST IN "BEST DIGITAL TV PRODUCT" FOR 2017 SPORTS TECHNOLOGY AWARDS

SALES 2017
236.8
MSEK

YOU DON'T HAVE TO BE
THE GORILLA
IN YOUR MARKET TO BUILD YOUR OWN TV CDN

"Private CDNs offer value in terms of quality of service and lower operating costs for even Tier II and Tier III operators ..." *Frost&Sullivan*

Let's make TV amazing again. **edgware**

The image features a large gorilla silhouette standing on a city skyline, holding a television set. The background is a bright yellow gradient with a dark, textured border.

EDGEWARE'S MAIN MARKETING MESSAGE IN 2017.

EDGEWARE LAUNCHED A PRIZEWINNING SOLUTION FOR WATERMARKING VIDEO STREAMS IN COLLABORATION WITH THE FRENCH COMPANY CONTENTARMOR

The illustration shows a man in a trench coat holding a flashlight that illuminates two other men, one of whom is wearing a skull and crossbones t-shirt. The background is dark with a yellow light source.

PROFIT 2017
11.8
MSEK

WELCOME TO EDGEWARE'S WORLD

WHY WE'RE HERE

The TV market is undergoing major changes, and needs new ways of delivering high-quality advanced TV experiences at low prices. Our mission is to help make TV amazing again!

WHAT WE DO

We help telecom, cable operators and OTTs/broadcasters make TV and video content available to their viewers in a way that provides quality and security in a cost-efficient manner.

HOW WE DO IT

We create TV CDN that is optimised for television. Our products ensure that operators stream TV content from servers close to their viewers. The server can either be a TV server developed by Edgware, dedicated to video content and customised for installation in networks, or a standard server running Edgware's software. Our decentralized system ensures a high level of quality and delivery reliability and reduces the traffic load in the backhaul network smartly and easily.

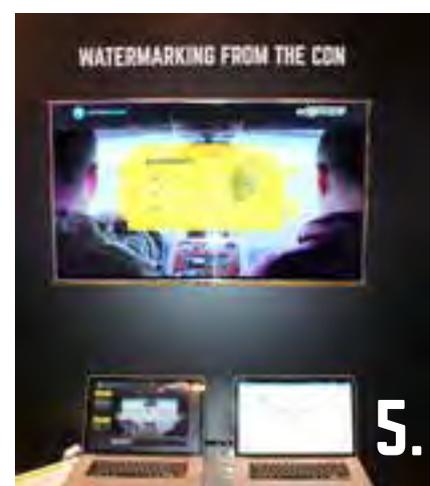
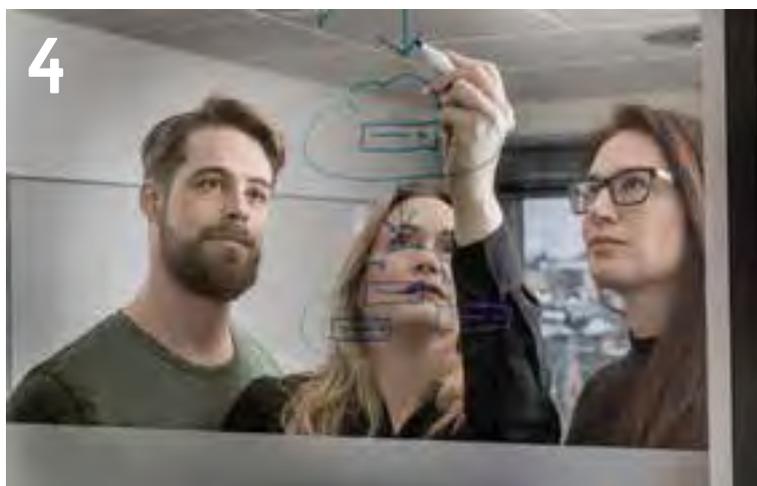
HOW IT ALL BEGAN

Edgware was founded in 2004 by Joachim Roos, Lukas Holm and Kalle Henriksson. Venture capital funds Creandum and Amadeus invested in Edgware in 2006, and we received our first major order from Telia in 2007. This order was a testament to the customer value in our products and marked the start of our development and growth.

HOW IT'S GOING

From 2007 to 2017, Edgware's net sales grew annually by an average of 34 percent. At the end of 2017, Edgware had 112 employees, half of whom work in product development. Edgware currently has more than 200 customers in 70 countries, and is headquartered in Stockholm, Sweden, with staff in 15 countries across Europe, Asia and the Americas.

LET'S MAKE TV AMAZING AGAIN



1. Johan and Astrid at the head office in Stockholm. 2. The view from head office 3. Checkmate. Anna and Per in the break room. 4. Anton, Jenny and Maria. 5. Watermarking demo at the IBC Fair in Amsterdam.

CEO COMMENTS

2017 was an eventful first year on the stock market for Edgware, with challenges that simultaneously improved both the company and our employees. Edgware's fourteenth year saw the launch of more new products than ever before, and we succeeded in winning more new customers in new countries than previously. We have drastically strengthened our sales and delivery organisations in order to advance our positions on the global market for leading TV and video distributions.

Despite a high level of customer growth, our customer concentration remains high, which resulted in undesirable sales volatility between quarters. Orders during the year from two of our largest customers were lower than expected, which led to our not achieving desired sales growth. Quarterly fluctuations will remain likely in the foreseeable future, as a result of our existing customer portfolio. Our ability to win customers and our strong gross margin, on the other hand, prove that the foundation of our business model is strong. We will continue to focus on expanding our customer base with an increased number of major customers. Further, we must ensure efficiency in our sales teams in order to continue on our journey of growth.

WE GROW WITH OUR CUSTOMERS' SUCCESS

The market's need for Edgware's solutions continues to grow. The market trend we are actively contributing to – content providers investing in building their own distribution networks, known as TV CDN – is becoming increasingly visible in our sales. Our aim is to help operators and TV companies increase their market shares and improve their service offerings in TV and video streaming. This in turn will lead to Edgware continuing to expand its customer base, and over time reducing its customer concentration.

Together with sales to telecom and cable operators, the new OTTs/broadcasters accounted for the largest amount of growth, and we conducted more OTT business this year than ever before. This includes an Eastern European satellite operator investing in delivering programming direct to its viewers. Important business was also conducted in Asia, in this rapidly growing segment. We are seeing a clear and increasing trend towards content companies wanting to own the entire chain from content to viewing experience. That is why they are investing in proprietary TV CDNs to deliver content over the open Internet. This is particularly the case for sport broadcasts, where costly rights mean that content owners want to have control of the entire chain.

PRODUCTS IN FOCUS

In 2017, Edgware delivered more new products than ever before. We are distinguishing ourselves with more intensive



initiatives in software while we are protecting strong gross margins. Among our new products, there is a fully software-based alternative to hardware servers – a multi-year initiative that has now been launched in earnest among customers. Our new software, origin and software streamer, provide customers with increased flexibility and cost-efficiency. They get a great deal of freedom in combining software products with hardware servers, or in choosing a complete software solution. In addition, we launched TV Watermarker, Edge TV Repackager and CDN Selector, which promote a broader product portfolio. Our products have also attracted attention at trade fairs such as IBC, NAB Show, and BroadcastAsia. Edgware has received several industry awards for innovation, and received nominations and awards from Streaming Media Europe, the IABM Awards, and the Sports Technology Awards. We therefore enter 2018 with a strong product profile.

SOLID CUSTOMER RELATIONSHIPS AND GEOGRAPHIC PRESENCE

Being physically located close to our customers and having an understanding of their unique needs are a few of Edgware's competitive advantages. Proximity to the customer creates security for the customer, and is often a precondition for winning new customers. During the year, we focused on establishing ourselves more deeply in prioritised markets. Some 20 new employees were recruited in sales and service in order to enable increased sales and improved customer service. As a small Swedish company on the global market, local presence is an absolute competitive advantage that even now distinguishes Edgware from its competitors.

STRONG GROSS MARGINS GIVE THE POWER TO DEVELOP

Beyond competitive products, satisfied customers and talented employees, Edgware's strength lies in its ability to generate strong, healthy gross margins. This gives us the power to continue to innovate and lead development in the industry. With a well-developed internal process paired with new customers and increased sales, Edgware can continue its journey of growth with more new customers around the world. An Edgware standing at the centre of events in the evolutionary upheaval that the rapidly growing TV and video industry is undergoing. With an increased global presence, we are moving our positions in the market forward, with favourable growth and great potential. We are humble in the face of what the future brings, but firmly optimistic about our continued journey of growth.

JOACHIM ROOS

CEO, Edgware until 12 February 2018

BUSINESS MODEL AND FINANCIAL TARGETS

Edgeware's business model is to develop, market and sell streaming solutions to customers who distribute TV and video content to viewers over the Internet. The company's customers are primarily telecom and cable operators (such as Vodafone, Telia and Televisa), and to a greater extent OTTs/broadcasters (such as TVB) who distribute direct to their viewers via the Internet.

Edgeware's solutions are based on a combination of powerful, purpose-built hardware and software that can be installed in customers' networks both centrally and far out near the customers' viewers.

Edgeware's hardware and software are sold as complete system solutions. The solutions are priced based on which functions are demanded as well as distribution and capacity requirements, meaning the volume of video that needs to be distributed and the number of simultaneous viewers. Edgeware's services – installation, support, and service, for example – are offered as a supplement to its hardware and software.

Support services are priced as annual fees based on the list prices of the products and the scope of the customer's service needs. Edgeware's other services are sold as consulting services on a per-project basis.

Edgeware's solution has been developed by the product-development function and is sold through the company's sales and marketing organisation as well as through several partners who integrate the solutions into their own network solutions. In addition, Edgeware has a number of consultants hired, including an outsourced team in Vietnam, who support research and development.

FINANCIAL TARGETS

In preparation for the listing on Nasdaq Stockholm in 2016, Edgeware's Board of Directors adopted financial targets connected to Edgeware's strategic initiatives.

SALES GROWTH

Edgeware's target is to achieve annual organic sales growth of more than 20 percent.

PROFITABILITY

Edgeware's target is to achieve a long-term operating margin (EBIT margin) of more than 15 percent.

CAPITAL STRUCTURE

Edgeware's capital structure is to enable a high degree of financial flexibility and provide scope for acquisitions.

The company's target is for net indebtedness to amount to a maximum of two times its EBITDA for the most recent 12-month period.

DIVIDEND POLICY

Over the coming years, Edgeware's cash flow will be used to finance its continued development and expansion as well as potential acquisitions, which means that no dividends are expected to be paid.

THE PROBLEM EDGEWARE SOLVES

Currently, you probably have broadband that is fast enough to watch two or three TV programmes at the same time on different platforms. But if you've ever experienced buffering, or delays or glitches - you know that modern television does not always deliver a perfect experience. So what's the problem?

First of all, your broadband speed applies only to your local connection to the Internet – that means you don't always have equal amounts of capacity all the way from your content provider to your TV. It's a bit similar to roads – the streets in your neighbourhood may be happily free of traffic while the highway is backed up and it takes a long time to reach your destination.

In the case of TV, what plugs up the network are other viewers who want to watch TV at the same time.

When TV is delivered by satellite or terrestrial transmitters, all the programmes are broadcast everywhere. As long as you can receive the signal, you can watch your favourite programme – and it doesn't matter if the programme has only one viewer... or millions.

MULTICAST

It was roughly the same way when the first generation of IPTV was launched. Programmes were broadcast as a stream of data packets via an IP network. One stream was broadcast for each channel, and the data was duplicated at every network node. This is called 'multicast traffic', where the viewer selects a channel

like they used to do. It doesn't matter how many people want to see the same programme at the same time – the programme only needs to be sent ONCE.

SO WHAT'S THE PROBLEM?

Today, we don't watch TV the way we used to. Instead, we watch exactly where and how we want!

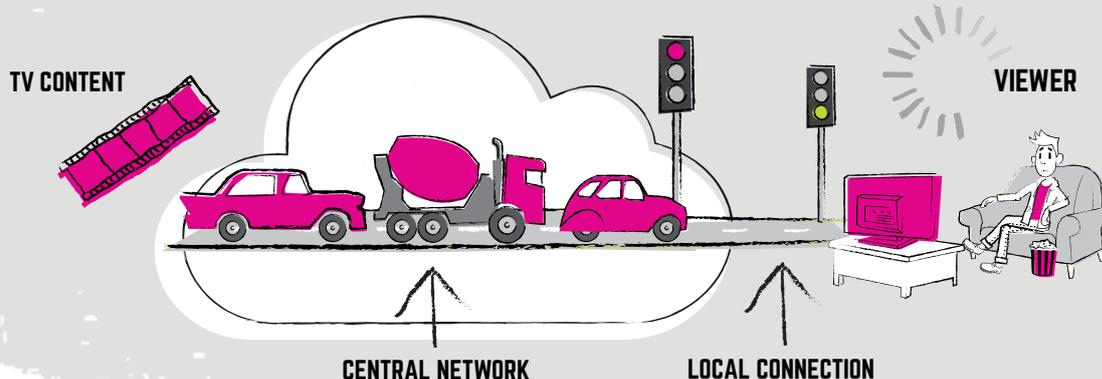
We want to pause live broadcasts, record, jump into a programme a little later, or rewind the broadcast. At the same time, advertisers want their commercials to make it through the noise and to be relevant to viewers.

In addition, we watch TV on many different platforms – from smart phones to 70-inch televisions – all of which require different coding and resolution for the content to look good.

UNICAST

So we can no longer select a channel and watch the same TV stream everyone else is watching. Now, every TV stream has to be unique and adapted just for you. This is what is known as 'unicast traffic'. For example: Watching an HDTV program in unicast requires

THE PROBLEM



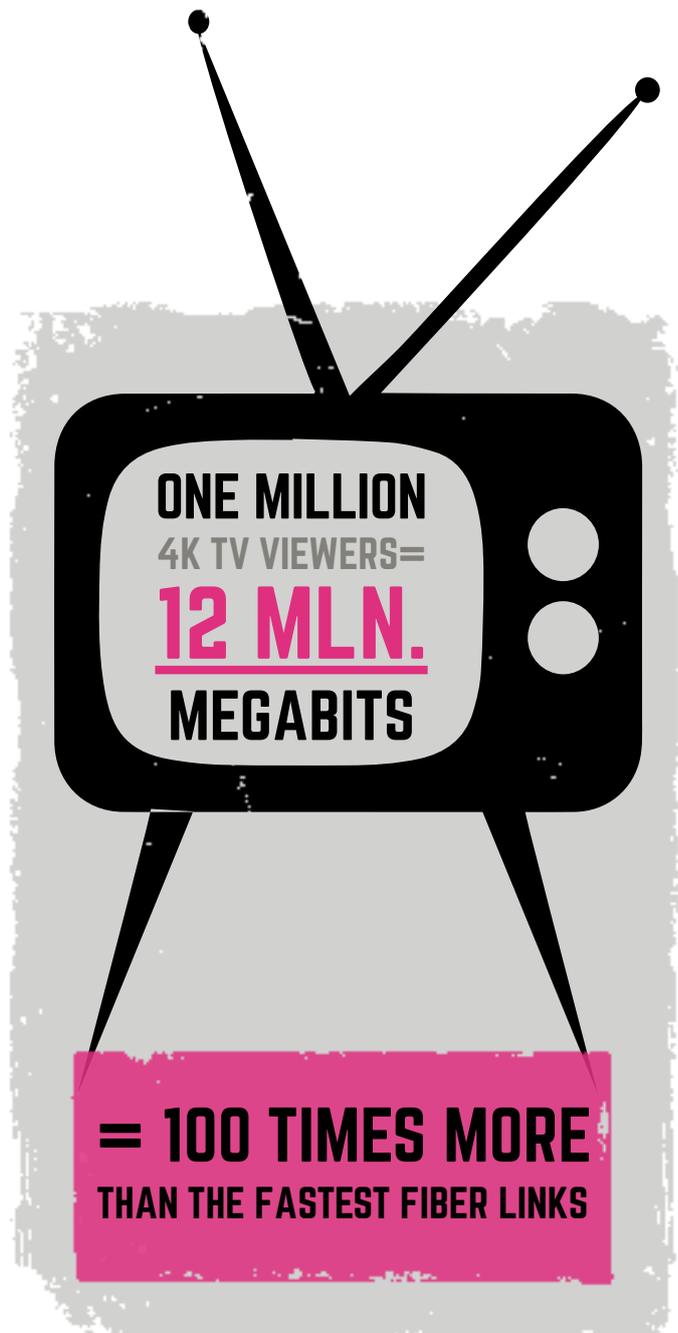
approximately three megabits per second of network capacity for each viewer. So: a million unicast viewers require three million megabits. And an upgrade to 4K requires 12 million megabits. Not even the fastest fibre Internet provider can manage more than around 100,000 megabits. The conclusion? Over 100 times more capacity than what is delivered by even the fastest providers is needed... just to be able to broadcast a moderately popular TV programme.

In other words: it doesn't work! So how do we solve this problem? This is where Edgware comes in.

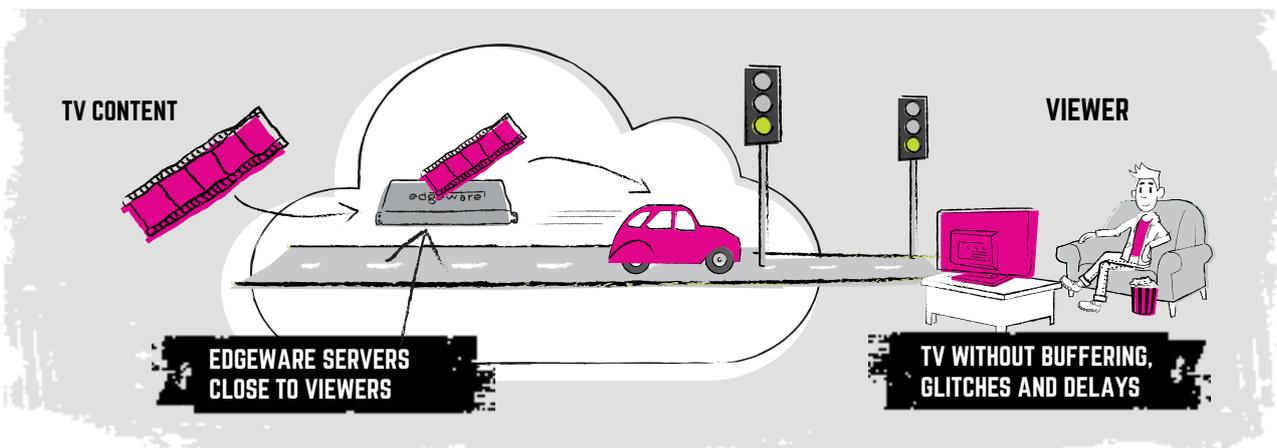
Edgware's technology stores a copy of the most popular TV programmes CLOSE TO the viewers. The programme thus has to be sent out only ONCE on the network – but can be shown an endless number of times. So most of the programmes you want to watch only need to be streamed to you from your local Edgware system, and not over the entire network.

With Edgware, the provider can send personalised advertising, and viewers can pause live TV and watch via the platform they prefer: telephone, computers, or large TV. The advantages for everyone are numerous. Operators and content providers save on major network costs. But even more important: TV and video can be experienced without lag, freeze frames, or exhausting download times...

With Edgware, the viewer gets an amazing TV experience!



THE SOLUTION



A RAPIDLY DEVELOPING MARKET

When TV made its debut in the 1960s, ONE channel in black and white was astounding. Since then, developments have been revolutionary. In the 80s and 90s, terrestrial TV channels met with competition from more channels via cable and satellite. In the 2000s, thanks to the Internet, viewers have been given more content to choose from and can choose how and when they wish to watch. New TV and video providers such as Netflix and HBO have challenged the established cable and telecom operators. The next phase of the television revolution is now a fact as a result of the Internet and streaming video.

Utilising the capacity of the Internet and satisfying viewers' appetites for a high-quality viewing experience requires drastically increasing network capacity or creating alternative delivery solutions. This is the increased capacity utilisation that Edgeware is creating.

INTERNET IS THE DRIVER

The market for TV and video streaming has grown since the early 2000s. Viewers have switched from traditional, linear scheduled viewing delivered via conventional satellite, cable or terrestrial TV, to streaming TV online. Changed viewer habits have led to all players in the traditional TV and video distribution chain

now placing increased focus on delivering content directly to viewers over the Internet.

STRONG GROWTH IN VIDEO STREAMING

The market for TV and video streaming is driven by people's increasing use of the Internet. These changes in consumption habits are causing the amount of data distributed over the Internet to increase at a rapid rate. This places major demands on the networks and distribution, since they must be able to deliver high-quality video on demand (VOD) services without any buffering or delays.

248 MILLION
IPTV SUBSCRIBERS BY 2022

INTERNET TRAFFIC
INCREASES BY
255%

82%
OF TRAFFIC IN 2021
IS VIDEO

Sources: Cisco Visual Networking Index: Forecast and Methodology, 2016–2021, Ovum, October 2017

WE VIEW WHEN WE WANT...

TV viewing has changed radically. Scheduled viewing, in which content is broadcast on specific channels at specific times, is being replaced by VOD services that allow viewers themselves to choose the content they wish to watch as well as when and on which device they wish to watch it. Viewers now have access to more TV programmes than ever, and TV and video viewing are no longer restricted to the living room sofa. Nowadays, viewing takes place on various devices: everything from mobile phones and tablets to computers. Viewers also expect to be able to pause, fast forward, rewind and smoothly change devices in the middle of a programme.

...ON WHAT WE WANT

Today's TV offering is enormous, with endless choices of connected viewing experiences whenever consumers demand it. The distribution of TV and video content over the Internet provides each user with a unique video stream, which means that the content must be distributed uniquely to each viewer rather than once for all viewers at the same time. Unique video streams drastically increase the amount of data in the providers' networks. In addition, advertising is becoming increasingly personalized, adapted to a specific customer group or geographic area in order to increase the advertising value for the viewer.

...AND WE DEMAND HIGH QUALITY

The quality of TV and video delivered over the Internet is steadily improving. As the quality of the video distributed improves from SD (standard definition) to HD (high definition), the amount of data distributed over the network increases by a factor of approximately four, and as the quality improves from SD to Ultra HD (ultra-high definition), the amount of data increases by a factor of 16. Since compression technology is not keeping pace with the constant improvements in the quality of TV and video distributed over the Internet, the amount of data being transported is increasing at a highly rapid pace.

...AND OUR PATIENCE IS LOW

Today, viewers are placing higher and higher demands on TV and video content over the Internet, and they expect high-quality services. Statistics show that one in four viewers will turn off the TV service if the content is loading slowly. Accordingly, providers must do everything they can to ensure an optimal viewing experience, which places major demands on providers' CDNs.



VIDEO OVER INTERNET ON THE INCREASE

Progress in modern streaming technology for video and TV is continuously changing the value chain for distribution. All in all, this results in a steadily increasing volume of video and data traffic. The Cisco Visual Networking Index and Ovum's annual reports measure and analyse this.

VIDEO AND TV OVER THE INTERNET

IP video traffic (including short video formats and video communications) are expected to comprise 82 percent of all consumer-based Internet traffic by 2021, an increase from 73 percent in 2016. 26 percent of this video traffic will be web video for TV equipment, which means an annual growth of 27 percent over the next five years (NB: this does not include TV viewed on mobile devices).* To place this in the proper context, the amount of consumer-driven VOD in 2021 will be comparable to 7.2 billion DVDs per month.* Edgware's market for servers and systems for streaming TV will be directly impacted by this increase in traffic.

SHIFT IN ONLINE TV SERVICES

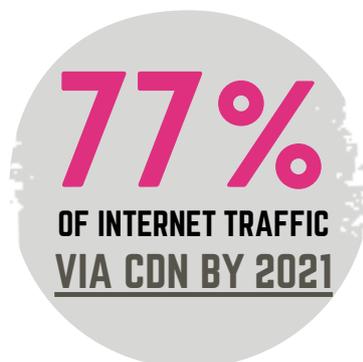
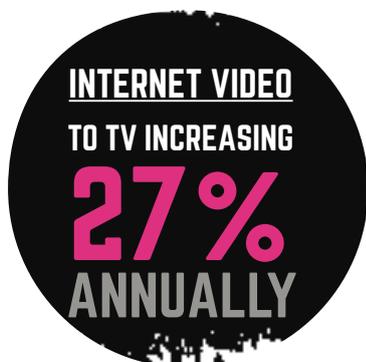
Edgware's market is changing from one type of Internet-based TV (IPTV) to a new type of TV service: OTT (Over-The-Top, TV over the open Internet). IPTV services are normally offered by telecom and cable providers that own their own networks. This is one category that has historically represented the majority of Edgware's customer base. OTT services are normally offered by traditional OTTs/broadcasters such as TVB in Hong Kong and new content owners such as Netflix. The IPTV market has matured with a lower growth rate, since services for the OTT market are growing rapidly.

The number of global IPTV subscribers is expected to grow annually by 6.4 percent† over the next five years, from 182 million subscribers in 2017 to 248 million in 2022. The largest growth is in China, as Europe is expected to grow by 3.8 percent and Canada by 1.4 percent. OTT services are already a stronger driver of web-based TV services than IPTV. The services are divided primarily into two categories: Subscription-based VOD (SVOD) and advertising VOD (AVOD).

EDGEWARE'S CHANGED CUSTOMER BASE

Edgware's systems are used by customers to construct content delivery networks (CDNs) to provide Internet-based TV services. In 2021, 77 percent of all Internet-based video traffic (which itself constitutes 71 percent of all Internet traffic) will be provided via CDN, an increase from 67 percent in 2016.*

Many IPTV providers have already built their own CDNs, since proprietary CDNs remain a new technology for OTT providers who normally purchase CDN capacity as a service. The transition to proprietary CDNs in OTT is taking place now, but at a slower pace than Edgware had predicted. Regardless, there is expected to be market growth in the transition from traditional TV to OTT-based TV.



* Source: Cisco Visual Networking Index: Forecast and Methodology, 2016–2021

† Source: Ovum, October 2017

COMPETITION

Edgeware's competitors can be divided into three categories: CDN as a service, generalists, and specialists.

1. CDN AS A SERVICE

Companies that sell CDN as a service sell capacity on their own CDNs. Providers of CDNs as a service typically charge based on the amount of distributed data and the number of viewers.

Several of these companies also offer services other than TV and video distribution, such as data storage, website caching and business services.

2. GENERALISTS

Generalists target large providers (telecom and cable operators) that are simultaneously expanding their networks and establishing TV and video distribution over the Internet for the first time. They sell comprehensive TV solutions for customers and build solutions with other types of products, such as optical networks, that are required to build network infrastructure. Most generalists also have an established strategy of focusing more on selling products "as a service", which – according to Edgeware – means that they compete to a greater degree with providers of CDN as a service rather than with specialists.

3. SPECIALISTS

The specialist market is fragmented and the players in the market are mostly smaller than generalists and providers of CDN as a service.

Specialists focus on specific functions required to build a dedicated CDN. For example, Edgeware and its French competitor, Broadpeak, focus on streaming and caching, while other specialists are more focused on coding and solutions for handling and formatting raw content early in the distribution process. Edgeware's technology is based on enabling decentralised CDN networks, making its solutions scalable and easy to adapt to customers' needs.

MAIN BARRIERS TO ENTRY FOR NEW PLAYERS

Several barriers make it difficult for new players to establish themselves in the market for TV and video distribution over the Internet.

Advanced technology with high product development costs: Providers of TV and video content over the Internet demand high-performance, reliable, multi-functional and scalable solutions. The solutions must also be secure, experience minimal service interruptions and be adaptable to the needs of the providers. Extensive industry know-how is required to develop solutions that meet these needs. The market is characterised by high technological content and advanced product development requiring financial resources and expertise.

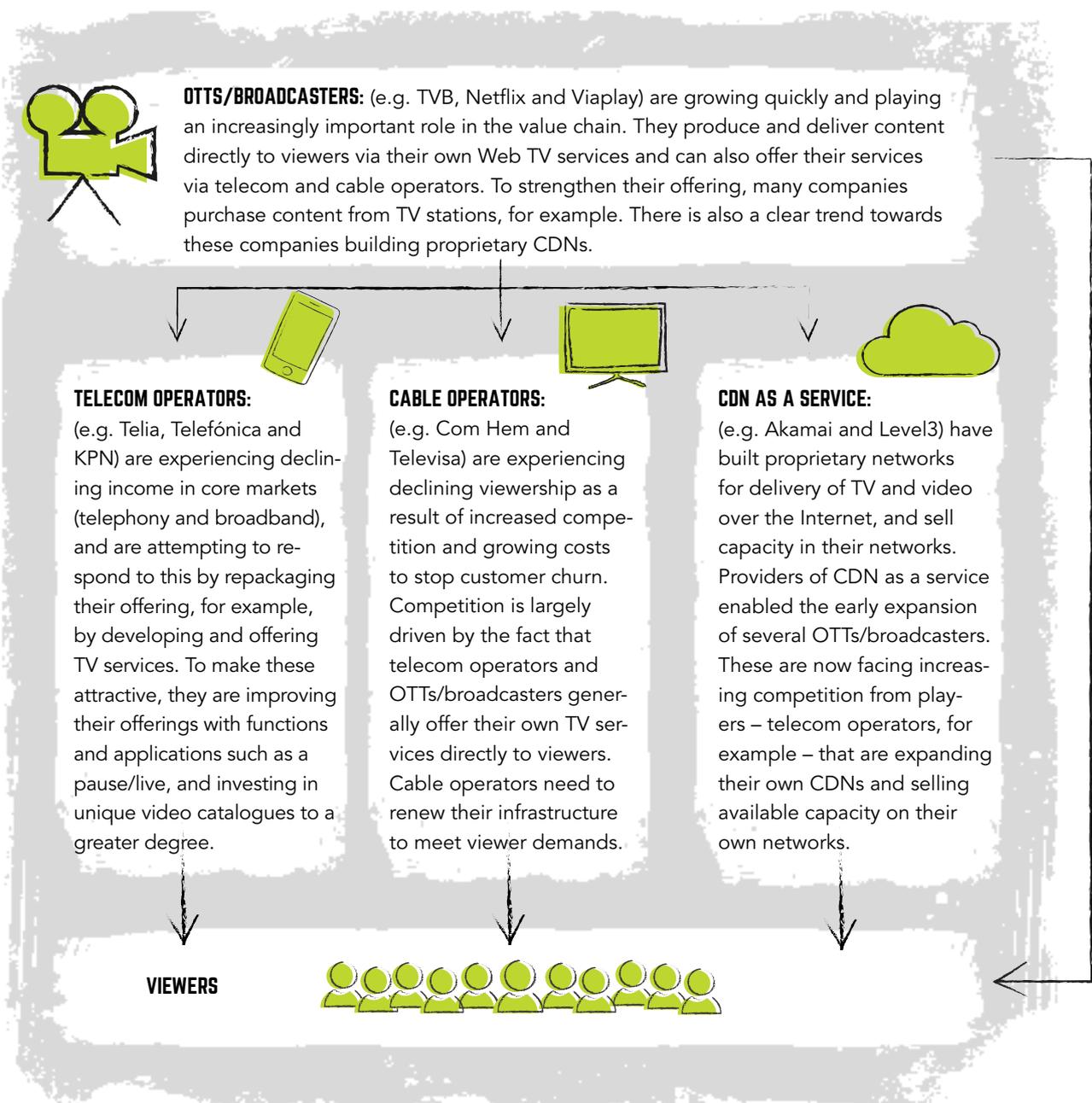
Specialist market: The market is characterised by a high degree of integration, with players frequently collaborating with various partners in order to offer a comprehensive solution together. Successful cooperation is crucial since customers require a fully functioning solution from day one. The infrastructure market for TV and video distribution over the Internet is a niche market and not sufficiently large to be prioritised by the largest infrastructure providers in the datacom and telecom industries.

High degree of ecosystem integration: Selling infrastructure for TV and video distribution over the Internet requires a broad range of pre-integrated system components, for example, middleware (software that allows several types of software to work together). New players do not have the infrastructure in place to enable them to quickly adapt to various customer needs.

ADDRESSABLE CUSTOMER SEGMENTS

TV and video over the Internet has enabled all players in the value chain to reach viewers directly. This has led to all players valuing exclusivity of the most popular content in order to differentiate themselves from their competitors and boost their viewership.

THE DIFFERENT PLAYERS AND THEIR MARKET DRIVERS



DISTRIBUTION CHANNELS FOR TV AND VIDEO CONTENT OVER THE INTERNET

Video over the Internet can either be distributed via companies that sell CDN as a service or via self-built CDNs, with content providers distributing the content themselves.

CDN AS A SERVICE

Companies that sell CDN as a service sell capacity on their own CDNs. The providers typically charge based on the amount of content to be distributed and the number of viewers.

Several of these companies also offer services other than TV and video distribution, such as data storage and business services.

CDN as a service is suitable for content providers with a limited number of viewers and a broad geographic spread. The downside of CDN as a service is that buyers of the service do not derive any significant benefits of scale when distributing large volumes of content. Moreover, buyers of the service lose control over the quality of distribution as well as insight into their viewers' habits. Historically, several major providers of CDN as a service have not focused on TV and video distribution, which means that they haven't built systems capable of handling the special requirements associated with video

distribution, such as significant variations in demand and increased TV viewership during the evening or during major sporting events.

SELF-BUILT CDNS

There is a clear trend for providers of TV and video content over the Internet to increasingly build their own CDNs, for example, instead of purchasing CDN as a service. This trend is reflected in the growth of the market for TV and video distribution over the Internet.

Self-built CDNs also offer content providers full control over distribution, greater insight into viewers' habits and the ability to tailor their advertising. By building proprietary CDNs, TV and video providers can distribute content themselves and, in addition, sell spare capacity to other players.

The cost for a proprietary CDN pays for itself better, meaning that the cost per viewer decreases as the number of viewers and quantity of distributed data increases. Building a CDN requires an initial investment and an organization to handle the network, but entails significant benefits of scale compared with CDN as a service.

Compared with buying CDN as a service, a self-built CDN becomes competitive at a tipping point of around 100,000 TV subscribers in a limited geographic area, according to market analysts Frost & Sullivan.

CDN AS A SERVICE COMPARED WITH A PROPRIETARY TV CDN



STRENGTHS AND COMPETITIVE ADVANTAGES

Edgeware operates in an industry undergoing significant structural shifts. From linear TV, where TV and video content was mass distributed via broadcast towers and satellites, habits are now shifting to on-demand viewing over the Internet. All in all, this is resulting in an explosion of video and data traffic. New solutions are required to manage these storage and distribution problems – solutions that Edgeware can provide.

WELL POSITIONED TO CAPITALIZE ON CHANGING MARKET DYNAMICS

Streaming technology is changing the value chain for TV and video distribution. Streaming not only makes it possible for cable and telecom operators to reach viewers directly, but also allows all players in the value chain to distribute content directly to viewers.

POWERFUL SOLUTION BASED ON LEADING STREAMING TECHNOLOGY

Edgeware's solution is based on providing products and services that enable customers to build proprietary decentralised CDNs. This means that the most popular content is cached, handled and adapted to the viewer as far out in the networks as possible, on Edgeware's TV servers or standard servers with Edgeware's software installed.

OPTIMISED ARCHITECTURE WITH ATTRACTIVE ADVANTAGES

Decentralised distribution architecture is more cost-efficient, as it can easily be scaled up without major investments in central data centres or backhaul networks. Edgeware's optimised architecture with purpose-built hardware and software means the customers can provide streaming services with an amazing viewing experience, deep insight into viewers' habits, and control over distribution.

Scalability: Thanks to the flexibility of the solution, customers are easily able to scale up their distribution capacity to support services for millions of viewers and large volumes of content – as the number of viewers and need for capacity increases. Customers can thus

make smaller initial investments, easily scaling up with increased viewership.

Viewing experience: Edgeware's solution helps customers guarantee streaming services with a high-quality viewing experience, excellent availability and reliability, and minimal delays and buffering, which is crucial if customers are to maintain a highly competitive service offering.

Insight and control: Edgeware's TV Analytics provides customers with deep insight into viewers' usage, and full control over their streaming services. This makes it possible to provide an even better viewing experience by identifying potential improvement areas in their services at an early stage as well as tailoring advertising.

HIGH AND PROFITABLE GROWTH WITH THE POTENTIAL FOR HIGH OPERATING LEVERAGE

Through organic growth, Edgeware's net sales have increased at an average annual rate of 34 percent between 2007 and 2017, and has delivered a positive operating profit since 2013. Edgeware's business model and the high gross margin of the product and service offering create the necessary conditions to leverage the company's operating profit as its sales increase.

Edgeware's management has chosen to focus on growth and believes that the full leverage effect on its operating profit will be limited over the coming years since the company has opted instead to expand its sales and provider organization in order to support continued growth rather than a short-term focus on improving operating margins.



SEEING IS BELIEVING

An amazing TV-experience

– Avoid buffering, delays, and glitches.



GROW YOUR SERVICES, SHRINK YOUR COSTS

Scalability in every dimension

– Scale up your TV services without major costs.



NEW LEVEL OF INSIGHT

Take back control – TV Analytics provide unique insights through linking viewer habits with network data.

FOCUS ON EXPANSION

INCREASE SALES TO EXISTING CUSTOMER BASE

Edgware's customers commonly begin by placing a smaller order to develop an initial TV service to determine interest in the market. Retain and increasing sales to existing customers is therefore important for Edgware's success. As the service becomes more popular, the order value typically increases, and sales thereby grow. The product mix in the customer's order shifts over time to include more software, functions and capacity upgrades, which have a higher gross margin than the initial order. Market trends now show that many customers are in the process of expanding their service offerings by including additional, more advanced streaming services and are in need of additional capacity by expanding their TV CDNs.

DEVELOPMENT OF THE SALES ORGANISATION

Edgware is investing in developing and expanding its sales organization to cover more markets, reach more customers and become even better positioned to serve its existing customer base. In 2017, Edgware grew by approximately 20 employees, 18 of whom are linked to the sales and delivery organisation. In Europe, focus will be on the three largest markets: Germany, France, and Scandinavia. Edgware will also focus on other markets deemed to have great potential such as the US, Mexico, Brazil, Japan, India, and Hong Kong.

STRATEGIC ACQUISITIONS

Edgware's market is fragmented, with a large number of small companies, which creates considerable potential for consolidation. Edgware sees strong opportunities for consolidation in the market, and M&A possibilities are continually being assessed. The company is engaged in dialogues with potential acquisition targets, which could result in an expanded product and service offering, enable added sales among new and existing customers as well as create synergies and strengthen Edgware's position in the market.

PRODUCTS AND SERVICES

Edgware's solutions give customers the opportunity to stream high-quality TV and video content in a scalable, cost-efficient manner to viewers, and to gain good insights into how viewers consume this content.

Edgware focuses on caching and distribution of content. The company's products comprise hardware and software that are integrated into customer networks.

HARDWARE AND SOFTWARE

In 2017, 81.5 percent of net sales were derived from the sale of hardware and software products and capacity licences. One of Edgware's core products is its own TV servers, which can be installed both centrally and far out in a network, closer to viewers. When customers require more capacity – for example, when the number of viewers increases or the quality of the content in their services improves – they are able to unlock additional capacity on their existing TV servers by acquiring additional streaming and/or capacity licenses.

Edgware's TV servers also provide the customer with performance and reduce network costs. A single network is made up of several TV servers orchestrated by powerful, multifunction software. This software determines where in the network hierarchy the TV and video content is to be cached in order to minimise

unnecessary traffic, thereby improving the user experience. The software can also repackage the content live and on-the-fly so that it can be shown on all types of devices, for example TV-screens, computers, tablets and mobile phones.

Streaming software can be installed on standard servers, or delivered installed on Edgware's proprietary TV servers. Management system software is delivered on standard servers. Storage media and central storage systems typically comprise standard servers.

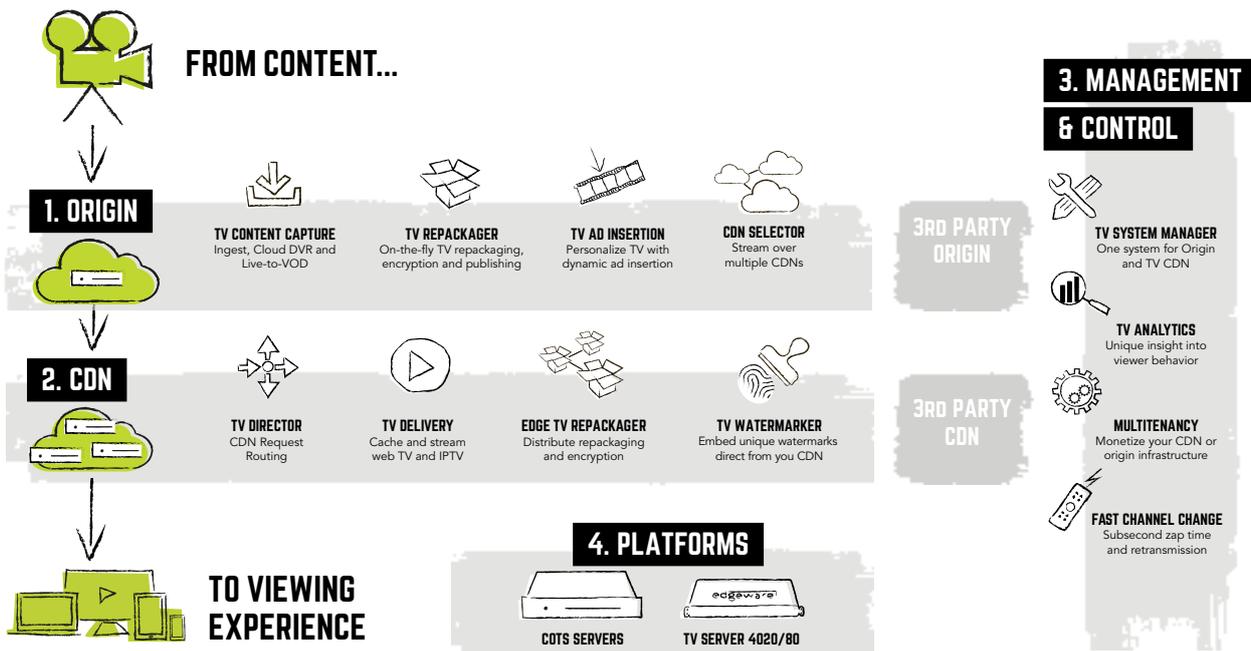
SERVICE OFFERING

Edgware's services include support services, as well as a smaller number of other services.

The services sales category represented 18.5 percent of net sales in 2017. Services are rarely sold independently. Instead, they are usually sold together with hardware and software products. For example, approximately 99 percent of customers purchase support services in conjunction with purchasing hardware and software products.



PRODUCT OVERVIEW – EDGEWARE'S TV CDN SOLUTION



THE CONTENT AND VALUE IN THE OFFERING:

Edgware's TV CDN solution can be divided into four areas:

1. ORIGIN

Origin is a central function in the network, where TV content is received, processed, and cached. Even customers who do not have their own distribution network usually have their own origin. Edgware's unique origin solution allows customers to offer live TV as an on-demand service where viewers can watch programs when they want. The content is recorded and converted in real time, to all the different streaming formats. It can also be encrypted and prepared for individually tailored advertising. The solution supports 4k, 8k, and VR TV.

2. CDN

CDN is the distribution network that delivers content to viewers. Popular content is cached here, and can quickly be distributed at maximum quality and with a minimal network load. If the viewer is streaming video on their iPhone, the content can be repackaged on the fly from a server out in the distribution network. The system supports essentially all types of devices, for example iPhones, Samsung Smart TVs and Android tablets. Watermarking, which makes it possible track the source of pirated content by providing each stream with a unique watermark, was announced in 2017.

3. MANAGEMENT & CONTROL

Edgware's solution enables control of both Origin and CDN systems from a single, consolidated management tool. The customer can monitor and analyse all aspects of their TV service, regardless of whether it is a classic IPTV service via a set-top box in the living room or Internet TV via a mobile phone. The analysis tool provides a unique opportunity to conduct advanced analyses in real time of the connection between network data and viewer habits by gathering and tying together data from different sources.

4. PLATFORMS

Edgware's software-based TV Server gives customers the possibility of constructing their own delivery infrastructure using standard hardware, or installing Edgware's proprietary hardware optimised for TV. It is delivered pre-integrated, with Edgware's software installed, which means it can be put into operation quickly and easily. Customers can also create hybrid solutions combining the advantages of both systems – the flexibility and scalability of cloud solutions and the delivery quality of Edgware's optimised TV servers.

CUSTOMERS, SALES AND MARKETING

Edgeware has had a global presence since the beginning, when the company secured its first international customer in 2007 – a customer that still purchases its products and services today. Today, the company has more than 200 customers in over 70 countries, comprising telecom and cable operators as well as OTTs/broadcasters.

The primary customer groups in the market are telecom and cable operators and OTTs/broadcasters, who distribute TV and video content over the Internet.

Telecom operators, which also include broadband providers, accounted for 75.2 percent (75.8) of Edgeware's net sales in 2017. Telecom operators primarily use Edgeware's products and solutions to deliver their TV services over IP and normally purchase comprehensive solutions. Examples of customers include KPN in the Netherlands and PCCW in Hong Kong.

Cable operators accounted for 13.6 percent (18.6) of Edgeware's net sales in 2017. Typically, these customers have needs similar to those of telecom operators. As TV providers, most cable operators already have networks built and they tend to purchase components and functions rather than comprehensive solutions. They also represent the largest customer category in the total market. Examples of these customers are Com Hem in Sweden and Televisa in Mexico.

OTTs/broadcasters accounted for 11.2 percent (5.6) of Edgeware's net sales in 2017. This is the smallest customer category in the market, but is growing at a faster rate than the other customer categories. Customers in this category used Edgeware's products to enable their live and on-demand services over the Internet. These customers appreciate high quality, the ability to analyse viewing habits and the delivery quality of the service. Examples of customers include TVB in Hong Kong.

Edgeware has enabled telecom and cable operators to deliver new services over IP, and thereby find new sources of income. New products and services create ever greater potential for delivery to the OTTs/broad-

casters customer category, which distributes content via the Internet. Companies in this customer category are growing considerably and thus require scalable streaming solutions. They also require greater insight into user behaviour and high-quality delivery.

Edgeware gained 18 new end clients in 2017. The largest customer accounted for 17.7 percent (23.0) of total sales, the three largest for 38.5 percent (41.9) and the five largest for 51.4 percent (55.4).

SALES AND MARKETING

Edgeware had a global sales and marketing team comprising 30 people at 31 December 2017. The team has extensive technical experience in the industry and considerable knowledge about each region. The sales representatives are engaged in an ongoing dialogue with the company's customers and have an in-depth understanding of their needs and demands. Edgeware's customers are often recurring customers. During 2017, 8.2 percent (10.4) of order intake was derived from new customers, while 91.8 percent (89.6) came from existing customers. Edgeware's sales are conducted both directly and via partners, with each channel generating similar profitability. Direct sales take place through the company's own sales teams in prioritised markets, and with staff stationed in the regions where Edgeware operates. Partners enable entry into new markets and reaching more customers. They also lend credibility when dealing with large companies and will increase the company's chances of selling to leading global companies with long sales cycles. Regardless of sales channel, the company normally has direct contact with its customers. Sales through partners in 2017 as a share of total net sales amounted to 45 percent (43).

EDGEWARE HAS FOUR TYPES OF PARTNERS:

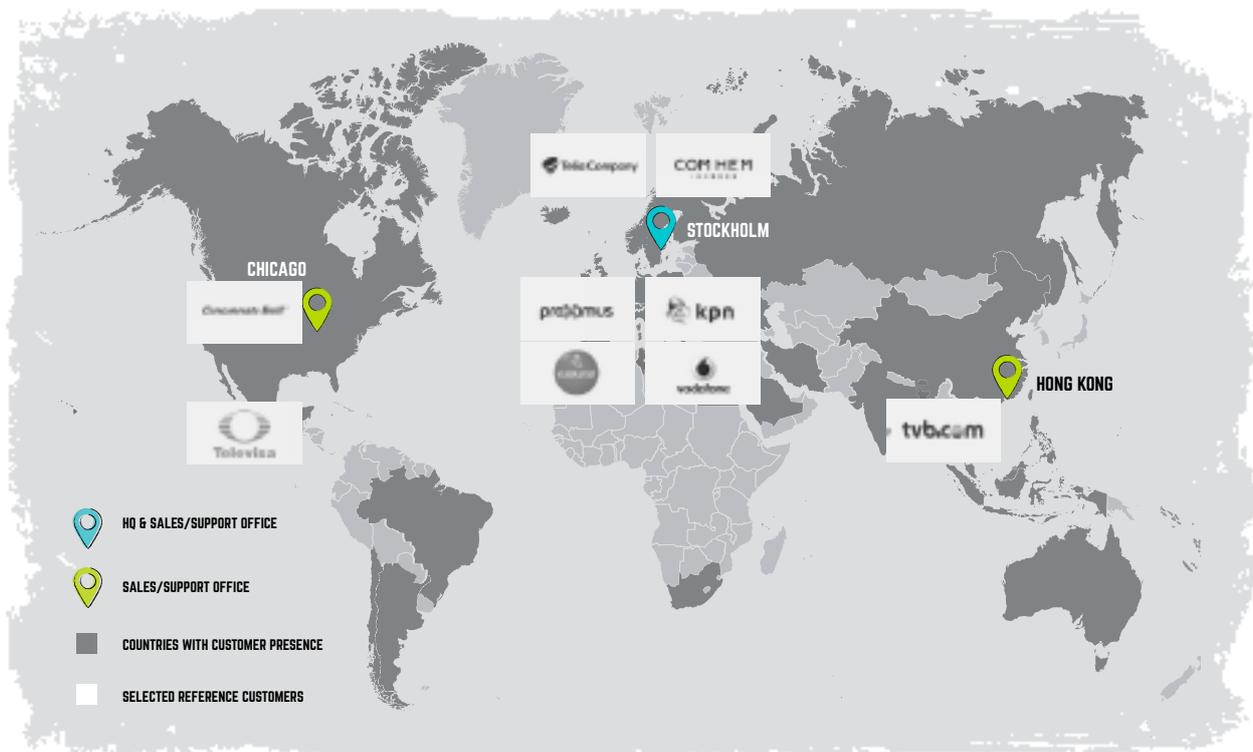
- **Retailers:** Exclusively retail third-party products.
- **Integration partners:** Build turnkey solutions for customers using third-party components.
- **Ecosystem partners:** Offer products with related functions that require supplementary products to meet customer needs.
- **Retail agents:** Commission-based agents that act as an intermediary between Edgeware and the customer.

Unlike existing customers, new customers often use a procurement procedure in which Edgeware submits a tender based on various factors, such as the number of viewers and channels, the quality of the content, deployment locations and functions. A sales process for new customers generally takes 6–24 months, compared with 1–6 months for existing customers.

MARKETING

Edgeware uses targeted marketing at the global level to create new customer relationships and strengthen its relationships with its existing customers. The aim of this marketing is to increase awareness of Edgeware's solutions and to educate about the advantages they can provide to potential customers. Edgeware's most important marketing channels are international trade fairs, industry media and digital marketing. Trade fairs include major industry events, such as the International Broadcasting Convention (IBC) in Europe, the NAB show in the US and Broadcast Asia. Digital marketing channels comprise Edgeware's web site, search engine advertisements, social media such as Twitter, Facebook and LinkedIn, and remarketing on external sites. This is followed by articles in which Edgeware's leadership is highlighted in an editorial context, and content marketing with white papers, for example, and finally contact via the sales organisation.

GEOGRAPHIC PRESENCE



“EXTREMELY EASY TO SCALE UP AS WE CONTINUE TO GROW”

Alex Jørgensen, system architect at Stofa

The Danish telecom operator Stofa was the first customer to go live with Edgeware’s TV servers in 2007. Ten years later, Stofa is Denmark’s leading provider of mobile telephony, Internet and TV services, and has been a pioneer in Web TV. Edgeware is also Stofa’s choice for the future.

Stofa provides TV, Internet and communications solutions to over 400,000 customers in Denmark. As a leading player in TV over Internet and interactive TV services, with its MitTV and WebTV services, Stofa plans to grow its customer base substantially over the next few years.

LAUNCH 2007

Ten years ago, Stofa’s customers were satisfied users of the company’s set-top boxes... but were dreaming of greater interactivity. VOD services were growing in popularity, and Stofa turned to Edgeware to build and launch “the TV of the future.”

“The market was ready for more interactive set-top boxes, programme libraries, and TV when it suited people to watch. We conducted a joint procurement with Telia Sverige, which we were a part of at the time, and quickly became interested in Edgeware’s offering. When we compared it with other alternatives, we saw that Edgeware’s technology was easy to launch new services in, had a fantastic configuration protocol, and was easy to expand in pace with increased volumes and customers,” says Alex Jørgensen, system architect at Stofa.

A LEADER WHO WANTS TO GROW

In 2007, Stofa launched its improved TV service, initially built on three servers for streamed video from Edgeware. In 2010, Stofa became the first player in Denmark to launch Web TV. Since then, Stofa has

driven development in interactive set-top boxes and TV services that have increasingly won the hearts of Danes.

“The appetite for streamed TV services is strong, and the trend is clear. Our customers simply want more! We are continually increasing our focus on content for streamed video and TV over the Internet. For example, we will be launching a platform based on Android TV, and will be continually working hard to offer the market’s most attractive products to our customers,” Alex says.

A COLLABORATION BUILT FOR GROWTH

As Stofa continues to grow, Edgeware’s products will provide increasingly larger volumes of amazing TV. And our collaboration is built on a decade of trust and commitment.

“Since day one and our first integration with Edgeware, we have been part of a very strong collaboration. Support and development are always quick, and the team is clearly committed to our continued success. I really like being able to speak directly with the person who wrote the software code, or the person who constructed the server. For me, Edgeware means talent and knowledge, and we always get help lightning-quick, if we need it. Without a doubt, Edgeware has also grown, but they still act like a small, agile company, and we appreciate that a lot,” Alex says.



Stofa is one of Denmark's leading players in TV over the Internet and interactive TV services. With its MitTV and WebTV services, it has over 400,000 customers and plans to grow its customer base substantially over the next few years.

Stofa:

LAST QUESTION, ALEX. WHAT DO YOU THINK THE FUTURE OF TV LOOKS LIKE?

"Traditional cable TV solutions will migrate to OTT and streaming. Parts of the cable TV offering will remain, but will not be used for interactive services. That's hardly surprising, but linear TV will continue to shrink while VOD and catch-up TV will increase rapidly. The responses are hardly the solution to the 'million dollar question', but these changes will bring solid improvement to the TV experience with them. Right now, we are part of a tremendously exciting epoch in the evolution of TV and video," Alex concludes.

FACTS IN BRIEF

- Stofa Denmark, +400,000 customers.
- Edgeware customer since 2007.
- Offers the Stofa SmartTV box with streamed TV and video.
- Uses 20 Edgeware TV servers – a mix of 3020s and 4020s – at five locations across Denmark, as well as Edgeware's Management System.

EDGEWARE IS BEHIND STARMAN'S STRONG GROWTH IN THE WEB TV OF THE FUTURE

Starman, a part of Elisa, is a leading telecom operator in mobile telephony, Internet, and TV in Estonia. Since 2012, Edgeware has been a central partner in Starman's expansion in Web TV, VOD and OTT. And the journey has only just begun!

"Our service for streamed video and VOD is extremely popular, and our subscribers love the simplicity and accessibility of the service, regardless of platform," says Erkki Pöllu, head of Multimedia Platforms, and continues: "Edgeware has been an important component in our success in the market."

In 2012, Starman chose Edgeware's TV servers to realise the launch of its new IPTV service. At that time, a programme library was offered for only one channel. In 2014, Starman could offer a seven-day programme library for a full 100 TV channels, and launched applications for both Android and iOS. Today, Starman offers a wide-ranging programme archive for all popular formats. Five years after its start, collaboration with Edgeware has developed robustly.

"When we launched the technology for streamed video, we were looking for the best technology in the market – which we found in Edgeware. It turned out to be an excellent decision. Year after year, our services have grown in popularity, in pace with customers switching from linear TV to watching when it suits them. Today, everyone wants to be part of 'the new era of TV', and over 40 percent of our customers use our programme library every month," Erkki says.

CAPTURED NEW MARKET TREND

With its strong history in cable TV, Starman saw how the number of cable customers shrank during 2010. The 2012 launch of Web TV together with Edgeware stopped the customer churn, and since 2014 the number of customers has been increasing month after

month. With its Starbox service that includes a set-top box, VOD, Cloud DVR and Internet, Starman can now focus on streamed video and interactive services. And here is where Edgeware enters the picture – with a partnership built on close collaboration and strong focus on creating attractive TV experiences.

"Edgeware offers the best value for the money, and has really played an important role in our success. The collaboration and the technology have always given us a feeling of security. We have never needed to worry about load capacity, and if anything – contrary to expectation – needs to be fixed, Edgeware is at our side in a flash. All so that our services can roll on, trouble-free. Honestly, we nearly never need support, but when that happens we always get quick, friendly help which I personally deeply appreciate," Erkki concludes.



ABOUT ELISA AND STARMAN

Elisa and Starman are a group with 1,000 employees, whose energy provides the power for the leading communications and TV services in Estonia. Starman is a leader in fiber-optic cable networks for TV, and the second largest cable operator in Estonia. Together, the companies aim to expand their product offering in mobile telephony, Internet, and interactive TV services.



“When we launched the technology for streamed video, we were looking for the best technology in the market – which we found in Edgware. It turned out to be an excellent decision. Year after year, our services have grown in popularity, in pace with customers switching from linear TV to watching when it suits them. Today, everyone wants to be part of ‘the new era of TV’, and over 40 percent of our customers use our programme library every month,” says Erkki Põllu, head of Multimedia Platforms at Starman.

RESEARCH AND DEVELOPMENT

Since the company's inception, R&D has been at the core of Edgware's rapid growth in the supply of streamed TV. As a result of a long-term and determined focus on R&D, Edgware has created a leading position in hardware, software and solutions. Key success factors are deep-rooted knowledge of the market combined with technological know-how and an innovative development environment.

Edgware's hardware-based TV servers and software, which facilitate decentralised solutions, are a prerequisite for the company's leading market position. By controlling the entire chain from development of circuit boards to the realisation of functions in programmable logic and programming of drivers, applications and system configurations, the company safeguards its position in scalability, determinism and reliability and its opportunities to be part of the permanent network infrastructure.

SOFTWARE INCREASINGLY IMPORTANT

In parallel with hardware, software and solutions are a rapidly growing product area. The initiatives in progress to increase Edgware's share of the value chain include offering solutions for customised advertising. All services and offerings are available as software options, thus opening up new customer segments. The software solutions provide greater flexibility as an increasing number of industry participants are opening themselves up for virtualisation and cloud platforms. Cloud-based services provide customers with the possibility of temporarily increasing capacity ahead of major events (a football match, for example). At the same time, software solutions reduce the capital cost, enabling a gradual build-up of capacity.

The software-based solution encompasses various parts of the value chain: Origin, which includes recording, repackaging into the leading formats in the market (DASH, HLS, MSS) and encryption; CDN, with recording and time shift of both live and VOD services; and Traffic Management and Analytics, which include components for data collection and presentation.

TECHNOLOGY OF THE FUTURE TODAY

Over the past year, Edgware's R&D has succeeded in integrating and demonstrating ContentArmor's bitstream-based watermarking using Edgware's TV servers. The technology offers strong protection against pirating by including information in the video stream that is invisible to the viewer, but is sufficiently robust to handle different types of recoding. Every viewer therefore has their own identifiable version of the content.

Edgware continues to provide its market-leading 4080 model with 64TB storage capacity and 80Gbps streaming capacity, including repackaging and encryption, that can handle more than 4,000 simultaneous incoming TV channels – all pre-packaged in a single rack unit. With its low power consumption and extremely high reliability, it marks yet another milestone in state-of-the-art TV streaming.

In 2017, Edgware developed several new software products customised for use in virtualised environments. In 2018, development efforts will continue according to the same strategy, with more products and further development of Edgware's TV servers. All this will be done as part of a concept known as hybrid cloud solution – a concept that combines the best of the products operated in a virtualised manner in data centres and TV servers at the edge of the network.

EQUIPPED FOR CUTTING-EDGE INNOVATION

Product development is managed from the Head Office in Stockholm, where nearly 50 people are active in product development, the CTO office, and R&D. There is also an outsourced development unit in Vietnam with just over ten employees.

The R&D function is responsible for executing the development plans and objectives established by the product organization and for troubleshooting and analysis of temporary problems. Research and development is the largest single unit in the company, with 38 percent of the overall workforce. The function is divided into several teams that are responsible for Origin, TV CDN, Management & Control, Platform and Test & Integration.

The CTO function focuses on long-term technical development and product planning. This function continuously receives valuable guidance from the sales function as well as the operations function with respect to customer needs and requests and works proactively to predict future requirements and opportunities.

The Product Management function focuses on developing and designing products based on the needs of existing customers and on identifying strategic product requirements and opportunities based on input from the CTO function.

PRIZES AND AWARDS 2017

- IABM AWARD for new watermarking solution
- Streaming media Europe readers' choice award for server hardware/software
- Finalist in "Best Digital TV Product" for 2017 Sports Technology Awards

PATENTS PROVIDE PROTECTION FOR EDGEWARE'S UNIQUENESS

Edgeware's patent portfolio contains eight patent registrations as well as five patents pending. The patents cover the core technology in Edgeware's TV servers plus their cache algorithms. The patent strategy focuses on protecting innovations that are vital to Edgeware's products when they are launched in the market. Edgeware focuses continually on innovation, and decisions about new patent applications are made on a case-by-case basis.

IN 2017, EDGEWARE DEVELOPED SEVERAL NEW SOFTWARE PRODUCTS CUSTOMISED FOR VIRTUALISED ENVIRONMENTS.



TECH TALK – ON THE CUTTING EDGE OF TECHNOLOGY

Being on the cutting edge of technology and development is a guiding light for Edgeware. The objective is to predict future need and solutions in video and TV today. The company has made significant investments in its development and product divisions, which work on a daily basis to provide the market with technology on the cutting edge of development.

Interview with Johan Bolin, VP Products and Anders Westin, VP R&D and acting CTO.

HOW IS EDGEWARE WORKING TO BE AN INDUSTRY LEADER?

Our leadership in the industry is built on being active in our customer relationships, and pursuing innovative work internally at the same time. By being really close to our customers, we understand their challenges, and through continual dialogue with our customers we learn from them and can develop solutions that meet their needs. By looking “ahead of the curve” and understanding our customers’ indirect challenges – which are not always obvious – we can challenge, innovate and develop products that are a step ahead of the market’s needs. We must always be at least half a step in front of our customers in order to meet their challenges head-on. By ensuring that we have leading expertise in video close to our customers and by being active in the market, we can stay sharp and become trusted advisers. That is a competitive advantage for Edgeware.

WHAT DOES BEING AN INDUSTRY LEADER REQUIRE?

Being an industry leader requires continually improving and broadening our product portfolio so that it remains attractive to our customers – for example in streaming and session management, and in security. In addition, it is important that Edgeware takes an active part in standardisation and industry forums, thereby ensuring that we are always involved in what’s happening and can influence the agenda with our ideas. A good example of this is our initiative in video streaming formats such as CMAF and DASH, where we are on the cutting edge. Everyone in our industry knows that changes are happening, and happening quickly, in the field of the Internet. We must always be on our toes so that our products are ready when the industry needs new solutions. The watchwords are agility and a feeling for “where the puck is going”.

TECH TALK WITH EDGEWARE’S JOHAN BOLIN, VP PRODUCTS, AND ANDERS WESTIN, VP R&D AND ACTING CTO



WHY IS IT IMPORTANT TO BE ON THE CUTTING EDGE OF TECHNOLOGY?

Innovation is our ultimate competitive advantage. To be relevant for our customers over the long term, we have to be furthest ahead in development, daring to tread new paths. Believing you'll catch up when something new is being tested by someone else is often just lying to yourself, and missing the initiative. To be a leader, technology trends must be watched as well as innovations in code, hardware, tools and services. The advantages of being first out with something new is that you can own the concept and set the agenda. For Edgware, it's often a question of investing in things that are valuable for the entire ecosystem around video and TV. Not just to solve an individual customer's problem, but to see the big picture. Putting it simply – to think big.

Then it's important to show leadership and take part in forums, fairs and industry channels. Once again, to be selectable and at the top of customers' lists.

WHAT NEEDS AND OPPORTUNITIES OVER THE NEXT FIVE YEARS CAN YOU SEE NOW?

Since competition in video and TV is increasing at an enormous rate, it is becoming even more important – if that's possible – for service providers to better understand their customers' habits in order to develop winning services. For a technology company like Edgware, that puts even greater demands on shorter innovation cycles. We must be even faster in bringing new products into the market.

On a somewhat more experience-based plane, alongside the major live broadcasts, traditional, scheduled linear TV watching is going to die a natural death. VOD continues to increase in significance, and in particular we expect the interactive TV experience to be the next big thing. Interactive TV, where the viewer plays an active role and can contribute their own content while the format is lavish and professional. A cross between your own booth in "På Spåret"* and a connected instrument in "Så mycket bättre"*, paired

with performance events and e-sport. We believe that the TV of the future will be "mixed content", where world citizens increasingly thirsty for attention will make themselves the star. It's a trend that will require a great deal of technological innovation.

HOW MUCH DO TECHNOLOGICAL DEVELOPMENT AND CUSTOMER NEEDS DIFFER AMONG VARIOUS MARKETS?

To begin with, needs and opportunities vary in different markets. In countries that have plenty of fibre networks and energy, more cloud services is the most probable path, while certain countries and continents need to depend on installed capacity with servers distributed in the network, and so on. Regardless, technological innovation will continue to be crucial to our success.

And then, a great deal of innovation is driven today by OTT players and broadcasters. Generally, those with the rights to content are quicker to use new technology. If they've invested billions of SEK into TV content, there are many reasons to do their utmost to stimulate viewing via positive user experiences, while at the same time delivering streams efficiently and keeping content secure. There are also various hubs that drive innovation for various reasons. In Sweden, we are far ahead of the rest owing to good networks and users who are happy to test new concepts. In California, there are tech giants who have growing initiatives in video, while certain Asian markets are well in the lead because they have simply chosen to hop over a generation of technology and go directly to the latest tech.

AND FINALLY: WHAT IS MOST IMPORTANT FOR EDGEWARE IN ITS HUNT AFTER CONTINUED LEADERSHIP?

Without a doubt, our employees. We are, and will remain, the market's chief specialists in providing video and TV. That is why our continued success is determined by our ability to research, innovate, test, fail and succeed in developing products for the video and TV of the future.

The answer is simple. People are the crucial factor.

* Popular Swedish TV shows

HR – A FOCUS ON TALENTED EXPANSION

One of the most important factors for success is motivated employees who enjoy their work, improve themselves, and work on things they're passionate about. In 2017, Edgeware worked actively to further strengthen its business culture and has additionally improved processes around organisation, leadership and employees.

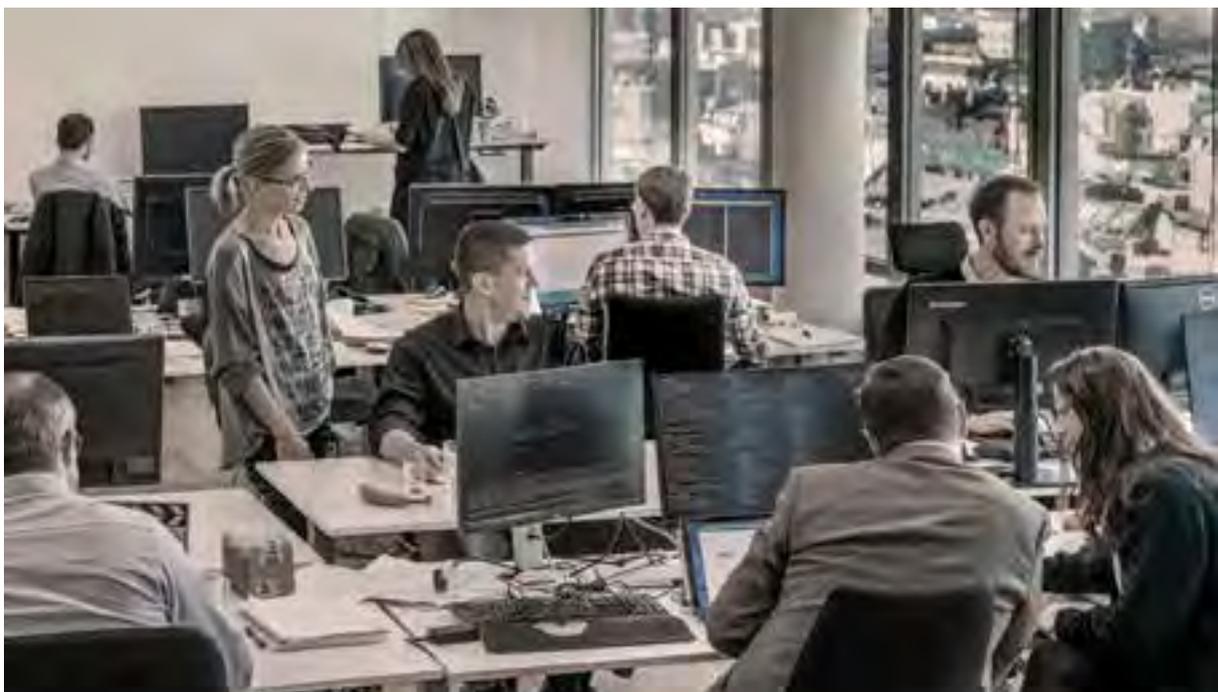
Our journey through 2017 started with defining the culture desired, in line with the company's strategy and brand. In focus is a strong shared culture that helps our employees strive towards the company's goals and vision. At Edgeware, diversity is an important part of its business culture. Diversity provides perspective and enables increased creativity. Our employees' competence in areas such as support and services is placed at the disposal of our customers on a daily basis. For a global company, it is crucial that our organisation reflects our customers and understands local markets and cultures. Equality, alongside diversity, is a natural part of Edgeware's business culture. The company offers a workplace that provides development for both genders, with the ambition of gradually attracting more women to positions, primarily in technological development. At year-end 2017,

there were 112 employees – 100 men and 12 women – and our staff is globally represented in 15 countries. In addition, Edgeware has a number of consultants hired, including an outsourced team in Vietnam, who support research and development.

“AN AMAZING PLACE FOR AMAZING PEOPLE”

Feeling pride in your work and getting along with your colleagues are keys to success. The 2017 employee survey was conducted during the year, and demonstrated a high level of satisfaction and extremely strong ambassadorship. An important part of being an attractive workplace is the existence of thorough interest in understanding how employees perceive their workplace: what they appreciate, what they're missing, and what they think could be better. The survey showed that Edgeware has satisfied employees. 93.4 percent of

AT EDGEWARE'S HEAD OFFICE, HÖTORGSSKRAPA 4, STOCKHOLM





employees would recommend the company to others as an employer, and a full 96.7 percent were satisfied or very satisfied with their workplace. The results are strong, thanks in part to our employees' possibilities for influencing their work themselves and the opportunities to create a healthy balance between work and leisure. To further improve the good spirits in the company and to improve internal information, Edgeware's new intranet, Edgenet, was launched in 2017. Edgenet is "An amazing place for amazing people", where employees around the world meet on one open platform and can share and learn valuable knowledge. The intranet contributes to increased satisfaction, openness, and the company's shared values and culture.

GOOD PERSONAL DEVELOPMENT CREATES COMPETITIVE ADVANTAGES

At Edgeware, innovation is central. That is why personal development is the alpha and omega for continued success and rapid growth. Talented employees give each other an opportunity to grow as individuals and fertile ground is created for continued innovation, in both technological and personal development.

During the year, a new process for employee dialogue was produced, in which focus lies on regular dialogues between employees and managers. Additionally, a

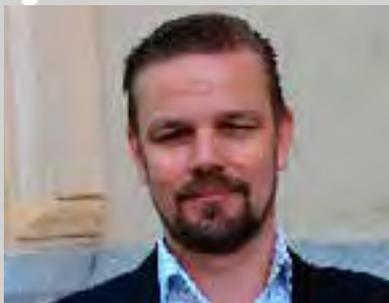
framework for skills development that motivates employees to develop in line with their role and the company's goals was launched in 2017. Even Edgeware's recruitment method is continually being improved, since the right competence is a strategically important issue for the company's continued expansion. With an improved recruitment process, the right competence can be supplied for the global expansion, which accelerated during 2017.

WITH CARE FOR THE EMPLOYEES AND THE ENVIRONMENT

Edgeware's philosophy is that employees who feel well, perform well. That is why Edgeware contributes the conditions for a healthy lifestyle, with the support of both healthcare allowances and medical care insurance. In the desire to be an even better, more attractive company, Edgeware invested during the year in a portal for simplifying, and encouraging employees to use, their healthcare allowance. In the portal, employees have access to a large selection of healthcare and exercise options, for example gym, yoga and massage. In addition, there is great interest in cycling at the Stockholm office, which is why Edgeware invested in bicycle parking to encourage more employees to commute to work on bicycles. Overall, the low level of sickness absence – 0.93 percent – shows that healthcare allowances, exercise and health are good investments.



MEET THREE EDGEWARE EMPLOYEES



PETER LÖFLING – VP SALES, APAC

WHAT DO YOU DO AT EDGEWARE?

I have had several roles in sales at the company, starting as the Director of Strategic Accounts for Western Europe. After that, I became Regional Sales Director for Europe/APAC, with my own sales team. Now I am VP for Sales in APAC, live in Hong Kong, and am responsible for giving Edgware a firm foothold in the region with its own office in Hong Kong. I ensure that we reach our sales goals as well as set the sales strategy, sell, recruit staff, and structure and lead the team from presales all the way to add-on sales.

WHY DID YOU START AT EDGEWARE?

Previously, I was living in Dubai and had moved back to Sweden in 2008. I met the founders of the company – Joachim, Kalle, and Lukas – and was tremendously inspired by them, so I decided to become part of the team. At that time, Edgware had only 15 employees with sales of less than SEK 10 million.

WHAT DO YOU APPRECIATE MOST ABOUT THE WORK?

At Edgware, change is the only constant. This goes for me even more – if that's possible – now that I live in Hong Kong. I have always appreciated the freedom, and spending a lot of time with the customers. Sometimes there is a lot of travel: in 2016 I went abroad 26 times. But I'm really not complaining. Not many people get the chance to travel to Vietnam, Mongolia, the Philippines, Macao, China, Japan and so on. We are working on some extremely exciting projects. Our customers in Asia are looking for red-hot technology and new business opportunities. With our ability to implement technology and comprehensive solutions that impress customers around the globe, I am proud to be a part of Edgware.



**RAMYA BAVA CHANDRASEKARAN
– SYSTEMS ENGINEER**

I have been working for Edgware as a systems engineer for a number of years now: first in Stockholm, then remotely from my home town of Chennai in India. In January 2017, I moved back to Sweden again and began working at Edgware's head office.

WHAT DO YOU DO AT EDGEWARE?

As an employee in our support and service centre in Stockholm, I ensure that our customers receive the best possible support. I work on things such as troubleshooting in existing installations. That could be performance-related issues, functionality that isn't working optimally, configurations and upgrades, or occasionally somewhat more acute emergencies. We handle around 100 support cases every month, and I love solving challenges and problems. Predicting what could happen every day is impossible, and that's precisely what's fun about it – facing new issues and solving them.

WHY DID YOU CHOOSE TO MOVE BACK TO EDGEWARE IN SWEDEN IN 2017?

Above all because I've loved Sweden since I moved here the first time with my husband, in 2012. Since I worked for Edgware for four years from India, I was a part of the "Edgware spirit." When we got the chance to move to Sweden again, it was an easy choice, since I really appreciate the Swedish lifestyle and values.



**TORBJÖRN EINARSSON
– TECHNICAL EXPERT**

WHAT DO YOU DO AT EDGEWARE?

I work in the CTO office as a technical expert in video. My work includes investigating and determining which algorithms and protocols for video repackaging and signalling we will implement, and carrying out proof of concept implementations for new solutions. As a function owner, I keep an eye on the technological details for which media repackaging products we are developing. I am also part of a few standardisation forums such as MPEG and DASH-IF, and I am active in developing Open Source for DASH through DASH-IF. My first MPEG standardisation meeting was in Japan, in 1995. As regards patents, I have technical responsibility for our having a functional patent process and for developing new patents. As an expert, I also need help quite often in troubleshooting difficult technical problems in my field.

WHY DID YOU START AT EDGEWARE?

I worked in research and development of video technology at Ericsson Research for 16 years, and at MobiTV for five. When MobiTV's Swedish office shut down a few years ago, I was looking for a challenging job – preferably in a field of technology where my skills and my network in video technology would be valuable – and I found a great match in the CTO office at Edgware.

WHAT DO YOU APPRECIATE MOST ABOUT THE WORK?

I can contribute on many different levels, from in-depth technical details to major strategic elements of the products we're going to develop. It's also tremendously pleasant to work together with skilled people from nearly all parts of the company. Those benefits are hard to get at a larger company.

EDGEWARE 2004-2017



2009. INTERNATIONAL MARKET EXPANSION

By 2009, Edgware had built up an international CV including telcoms and cable operators. By establishing a subsidiary in the US, Edgware was able to cultivate the world's largest market for TV services. During the year, Edgware won a tender to develop infrastructure for the US firm Zillion, a predecessor to Netflix. Another gigantic leap out into the global market was taken in 2009 when, for example, one of India's largest cable operators selected Edgware's products. Edgware had 25 employees and sales of SEK 23 million.

2010. SALES DOUBLED

In 2010, sales rose from SEK 23 million to SEK 54 million. The business became more professional, and both customer support and marketing were developed. An additional tender and an order that remains prestigious today was secured with Belgian telecom company Belgacom (now Proximus). Edgware had yet again secured a major contract with a large-scale operator and passed another milestone in the company's journey of growth. Edgware had 31 employees and sales of SEK 55 million.

2006. SHAREHOLDER CONTRIBUTIONS AND GROWING INTEREST

2006 became the true start for Edgware. The VC companies Creandum and Amadeus invested in the company's development, Edgware recruited personnel and began manufacturing product prototypes and pre-series. During the same year, a market breakthrough came at the IBC Fair in Amsterdam, when Edgware launched its innovative video server. Edgware had eight employees and sales of SEK 100,000.

2007. STRATEGIC CUSTOMER BREAKTHROUGH

Edgware won several tenders in competition with industry heavyweights, and rumours spread about the Swedish start-up company at the cutting edge of technology. Following the first transaction with the Finnish company Maxisat, the contract with a capital C was secured when Telia chose Edgware's concept. It was a key component in Telia's initiative to offer 300,000 subscribers the On-Demand TV of the future to linear TV customers. An agreement was subsequently secured with the Danish cable operator Stofa, who became Edgware's first deployed customer. Edgware had 12 employees and sales of SEK 13 million.

2008. TELIA WENT LIVE

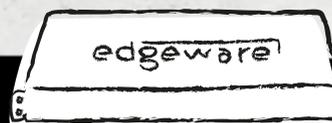
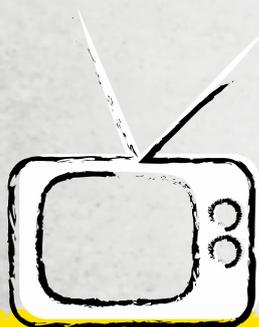
In 2008, Edgware gained a new partner in the US company Micron. Telia went live with Edgware's technology, thus contributing to Telia's rapid growth in TV On Demand. In 2008, Nortel Networks became an international distributor, following which systems suppliers, such as Alcatel-Lucent and Ericsson, were added. At the end of 2008, a subsidiary was established in the US. Technology to stream TV over the open Internet started to be developed during the year. Edgware had 18 employees and sales of SEK 10 million.

2004. FOUNDATION LAID FROM NEW MARKET REQUIREMENT

Edgware was founded in 2004 by Joachim Roos, Lukas Holm and Kalle Henriksson, who had seen how linear TV viewing – viewing scheduled programming – was slowly but surely being replaced by video-on-demand (VOD), which allows viewers to control their TV experience. They realised that this trend was generating an enormous increase in the data being delivered over the networks. Their vision was to find a solution that could effectively handle this increase in delivered data. The solution, they realised, was to store data far out on the "edge" of the networks, which is where the name Edgware comes from.

2005. THE COMPANY EMERGED

In 2005, the foundation was laid for Edgware's offering, and the TV services of the future started to emerge. By storing video data far out on at the edge of the networks, with servers based on Flash memories, considerable benefits were created for the operators. At its offices in Hammarbyhamnen in Stockholm, a business plan and products emerged, as did the company. Edgware had eight employees.



2004

2005

2006

2007

2008

2009

2010

2011. SEK 100 MILLION PASSED

Seven years after its inception, the company passed sales of SEK 100 million, after a strong year of growth with sales rising 100 percent, driven by a number of strategic transactions. Retail collaboration with Ericsson contributed to rapid internationalisation. Edgware's CDN solution was launched in 2011 and sold to Jazztel, a Spanish telecom operator. Edgware had 34 employees and sales of SEK 106 million.



2012. RECORD CDN TRANSACTION

Expansion continued in 2012, and the company recruited 24 new employees. Edgware secured its largest order to date in TV CDN and concluded a series of important transactions internationally. These included deliveries to one of Switzerland's leading operators in the deployment of IPTV services and VOD services to Starman, an Estonian cable operator. Edgware had 58 employees and sales of SEK 134 million.

2013. INCREASED FOCUS ON DIRECT SALES

In 2013, transactions were concluded via Ericsson and Nokia Siemens, for example, with two large telecom operators in Spain and the Nordic region. A retailer agreement was signed with Nagra and systems were sold to, among others, Euskaltel, a Spanish cable operator. In 2013, Ericsson exited from its partnership after buying out a competitor, and Edgware initiated its transition towards an increase in direct sales, a development that resulted in increased control and proximity to customers. Edgware had 64 employees and sales of SEK 128 million.

2014. ASIAN AND LATIN AMERICAN EXPANSION

The expansion process into Asia was strengthened in 2014. In connection with signing a contract with PCCW in Hong Kong, an office was established in the city. With its own sales and service personnel, the Asian expansion was strengthened. To gain an even firmer foothold in Latin America as well, a partnership was entered into with middleware company Mirada, and a transaction was completed with Televisa, a Mexican telecom operator. Edgware had 63 employees and sales of SEK 148 million.

2015. SEK 200 MILLION PASSED

Edgware grew by 35 percent. A key tender was won with TVB in Hong Kong concerning a build-out of OTT (Over the Internet), which served as a valuable reference customer in the Asian expansion. A large European betting distributor selected Edgware's solution for its launch of online betting. The initiative in Mexico was strengthened through the addition of sales and service personnel, in part to support the launch of Televisa's services. Edgware had 80 employees and sales of SEK 204 million.



2016. GROWTH AND STOCK LISTING

During 2016, a large number of both new transactions and upgrades for existing customers were completed. New markets such as Australia were penetrated, and Edgware launched its customer promise "Let's make TV amazing again." Edgware's Board of Directors was strengthened and the company's shares were listed on Nasdaq Stockholm on 9 December, injecting additional power for continued global market expansion. Edgware had 92 employees, grew 24 percent and had sales of SEK 252 million.

2017. CONTINUED INTERNATIONAL EXPANSION

International expansion with increased sales forces in selected markets. Launch of a new partner program for retailers and technology partners. Edgware had 112 employees and sales of SEK 236.8 million. More new products than ever before were launched during the year: TV Watermarker, Edge TV Repackager, CDN Selector and a software-based alternative to hardware servers.



2011

2012

2013

2014

2015

2016

2017

THE SHARE AND SHAREHOLDERS

During 2017, the share price varied between SEK 29.0 and SEK 54.0. The closing price on the last day of trading in December 2017 was SEK 31.5. Edgware's market capitalisation on 31 December 2017 was SEK 946 million. The number of Edgware shareholders on 31 December 2017 was 3,348. Foreign shareholders

accounted for some 25 percent of the voting rights. As per 31 December 2017, Edgware's share capital amounted to SEK 1,502,150.40, represented by 30,043,008 shares, of which Class C shares accounted for 100 percent.

Shareholder	Number of shares	Shares and voting rights, %
1. Amadeus	6,937,694	23.1%
2. Creandum	5,635,486	18.8%
3. Swedbank Robur Funds	2,600,000	8.7%
4. AMF Försäkring & Fonder	1,100,000	3.7%
5. ÖstVäst Capital Management	1,084,911	3.6%
6. Catella Funds	1,057,349	3.5%
7. Martin Gren (Grenspecialisten)	895,343	3.0%
8. Öhman Funds	741,802	2.5%
9. Joachim Roos Invest AB	518,226	1.7%
10. LMK Companies & Foundation	517,241	1.7%
11. Nordnet Pensionsförsäkring	497,117	1.7%
12. Second Swedish National Pension Fund – AP2	439,688	1.5%
13. Avanza Pension	425,639	1.4%
14. Cliens Funds	369,787	1.2%
15. Lukas Holm Invest AB	345,507	1.2%
16. Kalle Henriksson Invest AB	345,485	1.1%
17. Strand Funds	337,731	1.1%
18. BNP Paribas Investment Partners	200,227	0.7%
19. Danica Pension	186,840	0.6%
20. XACT Funds	142,257	0.5%
Total top 20	24,378,330	81.1%
Others	5,664,678	18.9%
Total	30,043,008	100%

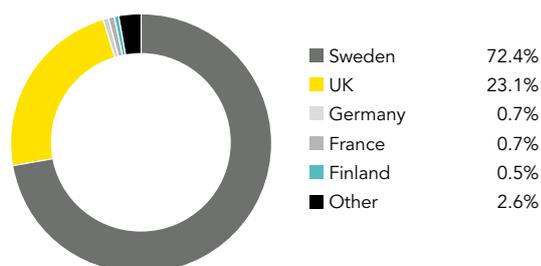
Source: Monitor of Modular Finance AB as per 31 Dec 2017. Data has been compiled and processed from, among others, Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

Number of shares	Proportion of shareholders, %	Share capital, %
1-500	71.0	1.3
501-1 000	11.6	0.4
1,001-5,000	11.6	1.6
5,001-10,000	3.0	1.3
10,001-50,000	1.8	3.4
50,001-100,000	0.3	2.8
100,001-500,000	0.4	10.1
500,001-1,000,000	0.1	16.7
1,000,001-5,000,000	0.1	22.9
5,000,001-	0.1	39.4
Anonymous ownership	N/A	N/A
Total	100	100
Total number of shareholders and shares:	3,348	30,043,008

Source: Monitor of Modular Finance AB as per 31 Dec 2017.

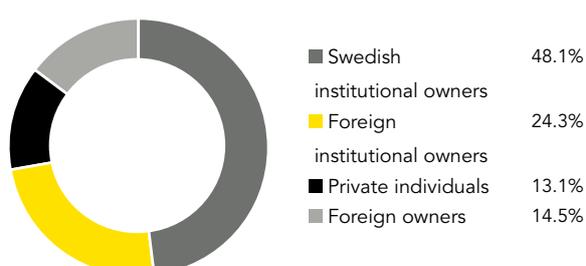
Data has been compiled and processed from, among others, Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

GEOGRAPHIC BREAKDOWN, SHARE CAPITAL



Source: Monitor of Modular Finance AB as per 31 Dec 2017.
Data has been compiled and processed from, among others, Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

CATEGORIES, SHARE CAPITAL



Source: Monitor of Modular Finance AB as per 31 Dec 2017.
Data has been compiled and processed from, among others, Euroclear, Morningstar and the Swedish Financial Supervisory Authority.



MULTI-YEAR OVERVIEW

	2017	2016	2015	2014	2013
Net sales by region					
EMEA	163.9	188.7	135.8	128.5	106.2
AMERICAS	37.1	41.3	55.3	13.2	11.7
APAC	35.8	22.2	12.5	6.5	10.4
Net sales	236.8	252.2	203.6	148.2	128.3
Net sales by sales category					
Products	182.9	208.1	167.9	118.7	107.8
Services	53.9	44.1	35.7	29.5	20.4
Net sales	236.8	252.2	203.6	148.2	128.3
Gross profit	176.3	175.6	140.9	106.7	90.5
Gross margin, %	74.4%	69.6%	69.2%	72.0%	70.6%
Operating expenses	-164.5	-156.5	-127.6	-93.7	-83.2
Operating expenses/Net sales, %	-69.5	-62.0%	-62.7%	-63.2%	-64.9%
Operating profit (EBIT)	11.8	19.1	13.3	13.0	7.2
Operating margin, % (EBIT)	5.0%	7.6%	6.5%	8.8%	5.6%
EBITDA *	23.7	29.0	19.3	17.2	9.6
EBITDA margin (%) *	10.0%	11.5%	9.5%	11.6%	7.5%
Adjusted EBIT*	11.8	34.3	13.3	13.0	7.2
Adjusted EBIT margin, %*	5.0%	13.6%	6.5%	8.8%	5.6%
Adjusted EBITDA*	23.7	44.2	19.3	17.2	9.6
Adjusted EBITDA margin, %*	10.0%	17.5%	9.5%	11.6%	7.5%
Profit for the period after tax	7.5	15.7	10.8	10.7	1.9
Net margin, after-tax profit for the period, %	3.2%	6.2%	5.3%	7.3%	1.5%
Total assets	311.7	309.9	136.0	106.0	86.1
Equity attributable to the parent company's shareholders	244.7	234.1	68.3	60.3	51.8
Equity/assets ratio, %*	78.5%	75.5%	50.2%	48.9%	57.6%
Return on equity (ROE)*	3.1%	10.4%	16.8%	19.2%	3.8%
Equity per share, before dilution	8.1	9.4	2.8	4.6	4.0
Average number of shares before dilution	30,043,008	24,854,312	24,077,275	12,983,420	12,983,420
Earnings per share before dilution (Note 16)	0.2	0.6	0.5	0.8	0.1
Cash flow from operating activities	-2.7	45.1	15.3	7.3	0.7
Number of employees at year-end ¹⁾	112	92	89	71	63
Of whom, women	10	11	12	8	4

1) Employees: Included in the number of employees at 31 December are 17 (9) employees hired through Business Sweden and 10 (8) consultants with employment-like agreements.

*) Financial ratios that are not defined under IFRS.

See definitions of ratios on pages 42-43.

DEFINITIONS

EMEA Europe, Middle East and Africa.

APAC Asia and Pacific region.

AMERICAS North and South America.

Gross profit Net sales less cost of goods and services sold.

Gross margin Gross profit as a percentage of net sales.

Operating profit EBIT Operating profit before financial items and taxes.

Operating margin % (EBIT %) Operating profit before financial items and tax in relation to net sales.

EBITDA Operating profit before depreciation/amortisation and impairment.

EBITDA margin % EBITDA as a percentage of net sales.

Return on equity (ROE) Profit for the period as a percentage of adjusted equity (equity plus the equity portion of untaxed reserves).

Adjusted equity Equity plus the equity portion of untaxed reserves.

Equity/assets ratio Adjusted equity in relation to total assets.

Number of shares after dilution has been restated to account for new share issues and the historical effect of warrants.

Earnings per share Profit for the period in relation to number of shares.

Equity per share Equity in relation to number of shares.

Operating expenses/Net sales % Operating expenses are the Companies expenses that are not direct related to the Companies goods or services.

Net margin Profit for the period in relation with net sales.

FINANCIAL MEASURES NOT DEFINED ACCORDING TO IFRS

The company presents certain financial measures in the annual report that are not defined according to IFRS. The company is of the opinion that these measures provide valuable additional information for investors and the company's management, since they facilitate an evaluation of the company's performance. Since not all companies calculate financial measures in the same way, these measures are not always comparable to those used by other companies. Consequently, they should not be regarded as a substitute for the measures defined according to IFRS. The tables below present the measures not defined according to IFRS and a reconciliation of the two sets of measures.

EBITDA AND ADJUSTED EBITDA

The company has chosen to report the key performance measure EBITDA, since it shows the underlying result adjusted for the effect of depreciation/amortisation, which provides a more comparable profit measure over time, since depreciation/amortisation refers to historical investments. The company has also chosen to report the key ratio Adjusted EBITDA to show the underlying result adjusted for the nonrecurring expenses that arose in connection with the preparations for the IPO. Expenses related to IPO preparations include expenses for the transition to IFRS reporting, internal risk projects, IR expenses, additional examination expenses from auditors, exchange auditors' examination expenses, attorneys' expenses to qualify the company for a stock market listing, Nasdaq expenses, recruiting expenses for IR and new board members.

	2017	2016	2015	2014	2013
EBITDA bridge					
Operating profit	11.8	19.1	13.3	13.0	7.2
Amortisation of capitalised development expenses	-8.5	-6.6	-3.7	-2.2	-0.6
Other depreciation	-3.4	-3.3	-2.2	-1.9	-1.7
EBITDA	23.7	29.0	19.3	17.2	9.6
EBITDA margin, %	10.0%	11.5%	9.5%	11.6%	7.5%
Items affecting comparability					
IPO-related expenses	-	15.2	-	-	-
Adjusted EBITDA	23.7	44.2	19.3	17.2	9.6
Adjusted EBITDA margin, %	10.0%	17.5%	9.5%	11.6%	7.5%

OPERATING INCOME (EBIT) AND ADJUSTED EBIT

The company has chosen to report the key performance measure Adjusted EBIT, since it shows the underlying earnings adjusted for nonrecurring expenses that arose in connection with preparations for the IPO, which provides a more comparable profit measure over time. Expenses related to IPO preparations include expenses for the transition to IFRS reporting, internal risk projects, IR expenses, additional examination expenses from auditors, exchange auditors' examination expenses, attorneys' expenses to qualify the company for a stock market listing, Nasdaq expenses, recruiting expenses for IR and new board members.

	2017	2016	2015	2014	2013
EBIT bridge					
Operating profit	11.8	19.1	13.3	13.0	7.2
Items affecting comparability					
Expenses related to IPO preparations	-	15.2	-	-	-
Adjusted EBIT	11.8	34.3	13.3	13.0	7.2
Adjusted EBIT margin, %	5.0%	13.6%	6.9%	8.8%	5.6%

EQUITY/ASSETS RATIO

The company has chosen to report the key performance measure Equity/assets ratio, since it reflects the company's long-term solvency.

	2017	2016	2015	2014	2013
Total assets	311.7	309.9	136.0	106.0	86.1
Equity	244.7	234.1	68.3	60.3	51.8
Equity/assets ratio, %	78.5%	75.5%	50.2%	48.9%	57.6%

RETURN ON EQUITY (ROE)

The company has chosen to report the key performance measure Return on equity (ROE), since it shows how effectively the company uses its assets to generate profits.

	2017	2016	2015	2014	2013
Equity	244.7	234.1	68.3	60.3	51.8
Average adjusted equity	239.4	151.2	64.3	56.1	50.7
Profit for the period	7.5	15.7	10.8	10.7	1.9
Return on equity (ROE), %	3.1%	10.4%	16.8%	19.2%	3.8%

OPERATING EXPENSES/NET SALES %

The company has chosen to report the key performance measure Operating expenses/Net sales to show how large part of the companies costs that are not directly attributable to the goods and or services.

OPERATING MARGIN

The company has chosen to report the key performance measure operating margin % since it shows the company earnings in relation to Net sales without the effect of finance cost.

NET MARGIN

The company has chosen to report the key performance measure since it shows net earnings in relation to Net sales.

BOARD OF DIRECTORS

Edgware's board of directors consists of seven ordinary members, including the chairman of the board, with no deputy board members, all of whom are elected for the period up until the end of the 2018 annual general meeting. The table below shows the members of the board of directors, when they were first elected and whether they are considered to be independent of the company and/or the company's principal owners.

Michael Ruffolo	Chairman	2013	Yes	Yes
Staffan Helgesson	Board member	2009	Yes	No
Jason Pinto	Board member	2012	Yes	No
Sigrun Hjelmqvist	Board member	2016	Yes	Yes
Kent Sander	Board member	2016	Yes	Yes
Karl Thedéen	Board member	2016	Yes	Yes



MICHAEL RUFFOLO

Born 1961. Chairman of the board since 2013.

Education: Master of Science in business administration, Harvard Business School.

Other current assignments: None.

Previous assignments (last five years): Managing director of Internap Corporation and Crossbeam Systems, Inc. Board member of Pacnet Corporation.

Shareholding in Edgware: Michael Ruffolo holds no shares in the company, but a call option entailing a right to acquire a total of 259,681 shares in Edgware issued by Creandum I Annex Fund AB.¹⁾



JASON PINTO

Born 1976. Board member since 2012.

Education: Ph.D in physics, University of Cambridge.

Other current assignments: Board member of Cambridge Clean Energy Ltd. Venture Partner at Amadeus.

Previous assignments (last five years): Board member of Linkdex Ltd., ComQi Ltd. and Forth Dimension Displays Ltd. Partner at Amadeus Capital Partners Ltd. Supervisory Board Observer of Liquavista B.V.

Shareholding in Edgware: Jason Pinto holds no shares in the company.¹⁾



STAFFAN HELGESSON

Born 1968. Board member since 2009.

Education: Bachelor's degree in business administration, Lund University.

Other current assignments: Board member of Epidemic Sound AB, Football Addicts AB, Distribution Gmbh, KNL Networks Ltd, 8Fit Gmbh, itslearning AS, Digitala Fotbollsakademin Sverige AB, IF Brommapojkarna, Creandum I Annex Fund AB, Creandum II General Partner AB, Creandum II Advisor AB, Creandum III Advisor AB and Creandum IV Advisor AB

Previous assignments (last five years): Chairman of the board of directors of KNC Group AB. Board member of Norstel Aktiebolag, XBT Inhouse AB, XBT Partner AB and XBT Provider AB (publ). Deputy board member of Cint AB, Ooyala AB and Carolinas Matkasse AB.

Shareholding in Edgware: Staffan Helgesson holds no shares in the company.¹⁾

¹⁾ Shareholding, 31 December 2017.



SIGRUN HJELMQVIST

Born 1956. Board member since 2016.

Education: Master of Science and technology licentiate's degree in technical physics, Royal Institute of Technology.

Other current assignments: Chairman of the board of Facesso AB. Board member of Addnode Group AB, Eolus Vind Aktiebolag (publ), Ragn-Sells företagen AB, Clavister Holding AB and IGOT AB.

Previous assignments (last five years): Chairman of the board of Nordic Iron Ore AB, ExeoTech Invest AB (publ) (C2SAT holding AB (publ)), C2SAT communications AB, ExeoTech Food Ventures AB (C2SAT Technology AB) and ExeoTech Ventures AB (C2Sat Production AB). Board member of Setra Group AB, IFL & HHS Holding AB, Fingerprint Cards AB, Stockholm School of Economics, Executive Education AB, Ekovind AB, Silex Microsystems AB, Bluetest Aktiebolag, One Media Holding AB (publ), Com Hem Communications AB and Orexplore AB.

Shareholding in Edgware: Sigrun Hjelmqvist holds 10,000 shares in the company.¹⁾



KENT SANDER

Born 1953. Board member since 2016.

Education: Master of Science in economics, Stockholm University.

Other current assignments: Chairman of the board of Tobii AB (publ), Mr Green & Co AB (publ), OnePhone Holding AB and Triboron International AB. Board member of IAR Systems AB, Expander Business Consulting AB and BT OnePhone Ltd. Board member and owner of KR Sander Associates AB and Sander Capital Consulting AB. Partner of Laser Hair Care AB. Deputy board member of OnePhone UK SP AB.

Previous assignments (last five years): Chairman of the board of Transmode Systems AB, Transmode AB and mFormation Technologies Inc. Board member of KPN OnePhone Holding BV and Trux Holding AB. Board member and partner of BrainHeart Partners AB. Partner of BrainHeart General Partner KB.

Shareholding in Edgware: Kent Sander holds 10,000 shares in the company.¹⁾



KARL THEDÉEN

Born 1963. Board member since 2016.

Education: Master of Science in systems engineering, Royal Institute of Technology.

Other current assignments: SVP Infinera corp. Board member and managing director of Transmode Systems AB and Transmode AB. Board member of Semcon AB.

Previous assignments (last five years): Board member of Latour Industries AB, Kabona AB and HMS Networks AB. Managing director of Transmode Incentive AB.

Shareholding in Edgware: Karl Thedéen holds 12,900 shares in Edgware.¹⁾

¹⁾ Shareholding, 31 December 2017.

EXECUTIVE MANAGEMENT

JOACHIM ROOS



Born 1960. CEO since 2006, until February 12 2018.

Education: Licentiate's degree in computer engineering, Lund Technical University.

Other current assignments: Board member and owner of Joachim Roos Invest AB.

Previous assignments (last five years): None.

Shareholding in Edgware: Joachim Roos holds 518,226 shares in Edgware.¹⁾

ANDERS WESTIN



Born 1967. VP R&D and acting CTO since 2017.

Education: Master of Science in electrical engineering, Royal Institute of Technology.

Other current assignments: Owner of Anders Westin Consulting AB.

Previous assignments (last five years): Senior Director of Engineering of ARRIS.

Shareholding in Edgware: Anders Westin holds no shares in Edgware.¹⁾

TOM SCHMITT



Born 1965. VP Sales since 2010.

Education: Master of Science in computer science, FH Darmstadt.

Other current assignments: None.

Previous assignments (last five years): None.

Shareholding in Edgware: Tom Schmitt holds 157,980 shares in the company.¹⁾

STEEVE FUHR



Born 1971. CFO & HR since 2015.

Education: Master of Science in economics, Stockholm University.

Other current assignments: Owner of Academy of Business Stockholm.

Previous assignments (last five years): Finance Director Nordic of Acer Sweden AB. CFO of Pocket Shop AB.

Shareholding in Edgware: Steeve Fuhr holds 0 shares and 32,000 warrants in Edgware.¹⁾

JOHAN BOLIN



Born 1976. VP Products since 2014.

Education: Master of Science in electrical engineering, Royal Institute of Technology.

Other current assignments: Board member of Appalanche AB.

Previous assignments (last five years): None.

Shareholding in Edgware: Johan Bolin holds 1,034 shares and 22,000 warrants in Edgware.¹⁾

¹⁾ Shareholding, 31 December 2017.



MAGNUS LARSSON

Born 1970. VP Operations since 2013.

Education: Bachelor of engineering, Royal Institute of Technology.

Other current assignments: None.

Previous assignments (last five years): None.

Shareholding in Edgware: Magnus Larsson holds no shares, but 32,000 warrants in Edgware.¹⁾



RICHARD BRANDON

Born 1963. CMO since 2016.

Education: Bachelor of technology in physics, Imperial College London.

Other current assignments: Director and owner of Stalking Horse Marketing Ltd.

Previous assignments (last five years): CMO for Intune Networks Ltd.

Shareholding in Edgware: Richard Brandon holds no shares, but 22,000 warrants in Edgware.¹⁾



RICHARD BERG

Born 1967. General Counsel since 2013.

Education: Degree of Master of Laws (L.L.M.), Lund University.

Other current assignments: None.

Previous assignments (last five years): Board member of GKS Drift AB and Legal Counsel for Pricer AB (publ).

Shareholding in Edgware: Richard Berg holds no shares, but 22,000 warrants in Edgware.¹⁾



GUNILLA WIKMAN

Born 1959. IR Manager since 2016, until March 31 2018

Education: Master of Science in economics, Stockholm School of Economics.

Other current assignments: Board member of Hoist Finance AB (publ), AMF Fonder AB. Deputy board member of Tiferna AB and board member and owner of Carrara Communication AB.

Previous assignments (last five years): IR manager for Resurs Holding and Eltel Networks AB. Board member of Oatly AB, SJ AB, HMS Networks AB and Flyinge Aktiebolag.

Shareholding in Edgware: Gunilla Wikman holds 8,584 shares in Edgware.¹⁾



KARL THEDEÉN

Born 1963. CEO from February 13 2018.

Education: Master of Science in systems engineering, Royal Institute of Technology.

Other current assignments: SVP Infinera corp. Board member and managing director of Transmode Systems AB and Transmode AB. Board member of Semcon AB.

Previous assignments (last five years): Board member of Latour Industries AB, Kabona AB and HMS Networks AB. Managing director of Transmode Incentive AB.

Shareholding in Edgware: Karl Thedéen holds 12,900 shares in Edgware.¹⁾

¹⁾ Shareholding, 31 December 2017.

DIRECTORS' REPORT

The board of directors and CEO of Edgware AB (publ.) hereby submit their annual report and consolidated financial statements for the financial year 2017.

TYPE AND FOCUS OF THE BUSINESS

Edgware is a leading company within TV and video distribution solutions that are specifically aimed at those providing services via operator networks or an open Internet. The company provides infrastructure that is specially adapted to allow the network operators to offer a wide range of video services with the intention of generating new revenue streams and increasing loyalty among existing customers. Edgware's product range consists of hardware and software used to build a content distribution network optimised for TV and video distribution over IP and cable infrastructure - what we call a TV CDN (content delivery network). Edgware's products and solutions support both traditional pay TV services and the most advanced new web TV services.

In addition to being used by operators to build their own video services, the company also has products aimed at content owners and TV companies wanting to utilise an open Internet to reach viewers. These players are known as over-the-top suppliers or OTTs. This segment will be increasingly significant going forward, as the TV landscape is transformed and with the expected dramatic increases in traffic volumes.

2017 was a poorer than expected year for Edgware. The year ended with a quarter in which sales were lower than expected and the full-year 2017 closed with sales that were 6.1 percent lower than in 2016. However, for the full-year gross margin improved to 74.4 percent (69.6) with the result that gross profit also rose to SEK 176.3 million (175.6). This corresponds to a year-on-year increase of SEK 0.7 million.

During the year, we successfully grew our operations in APAC, while sales were lower than expected in parts of AMERICAS and EMEA. The decline in both EMEA and AMERICAS was impacted by the two largest customers in each region, which reduced their purchases slightly compared with the preceding year. In AMERICAS, this was in part a result of regional political and

economic uncertainties in Latin America. However, historically our main customers have been a key success factor, even if this also means we have a high level of customer concentration, which mainly leads to relatively high quarterly fluctuations that will probably continue for some time to come.

Our aim is to help operators and broadcasters grow their market share and improve their services in streamed TV and video, which will mean Edgware can continue to expand its customer base and thereby reduce its customer concentration.

We have a large number of new and attractive customers with the potential to become substantial buyers for us in the next few years. In 2017, we launched a fully software-based alternative to our hardware servers. Our origin and streamer software offer customers the flexibility to combine these with hardware servers or opt for a fully software-based solution, if desired. This flexible and sought-after solution was delivered to our first customers in the fourth quarter. In the period, we continued to invest in our sale capacity globally, a strategic expansion that has not yet reached its full potential. It will naturally take 12-18 months for new members of the sales force to achieve results. One of our focus areas will be to ensure the effectiveness of our sales teams and the support from the rest of the organisation.

Our competitive edge is strong and our gross margins healthy. Our financial targets, which were laid down by our board at the time of our IPO, stand firm.

SIGNIFICANT EVENTS AND FUTURE DEVELOPMENT

In 2017, Edgware launched more new products than in previous years, the organisation was strongly reinforced in terms of personnel and became even more firmly established in the global market as a leading TV and video supplier. The company's products accord well with the market's needs. Their unique properties in terms of scalability and flexibility in a single platform that can be used simultaneously for different services have become increasingly important as customers' traffic volumes increase and the rising number of TV

and video services in demand. The market's need for Edgware's services continues to grow. The market trend we are actively contributing to – content providers investing in building their own distribution networks, known as TV CDN – is becoming increasingly visible in our sales. Our aim is to help operators and TV companies increase their market shares and improve their service offerings in TV and video streaming. This, in turn, will lead to Edgware continuing to expand its customer base, reducing its customer concentration over time. The company's focus has shifted to working more actively with customers who can help to scale up its business over a longer period as an additional measure to secure growth.

Together with sales to telco and cable operators, the new OTTs/broadcasters accounted for the largest amount of growth, and we conducted more OTT business than ever during the year. This includes an Eastern European satellite operator investing in delivering programming itself to its viewers. Important business was conducted in Asia as well, in this rapidly growing segment. We are seeing a clear and increasing trend towards content companies wanting to own the entire chain from content to viewing experience. That is why they are investing in proprietary TV CDN over the open Internet, Especially in sport broadcasts, where costly rights mean that content owners want to have control of the entire chain.

After guiding Edgware from a startup company with three people to a global and listed company, Joachim Roos is handing over the position as CEO to Karl Thedéen in February 2018. Karl has been a board member of Edgware since April 2016.

DEVELOPMENT OF OPERATIONS, FINANCIAL POSITION AND PROFIT (CONSOLIDATED)

(SEK million)	2017	2016	2015
Net sales	236.8	252.2	203.6
Operating profit ¹⁾	11.8	19.1	13.3
Pre-tax profit	11.4	22.3	14.0
Total assets	311.7	309.9	136.0
Equity/assets ratio ^{1,4)}	78.5%	75.5%	50.2%
Return on equity ^{2,4)}	3.1%	10.4%	16.8%
Average no. of employees	80	80	71
Number of employees, including consultants subject to terms and conditions equivalent to employment, in part via Business Sweden, as per 31 December	112	92	89

1) Adjusted equity/total assets

2) Profit for the year/Average adjusted equity

3) (Profit before tax + interest expenses)/Average total assets

4) Financial measures not defined according to IFRS

More KPIs are presented on pages 40-44, as are definitions of alternative performance measures.

COMMENTS ON DESCRIPTION OF BUSINESS, RESULTS AND FINANCIAL POSITION

NET SALES

The Group's net sales for full-year 2017 totalled SEK 236.8 million (252.2), corresponding to a year-on-year decrease of 6.1 percent. In comparable currencies, the decline in the Group's net sales was 7.0 percent. Net sales in EMEA (Europe, the Middle East and Africa) declined to SEK 163.9 million (188.7) and net sales for AMERICAS (North and South America) declined to SEK 37.1 million (41.1). Net sales in APAC (Asia-Pacific) rose to SEK 35.8 million (22.2).

The decline in net sales in EMEA and AMERICAS for full-year 2017 was mainly the result of lower sales to the largest existing customers in the regions. In APAC, however, net sales increased 61.3 percent as a result of high demand from several major customers, including customers in the customer category of content providers and TV companies.

Two of our largest customers did not reach expected purchasing levels, which had a negative impact on sales for the full-year. We also noted that the orders historically received in the fourth quarter from customers looking to use up their remaining budget were less substantial this year. Historically, the fourth quarter is seasonally the strongest.

EMEA accounted for 69.2 percent (74.8) of the Group's net sales during 2017, AMERICAS for 15.7 percent (16.4) and APAC for 15.1 percent (8.8). The largest customer accounted for 17.7 percent (23.0) of Edgware's total net sales, the three largest for 38.5 percent (41.9) and the five largest for 51.4 percent (55.4).

During 2017, the customer category of content providers and TV companies performed strongly and a number of new customers were added.

Of total net sales for the period, the Products business stream (hardware, software and licences) accounted for 77.2 percent (82.5), while the remaining 22.8 percent (17.5) was attributable to Services (maintenance, support and other services).

PROFIT

Gross profit for full-year 2017 amounted to SEK 176.3 million (175.6), up SEK 0.7 million compared with full-year 2016, and the gross margin was 74.4 percent (69.6). This improved gross margin was attributable to a higher share of licenses and software as well as improved margins in Edgeware's service business.

Operating expenses amounted to SEK 164.5 million (156.5), up SEK 8.0 million compared with full-year 2016. Administrative expenses for full-year 2016 include a total of SEK 15.2 million attributable to the IPO in December 2016. Excluding these nonrecurring expenses, all functions within Edgeware increased their expenses compared with the year-earlier period, in line with the expansion plan presented in connection with the IPO. The increase in expenses was mainly attributable to a higher number of employees. On 31 December 2017, Edgeware had a total of 112 employees (92) and a number of external consultants. Most new employees are in the sales and marketing function, which grew by 18 people compared with 2016.

Over full-year 2017, development expenses of SEK 13.4 million (8.8) were capitalised, accounting for 19.3 percent (14.4) of the company's total R&D expenses. This increase in capitalisation was due to the fact that Edgeware experienced an intensive year of development in 2017, with more new product launches than ever before. At the same time, amortisation, depreciation and impairment of previously capitalised development expenses rose to SEK 8.5 million (6.6) for full-year 2017. This amortisation, depreciation and impairment is a component of the company's cost of goods sold and thus impacts Edgeware's gross profit, while development expenses, and capitalisation of these expenses, comprise a component of the company's operating expenses. In total, the capitalisation, amortisation, depreciation and impairment of development expenses had a positive impact of SEK 4.9 million (2.2) on EBIT.

EBITDA amounted to SEK 23.7 million (29.0), down SEK 5.3 million compared with 2016. Adjusted EBITDA, adjusted for nonrecurring items related to the IPO, totalled SEK 23.7 million (44.2).

EBIT for 2017 amounted to SEK 11.8 million (19.1), corresponding to a year-on-year decrease of SEK 7.3 million and an EBIT margin of 5.0 percent (7.6). Adjusted EBIT, adjusted for nonrecurring items related to the preparations for the IPO in 2016, totalled SEK 11.8 million (34.3). No adjustments to EBIT took place in 2017.

Profit for full-year 2017 amounted to SEK 7.5 million (15.7), down SEK 8.2 million compared with 2016.

Net financial items for the year amounted to SEK -0.4 million (pos: 3.2), mainly as a result of exchange gains on bank balances in foreign currencies, which amounted to SEK -0.5 million (pos: 2.2) net, primarily related to USD -0.6 million (pos: 1.1). MXN accounted for SEK -0.2 million (pos: 0.6). However, EUR contributed a positive exchange-rate effect of SEK 0.3 million (0.6). Net interest income amounted to SEK 0.1 million (neg: 0.1).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to SEK -2.7 million (pos: 45.1). This negative cash flow is mainly attributable to increased tied-up working capital as a result of higher trade accounts receivable, increased inventories and current receivables and a decline in other current liabilities. Cash flow from investing activities totalled SEK -94.3 million (-12.4) and was mainly attributable to investments in current funds and increased capitalisation of development work. Cash flow for full-year 2017 amounted to SEK -97.0 million (pos: 171.3). At the end of the period, the Group's cash and cash equivalents totalled SEK 97.7 million (194.6).

Current investments are short-term interest fund investments and amounted to SEK 75.1 million (0).

Equity was SEK 244.7 million (234.1) with an equity/assets ratio of 78.5 percent (75.5).

PARENT COMPANY

The parent company's net sales during the year totalled SEK 234.0 million (249.5), up 6.2 percent, and profit for the period was SEK 10.1 million (22.9). Since the Group's business and net sales are predominantly generated in the parent company, reference is made to the Group for additional comments in the Annual Report.

SEK million	2017	2016	2015
Net sales	234.0	249.5	196.0
Operating profit ⁴⁾	14.3	25.1	16.8
Pre-tax profit	14.0	29.4	-2.1
Total assets	315.4	311.9	127.0
Equity/assets ratio ¹⁾²⁾	79.3%	76.0%	50.3%

1) Adjusted equity/total assets.

2) Financial measures not defined according to IFRS.

More KPIs are presented on pages 40-44, as are definitions of alternative performance measures.

SIGNIFICANT RISKS AND UNCERTAINTIES

Edgeware's operations, sales and results are affected by a number of internal and external risk factors. The company has a continuous process to identify and assess how each risk should be managed. The main risks facing the company are delivery risk, technical development risk and financial risk. The financial risks are described under the accounting policies as well as in the notes.

DELIVERY RISK

In addition to supplying hardware and software, Edgeware also performs installation and integration services. Any delays to these services could result in claims for compensation and damages. The company is insured against potential damages incurred by its products or through improper handling by its staff. In addition, the company's products undergo expanded product testing before delivery. In order to counteract possible delays, Edgeware added significantly to staff resources in its technical sales support and service organisation during the year. The company performs continuous resource and delivery planning, as well as evaluations of previous customer projects.

TECHNICAL DEVELOPMENT

Edgeware operates in a dynamic and changing industry that is characterised by rapid technical advances and intense competition. If the company fails to keep pace with technological development, this could have a negative impact on revenues and costs. The collective knowledge and expertise of the research and development department helps to minimise this risk, along with wide-ranging experience from other functions and close cooperation with our major customers. The company's assessment is that the total technological development risk is normal for this type business.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company's primary financial risks are credit risk, currency risk and liquidity risk. Credit risk results from credit that the company has granted to its customers. Currency risk arises in connection with the company's currency exposure, which is due to its international business. Liquidity risk derives from a combination of seasonal variations in sales and a mismatch in payment terms to suppliers and from customers. For additional information about the company's financial risks and risk management, reference is made to Note 4.

RESEARCH AND DEVELOPMENT

Edgeware's research and development department consists of the Products, CTO office and R&D functions. There is a strong emphasis on lean and agile work methods.

Edgeware complies with IAS 38 concerning capitalisation of development expenses. Costs for research and maintenance of products (including directly attributable costs) are expensed as they are incurred.

R&D projects consist of maintenance of existing products and functionality or technical development of functionality, which is primarily aimed at individual customers or a limited part of the market, as well as strategic development of products, which is expected to target a large part of the market and generate revenues for a protracted period.

The way development activities are managed and allocated is determined by the Products function in consultation with CTO and R&D. Strategic development is governed by Edgeware's Roadmap, and newly developed functions are given general availability through dedicated system releases. Strategic development is capitalised, and impairment begins when it is made generally available.

Directly attributable expenses are carried forward as part of the product. These include expenses for employees and consultants, as well as a reasonable share of indirect costs. Other development expenses that do not fulfill the criteria above are expensed as they are incurred. During 2017, SEK 13.7 million (8.8) was capitalised, which is 19.6 percent (14.4) of the net cost of research and development in 2017. The value of capitalised expenditures on research and development amounted to SEK 19.9 million (14.7) on 31 December 2017.

EMPLOYEES

As of 31 December 2017, Edgeware had 112 employees (92), including consultants subject to terms and conditions equivalent to employment.

In 2017, the number of employees was 85 (75), 17 consultants (9) were hired through Business Sweden and 10 (8) other consultants had contracts subject to terms and conditions equivalent to employment. Edgeware has also engaged several temporary consultants, including an outsourced team of 12 people (12) in Vietnam, who support the research and development function.

Staff are distributed across the following regions: EMEA 10 (7), AMERICAS 8 (5) and APAC 9 (5). The company has staff in 15 countries (11), divided into four main teams consisting of Sales and marketing, Administration, Research and development and Service. At 31 December 2017, the number of employees amounted to 85 (75), of whom 77 (69) are located in EMEA, 8 (6) in AMERICAS and 0 (0) in APAC. As per 31 December 2017, the distribution by main team was Sales and marketing 16 (13), Administration 11 (9), Research and development 41 (41) and Post-sales 17 (12). See Note 12 for further information on the number of employees and the average number of employees.

Impact on operating profit and gross margin from capitalisation of development expenses.

		2017	2016	2015	2014	2013
A Net sales	as in IS	236.8	252.2	203.6	148.2	128.3
B Gross income	as in IS	176.3	175.6	140.9	106.7	90.5
Gross margin (%)	B/A	74.4	69.6	69.2	72.0	70.6
C Amortisation of capitalised development expenses	as in IS	-8.5	-6.6	-3.7	-2.2	-0.6
D Gross margin before amortisation of capitalised development expenses	C-B	184.8	182.2	144.7	109.0	91.1
Gross margin excluding amortisation, %	D/A	78.0	72.2	71.1	73.6	71.0
E Total operating expenses	as in IS	-164.5	-156.5	-127.6	-93.7	-83.2
F Research and development expenses according to income statement	as in IS	-56.1	-51.9	-40.0	-32.8	-31.3
Research and development expenses versus Net sales, %	F/A	-23.7	-20.5	-19.7	-22.1	-24.4
G Capitalised development expenses	as in IS	13.7	8.8	9.3	4.5	5.4
H Total cost for research and development	G-F	-69.8	-60.7	-49.3	-37.3	-36.7
Capitalised development expenses versus total cost for research and development, %	H/G	19.6	14.4	18.9	12.1	14.7
Operating profit (EBIT)	as in IS	11.8	19.1	13.3	13.0	7.2
I Impact on operating profit from capitalised development expenses and amortisation	G+C	5.2	2.1	5.6	2.3	4.8
		Dec 2017	Dec 2016	Dec 2015	Dec 2014	Dec 2013
J Total assets according to balance sheet	as in BS	311.7	309.9	136.0	106.0	86.1
Total equity	as in BS	244.7	234.1	68.3	60.3	51.8
Cash and cash equivalents	as in BS	97.7	194.6	21.1	17.2	13.0
K Capitalised expenditure on development work according to the balance sheet	as in BS	19.9	14.7	12.6	7.0	4.8
Capitalised expenditure on development work versus Total assets, %	K/J	6.4%	4.7%	9.3%	6.6%	5.5%

GUIDELINES FOR REMUNERATION AND OTHER EMPLOYMENT TERMS FOR EXECUTIVE MANAGEMENT AND BOARD OF DIRECTORS

Fees and other remuneration to the members of the board including the Chairman are resolved by a shareholders' meeting. The annual general meeting (AGM) held on 12 April 2017 resolved that director fees would be payable in an amount of SEK 1,450,000, whereby the chairman of the board would receive SEK

500,000 and each other board member would receive SEK 175,000. It was also resolved that fees for committee work on the audit committee would be payable in a maximum amount of SEK 60,000, of which SEK 30,000 to the chairman of the committee and SEK 15,000 to each of the two other members. It was resolved that fees for committee work on the remuneration committee would be payable in the amount of SEK 15,000 to the chairman of the committee. The

members of the board of directors are not entitled to any benefits following termination of their assignments as directors of the board. Fees received for 2017 are recognised in Note 12.

The Annual General Meeting held on 12 April 2017 adopted guidelines for remuneration to the CEO and other executive management. The remuneration of the executive management shall consist of fixed salary, variable remuneration, long-term share-based or share-related incentive plans (LTI) and pension provisions.

The total remuneration shall be based on market terms, be competitive, well balanced and not wage leading as well as contribute to good ethics and company culture. Fixed salary is to be based on the executive management's competence and area of responsibility, be individual and is normally to be reviewed every year.

Senior executives may also be granted customary non-monetary benefits, such benefits shall however not constitute a material part of the total remuneration. The vesting period for the LTI programme must be at least three years. The LTI programme shall be based on shares or share related securities. The LTI shall ensure long-term incentives linked to Edgeware's development. Every share-based LTI requires approval of the shareholders before implementation.

Pension benefits are to be premium based and constitute 4.5 percent of the pension-qualifying salary up to 7.5 income base amounts and 30 percent on any excess amount. The board of directors is to be entitled to deviate from the guidelines if there is special reason to do so in an individual case.

EDGEWARE'S SHARE

The company was listed on Nasdaq Stockholm's main list and trading in the share commenced on 9 December.

The initial trading price was set at SEK 29. Before the company was listed on the stock market, it completed a 1:20 share split, a bonus issue of 11,093,855 shares with a quotient value of SEK 0.05 which increased share capital by SEK 554,692.75 and a new issue of 5,172,413 shares with a quotient value of SEK 0.05 which increased share capital by SEK 258,620.65. Following the new issue, Edgeware has 30,043,008

shares. Cash flow in connection with the market listing was positively affected by a contribution of SEK 139,775,000 net after deductions for issuing expenses. During 2017, Edgeware's share fluctuated between SEK 28.7 and SEK 57.25.

For additional information on Edgeware's share, see the section The share and shareholders on pages 38-39.

THE ENVIRONMENT AND CODE OF CONDUCT

Edgeware endeavours to comply with the 10 principles of the UN Global Compact concerning human rights, labour law, the environment and anti-corruption in its business.

PROPOSED APPROPRIATION OF RETAINED EARNINGS (SEK)

Funds available for distribution by the AGM, SEK

Earnings brought forward	221,591,543
Profit for the year	10,079 66
	<hr/>
	231,671,205

The board of directors proposes that

to be carried forward	231,671,205
	<hr/>
	231,671,205

For the parent company's and the Group's results and financial position in other respects, reference is made to the following income statements and balance sheets, statements on changes in equity, cash flow statements and notes.

All amounts are stated in SEK million unless otherwise indicated.

CORPORATE GOVERNANCE REPORT

The corporate governance report for Edgeware (the company) is presented below, and has been reviewed by the company's auditor. The report describes the division of responsibilities within Edgeware and also how the company's three decision-making bodies, the annual general meeting, board of directors and CEO, operate and interact.

APPLICATION OF SWEDISH CODE OF CORPORATE GOVERNANCE

Edgeware AB (publ) is a public Swedish stock corporation which is primarily governed by the following regulations:

- The Swedish Companies Act
- The Rule Book for Issuers Nasdaq Stockholm
- Edgeware's own articles of association and
- The Swedish Corporate Governance Code (the Code).

The Code applies to all Swedish companies with shares listed on a regulated market in Sweden. However, the company is not obliged to comply with every rule in the Code, as the Code itself provides for the possibility to deviate from the rules, provided that all deviations and the chosen alternative solutions are described and the reasons therefore are explained in the corporate governance report (the so-called "comply or explain principle").

Edgeware has no deviations from the Code to report in the corporate governance report for 2017.

ARTICLES OF ASSOCIATION

The current articles of association were adopted on 28 November 2016. As specified in the articles of association, the company's business is to, directly or indirectly, conduct development and sales of electronic systems for network applications and any other activities compatible therewith.

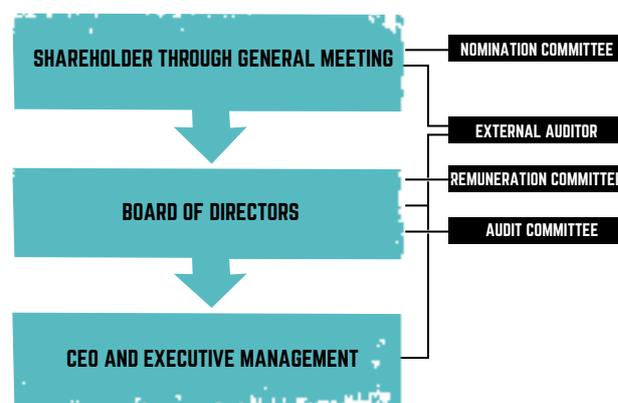
The articles of association establish, inter alia, the rights of shareholders, the number of members of the board of directors and auditors, that the annual general meeting is to be held once a year within six

months of the end of the financial year, how notice of the annual general meeting is to take place and that the company's registered office is in Stockholm. The current articles of association are available on Edgeware's website: www.edgeware.tv

OWNERS

For information about the ownership structure and the largest owners, refer to pages 38-39.

CORPORATE GOVERNANCE ANNUAL GENERAL MEETING



According to the Swedish Companies Act (2005:551), the Annual General Meeting (AGM) is the company's highest decision-making body. At the AGM, all shareholders have the right to exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, appropriation of the company's profit, discharge from liability of board members and the CEO, election of board members and auditors, and remuneration of the board and auditors.

Shareholders who wish to participate in the AGM must be included in the shareholders' register maintained by Euroclear Sweden on the day falling five workdays prior to the AGM, and notify the company of their intention to participate no later than on the date stipulated in the notice convening the meeting. Shareholders may attend the AGM in person or by proxy and may also be accompanied by a maximum of two persons. Shareholders can usually register for shareholders' meetings in several different ways, stated more specifically in the notice of the meeting. Shareholders are entitled to

vote for all shares held by the shareholder.

In addition to the AGM, the company may convene extraordinary shareholders' meetings. Shareholders' meetings are to be held in Stockholm and notice of shareholders' meetings shall be published in the Swedish Official Gazette and be kept available on the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

At the AGM for 2017, which was held on 12 April, Michael Ruffolo was elected as chairman of the board and Staffan Helgesson, Sigrun Hjelmquist, Jason Pinto, Karl Thedéen and Kent Sander as members of the board.

NOMINATION COMMITTEE

According to the Code, the company must have a nomination committee tasked with submitting proposals regarding the chair of general meetings, board member candidates (including the chairman), fees and other remuneration for each board member and remuneration for committee work, the election and remuneration of external auditors, and proposals for membership of the nomination committee for the next AGM.

At the extraordinary shareholders' meeting held on 12 April 2017, the meeting resolved that the nomination committee for the 2018 AGM should consist of representatives of the three largest shareholders listed in the shareholders' register maintained by Euroclear Sweden as of 31 August 2017, together with the chairman of the board, or another person appointed by the board who has good knowledge of Swedish corporate governance, who will also convene the first meeting of the nomination committee.

The member representing the largest shareholder is to be appointed chairman of the nomination committee, unless the nomination committee unanimously appoints someone else.

If one or more of the shareholders that appointed representatives to the nomination committee is no longer among the three largest shareholders earlier than three months before the AGM, representatives appointed by these shareholders shall withdraw and the shareholder that thereafter becomes one of the three largest shareholders can appoint their representatives. If a representative withdraws from the nomination committee before the nomination committee's work is completed and the nomination committee considers

it necessary to replace him or her, such a replacement representative shall represent the same shareholder or, if the shareholder is no longer one of the largest shareholders, the largest shareholder in order.

Changes in the composition of the nomination committee must be announced immediately. The composition of the nomination committee for the 2018 AGM is normally to be announced no later than six months before the meeting.

No remuneration is to be paid to the representatives on the nomination committee. Edgeware is to pay any expenses that the nomination committee may incur in its work.

The term of office for the nomination committee ends when the composition of the subsequent nomination committee has been announced.

On 3 November 2017, the appointment of the nomination committee in Edgeware was announced and consisted of representatives of the three largest shareholders at 31 August 2017: Amadeus Capital Partners (23.1%), Creandum (18.8%) and Swedbank Robur Fonder (8.7%). The owners are represented by Kent Sander, Daniel Blomquist and Annika Andersson, in addition to the chairman of the board Michael Ruffolo. Daniel Blomquist was appointed chairman of the nomination committee.

BOARD OF DIRECTORS

The board of directors is the company's highest decision-making body after the AGM. In accordance with the Swedish Companies Act, the board is responsible for the management and organisation of the company, which means that the board is responsible for establishing targets and strategies, ensuring that procedures and systems are in place for the evaluation of set targets, continuously evaluating the company's financial position and performance, and evaluating executive management, among other tasks.

The board is also responsible for ensuring that the annual report and interim reports are prepared on time. Moreover, the board of directors appoints the CEO. Members of the board are normally appointed by the AGM for the period until the end of the next AGM.

According to the company's articles of association, the members of the board elected by the shareholders' meeting should number no fewer than three and no

more than ten and have no deputy members. According to the Code, the chairman of the board is to be elected by the AGM and have a special responsibility for leading the work of the board of directors and for ensuring that the work of the board of directors is efficiently organised.

The board of directors applies written rules of procedure, which are revised annually and adopted by the statutory board meeting every year. The rules of procedure govern, inter alia, the practices of the board of directors and the functions and the division of work between the members of the board and the CEO as well as between the board of directors and its committees. At the statutory board meeting, the board also adopts instructions for the CEO, including instructions for financial reporting.

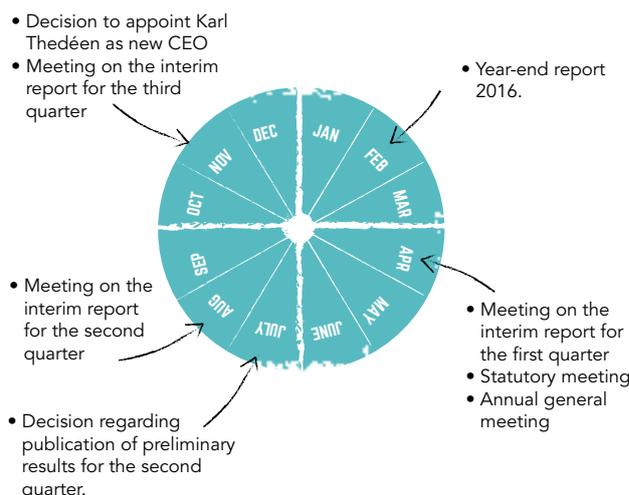
The board of directors meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues which cannot be postponed until the next scheduled board meeting. Besides the board meetings, the chairman of the board and the CEO continuously discuss the management of the company.

ANNUAL CYCLE FOR BOARD MEETINGS IN 2017

In 2017, the company's board of directors consisted of six ordinary members elected by the shareholders' meeting, who are presented in section "Board of directors and executive management" and on Edgware's website: <https://corporate.edgware.tv/>

During 2017, the board of directors held 13 meetings, one (one) of which was a statutory meeting. Discussions by the board of directors in 2017 included:

11 January	Decision regarding allotment relating to the warrants programme 2016.
19 February	Year-end report 2016.
10 March	Decision on notice of AGM.
12 April	Statutory meeting.
3 May	Interim report January-March 2017.
7 July	Decision regarding publication of preliminary results for April-June 2017.
2 August	Interim report April-June 2017.
1 November	Interim report July-September 2017.
13 November	Decision to appoint Karl Thedéen as new CEO of the company to take office in February 2018.



Remuneration of the board of directors is reported in the section Remuneration and guidelines for remuneration in this corporate governance report.

BOARD COMMITTEES

The board of directors has established two committees within its ranks: An audit and a remuneration committee.

AUDIT COMMITTEE

According to the Code, the board of directors shall establish an audit committee comprising at least three board members.

Edgware has an audit committee consisting of three members: Karl Thedéen (chairman), Staffan Helgesson and Sigrun Hjelmqvist. Without affecting the other responsibilities and tasks of the board, the audit committee is to monitor the company's financial reporting, monitor the effectiveness of the company's internal control, internal audit and risk management, keep itself informed of the audit of the annual accounts and the consolidated accounts, examine and monitor the auditor's impartiality and independence, paying special attention to whether the auditor provides the company services other than auditing services, and assist in the preparation of proposals on the AGM's election of auditors. During 2017, four (4) meetings were held: on 6 February, 20 April, 27 July and 26 October.

REMUNERATION COMMITTEE

Edgware has a remuneration committee consisting of three members: Kent Sander (chairman), Michael Ruffolo and Jason Pinto. The remuneration committee is to prepare matters concerning the remuneration principles, remuneration and other employment terms

for the CEO and executive management. During 2017, three (3) meetings were held: on 16 February, 1 November and 15 November.

CEO AND EXECUTIVE MANAGEMENT

The CEO is subordinated to the board of directors and is responsible for the everyday management and operations of the company in accordance with the Swedish Companies Act, other laws, regulations, current laws for listed companies including the Code and current instructions for the CEO and other instructions and strategies determined by the board of directors.

The division of work between the board of directors and the CEO is set out in the rules of procedure for the board of directors and in the CEO's instructions.

The CEO is also responsible for preparing reports and compiling information from management prior to board meetings and for presenting the material at the board meetings. According to the instructions for financial reporting, the CEO is responsible for financial reporting in the company and as such is to ensure that the board receives adequate information to be able to evaluate the company's financial position.

The CEO is to continuously keep the board informed of the development of the company's business, the sales trend, the company's financial position and performance, the liquidity and credit situation, important business events and any other event, circumstance or condition that can be assumed to be of material significance to the company's shareholders.

BOARD ATTENDANCE

During the year, the board members attended board and committee meetings in the following extent

Board member	No. of board meeting	Attendance, %	No. of committee meetings	Attendance, %
Michael Ruffolo	13	100	3 ¹⁾	100
Jason Pinto	13	100	3 ²⁾	100
Staffan Helgesson	12	92	4 ³⁾	100
Lukas Holm ⁴⁾	4	80	–	–
Karl Thedéen	12	92	4 ⁵⁾	100
Sigrun Hjelmqvist	13	100	4 ⁶⁾	100
Kent Sander	12	92	3 ⁷⁾	100

1) Remuneration committee 2) Remuneration committee 3) Audit committee 4) Lukas Holm stepped down from the board in connection with the AGM held on 12 April 2017 5) Audit committee 6) Audit committee 7) Remuneration committee

The CEO and executive management are presented in section "Board of directors and executive management" in the 2017 annual report on Edgeware's website: <https://corporate.edgeware.tv/>

REMUNERATION AND GUIDELINES FOR REMUNERATION

Fees and other remuneration to the members of the board, including the chairman, are resolved by the shareholders' meeting. The AGM held on 12 April 2017 resolved that director fees would be payable in an amount of SEK 1,450,000, whereby the chairman of the board would receive SEK 500,000 and each other Board member would receive SEK 175,000. It was also resolved that fees for committee work on the audit committee would be payable in a maximum amount of SEK 60,000, of which SEK 30,000 to the chairman of the committee and SEK 15,000 to each of the two other members. It was resolved that fees for committee work on the remuneration committee would be payable in the amount of SEK 15,000 to the chairman of the committee. The members of the board of directors are not entitled to any benefits following termination of their assignments as directors of the board. Fees received for 2017 are recognised in Note 12.

The AGM held on 12 April 2017 adopted guidelines for remuneration to the CEO and other executive management.

The remuneration of the executive management shall consist of fixed salary, variable remuneration, long-term share-based or share-related incentive plans (LTI) and pension provisions.

The total remuneration shall be based on market terms, be competitive, well balanced and not wage leading as well as contribute to good ethics and company culture. Fixed salary is to be based on the executive management's competence and area of responsibility, be individual and is normally to be reviewed every year.

Executive management may also be granted customary non-monetary benefits, such benefits shall however not constitute a material part of the total remuneration. The vesting period for the LTI programme must be at least three years. The LTI programme shall be based on shares or share related securities. The LTI shall ensure long-term incentives linked to Edgware's development. Every share-based LTI requires approval of the shareholders before implementation.

Pension benefits are to be premium based and constitute 4.5 percent of the pension-qualifying salary up to 7.5 income base amounts and 30 percent on any excess amount. The board of directors is to be entitled to deviate from the guidelines if there is special reason to do so in an individual case.

CURRENT EMPLOYMENT AGREEMENTS FOR THE CEO AND EXECUTIVE MANAGEMENT

Decisions regarding the current levels of remuneration and other terms of employment for the CEO and executive management have been made by the board. Refer to Note 12 for an overview of remuneration of the CEO and executive management for the 2017 financial year.

Pensions for the CEO and executive management follow the same guidelines as for other employed personnel. For pension provisions or similar benefits, see Note 12.

A mutual period of notice of six months applies for the CEO and the company. For executive management residing in Sweden, a period of notice of one to three months applies for the employee and the employer. For the employer, the period of notice according to the Swedish Employment Protection Act (1982:80) applies in the majority of cases, which means the actual period of notice for executive management is longer than three months.

The CEO is entitled to severance pay amounting to six months' salary upon dismissal by the company.

Except for the CEO, no employees are entitled to severance pay.

During 2016, the company entered into a consultancy agreement with Gunilla Wikman, IR Manager, through a company owned by Gunilla Wikman. The agreement runs up to and including the twelfth month after the first day of trading in the company's share on Nasdaq Stockholm and constitutes part-time work with an estimated workload of approximately 25–80 percent of full-time employment during the period.

During 2016, the company also entered into a consultancy agreement with Richard Brandon, CMO, through a company owned by Richard Brandon. The agreement constitutes part-time work of four days per week, or 80 percent of full-time employment, and runs up to and including June 2017 and is automatically renewed by six-month periods.

INTERNAL CONTROL

The board of directors and the board's audit committee are responsible for internal control. At the Group level, the CEO, along with the Group's finance department, Head of Legal and the CFO, is responsible for every legal entity for ensuring that the necessary controls are conducted together with adequate monitoring.

Internal control comprises the control of the company's and the Group's organisation, procedures and support measures. The objective is to ensure that reliable and accurate financial reporting takes place, that the company's and the Group's financial reporting is prepared in accordance with law and applicable accounting standards, the company's assets are protected and that other requirements are fulfilled. The system for internal control is also intended to monitor compliance with the company's and the Group's policies, principles and instructions. Internal control also comprises risk analysis and follow-up of incorporating information and business systems.

INTERNAL CONTROL OF FINANCIAL REPORTING 2017

The board of directors is responsible for internal auditing in accordance with the Swedish Companies Act and the Code. The Annual Accounts Act states that the corporate governance report is to include information regarding the most important aspects of a company's system for internal control and risk management in connection with financial reporting.

To date, Edgeware has found no reason to establish a separate function for internal audit as the company is still relatively small. Internal control is therefore carried out by the board's audit committee and by the board of directors itself.

EXTERNAL REPORTING

The board of directors monitors and evaluates the quality assurance of financial reporting through interim reports on the company's business development and earnings trend and by addressing the Group's financial situation at each scheduled board meeting. The company's auditor is present at two audit committee meetings per year, when the result of the audited year-end accounts and the third quarter accounts are presented. On these occasions, any changes to accounting policies relevant to the company are also presented. In connection with the review of the year-end accounts, the board meets the company's auditor without the presence of executive management.

The internal system for reporting and control is built around annual financial planning, interim reporting and daily follow-up of business-related performance measures in order to facilitate external reporting and risk management.

The Group's legal and financial functions control and monitor the accuracy of reporting and compliance with internal and external regulations. In addition to compliance with laws and regulations, the functions also control compliance with internal rules and guidelines for the tasks of the financial control function. The company's internal rules and guidelines are gathered in the company's policies, such as the financial policy, IT policy, and the Code of Conduct and in the employee handbook.

It is the responsibility of the audit committee to identify and handle any major financial risks and the risk of mistakes in financial reporting in order to ensure correct financial reporting. One specific priority is to identify processes where the risk for material error is relatively higher due to the complexity of the process or in contexts which involve substantial values.

The company follows an annual cycle in its work to evaluate risks, which includes evaluation of identified risks and implementing and ensuring compliance with

relevant control activities. Internal control aims to identify risks and any inaccuracies that could have a material impact on the company's financial reporting. The risks identified require internal control in order to minimise the risk of error. Relevant control activities have been implemented for all identified risk areas. For each control activity, it has been defined what activity is to be carried out, by whom and where documentation for the implemented control is to be archived. The controlling person is separate from the person who performs the process in line with the four-eye principle.

AUDIT

The auditor is to review the company's annual reports and financial statements as well as the management of the board and CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the AGM. According to the company's articles of association, the company is to have a minimum of one and a maximum of two auditors and a maximum of two deputy auditors. Authorised public accountants or a registered public accounting firm is to be appointed as auditors and, when appropriate, deputy auditors. The company's auditor is Deloitte AB, with Erik Olin as the Auditor-in-Charge. In 2017, the remuneration of the company's auditor totalled SEK 0.8 million (2.5), of which SEK 0.7 million (0,5) comprised audit fees.

CONSOLIDATED INCOME STATEMENT

(SEK MILLION)	NOTE	2017	2016
Net sales	5, 6	236.8	252.2
Cost of goods and services sold		-60.5	-76.6
Gross income		176.3	175.6
Selling expenses		-64.5	-58.6
Administrative expenses		-44.2	-45.3
Research and development expenses		-56.1	-51.9
Other operating income/expenses	7	0.3	-0.7
Operating profit	8,9,10,11,12	11.8	19.1
Profit/loss from financial items			
Financial income	13	1.5	5.2
Financial expense	14	-1.9	-2.0
Pre-tax profit		11.4	22.3
Tax	15	-3.9	-6.6
PROFIT FOR THE YEAR		7.5	15.7
Attributable to:			
Owners of the parent		7.5	15.7
Profit per share, SEK	16		
Before dilution		0.2	0.6
After dilution		0.2	0.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK MILLION)	NOTE	2017	2016
Profit for the year		7.5	15.7
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Translation differences for the year, investment in subsidiary		0.2	-0.1
Tax effect of hedging net investments		0	0
Total items that may be reclassified to profit or loss		0.2	-0.1
COMPREHENSIVE INCOME FOR THE YEAR		7.7	15.6
Attributable to:			
Owners of the parent		7.7	15.6

CONSOLIDATED BALANCE SHEET

(SEK MILLION)	NOTE	31 DEC 2017	31 DEC 2016
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure on development work	18	19.9	14.7
Other intangible assets	19	0.2	-
Trademarks	20	0.8	-
		20.9	14.7
Property, plant and equipment			
Equipment, tools and installations	21	4.2	4.4
		4.2	4.4
Financial non-current assets			
Other non-current assets	22	5.0	3.6
		5.0	3.6
Deferred tax assets	15	10.8	11.7
Total non-current assets		40.9	34.4
Current assets			
Inventories			
	23	12.9	6.1
		12.9	6.1
Current receivables			
Trade accounts receivable	24	72.8	66.5
Other receivables		1.8	2.5
Prepaid expenses and accrued income	25	10.5	5.8
		85.1	74.8
Current investments			
	27	75.1	-
Cash and cash equivalents			
	26	97.7	194.6
Total current assets		270.8	275.5
TOTAL ASSETS		311.7	309.9

CONSOLIDATED BALANCE SHEET

(SEK MILLION)	NOTE	31 DEC 2017	31 DEC 2016
EQUITY AND LIABILITIES			
Equity			
Share capital	28	1.5	1.5
Other contributed capital	29	234.3	231.4
Translation reserve	30	-2.5	-2.7
Retained earnings including profit for the year		11.4	3.9
Equity attributable to owners of the parent		244.7	234.1
Total equity		244.7	234.1
Longterm debts			
Other provisions	31	0.3	0.6
		0.3	0.6
Current liabilities			
Trade accounts payable		18.9	16.9
Current tax liabilities		0.5	0.7
Other current liabilities		0.3	2.3
Accrued expenses and deferred income	32	47.0	55.3
		66.7	75.2
TOTAL EQUITY AND LIABILITIES		311.7	309.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK MILLION)	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TRANSLATION RESERVE	RETAINED EARNINGS INCLUDING PROFIT FOR THE YEAR	TOTAL EQUITY
Balance, 1 January 2017	1.5	231.4	-2.7	3.9	234.1
Profit for the year				7.5	7.5
Other comprehensive income:					
Exchange-rate differences when translating foreign operations			0.2	0	0.2
Total other comprehensive income			0.2	0	0.2
Total comprehensive income			0.2	7.5	7.7
Transactions with owners:					
Tax on issuance costs		2.9			2.9
Total transactions with owners	0	2.9	0	0	2.9
Balance, 31 December 2017	1.5	234.3	-2.5	11.4	244.7

(SEK MILLION)	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	TRANSLATION RESERVE	RETAINED EARNINGS INCLUDING PROFIT FOR THE YEAR	TOTAL EQUITY
Balance, 1 January 2016	0.6	82.0	-2.6	-11.8	68.3
Profit for the year				15.7	15.7
Other comprehensive income:					
Exchange-rate differences when translating foreign operations			-0.1	0	-0.1
Total other comprehensive income			-0.1	0	-0.1
Total comprehensive income			-0.1	15.7	15.6
Transactions with owners:					
Bonus issue	0.6	-0.6			0
New share issue	0.3	162.5			162.8
Warrants		0.5			0.5
Issuance costs		-13.0			-13.0
Total transactions with owners	0.9	149.4	0	0	150.3
Balance, 31 December 2016	1.5	231.4	-2.7	3.9	234.1

CONSOLIDATED CASH FLOW STATEMENT

(SEK MILLION)	NOTE	2017	2016
Cash flow from operating activities			
Operating profit		11.8	19.1
Adjustments for non-cash items:			
Depreciation/amortisation		11.7	9.9
Guarantee reserve		-0.3	0.1
Withholding tax		-0.2	-
Exchange-rate effects		-0.4	1.6
Received interest		0.3	-
Paid interest		-0.1	0
Cash flow from operating activities before changes in working capital		22.8	30.7
Changes in working capital			
Decrease (+)/Increase (-) in inventories		-6.7	7.6
Decrease (+)/Increase (-) in accounts receivable		-6.3	-10.6
Decrease (+)/Increase (-) in other current receivables		-4.0	-0.6
Decrease (-)/Increase (+) in trade payables		2.0	8.5
Decrease (-)/Increase (+) in other current liabilities		-10.5	9.5
Cash flow from working capital		-25.5	14.4
Cash flow from operating activities		-2.7	45.1
Investing activities			
Acquisition of intangible assets	18, 19, 20	-14.7	-8.8
Acquisition of property, plant and equipment	21	-3.1	-3.6
Investments in other financial non-current assets		-1.5	-
Investments in current assets		-75.0	-
Cash flow from investing activities		-94.3	-12.4
Financing activities			
New share issue	28	-	151.2
Issuance costs		-	-13.0
Warrants		-	0.4
Cash flow from financing activities		-	138.6
Cash flow for the year		-97.0	171.3
Cash and cash equivalents at beginning of year		194.6	21.1
Exchange-rate differences in cash and cash equivalents		0.1	2.2
Cash and cash equivalents at year-end	26	97.7	194.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Edgeware AB, corporate identity number 556691-7554, is a public limited company registered and domiciled in Stockholm, Sweden. The address of the head office is Mäster Samuelsgatan 42, 12th floor, 111 57 Stockholm. Edgeware is a leading company within TV and video distribution solutions that are specifically aimed at those providing services via operator networks or an open internet. The company's share is listed on Nasdaq Stockholm under the ticker EDGE.

The Group comprises the parent company Edgeware AB (publ), which is domiciled in Stockholm, and the subsidiary Edgeware Inc., domiciled in the US.

NOTE 2 SIGNIFICANT ACCOUNTING PRINCIPLES

Edgeware AB (publ) prepares its consolidated financial statements in accordance with EU-approved International Financial Reporting Standards (IFRS) and with interpretations by the IFRS Interpretations Committee (IFRIC). In addition, the Group applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups.

In the consolidated financial statements items have been measured at cost, with the exception of certain financial instruments that are measured at fair value. The significant accounting principles applied are described below.

EFFECTS OF NEW ACCOUNTING PRINCIPLES

New or amended IFRS

New standards and amendments of standards that came into force on 1 January 2017 did not have any impact on the consolidated financial statements for 2017.

FUTURE ACCOUNTING PRINCIPALS

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive revenue model that replaces the IAS 18 and IAS 11 standards. The standard regulates revenue recognition and disclosure requirements pertaining to commercial agreements (contracts) with customers where deliveries of goods/services are divided into separate identifiable performance obligations that are recognised independently. The standard took effect on 1 January 2018. In a review, Edgeware identified material revenue flows and contracts in Edgeware AB and Edgeware Inc, and analysed them based on the five-step model presented in IFRS 15. The finance, operations and sales departments as well as the company's legal counsel were involved in the review. The conclusion reached was that the new standard will not have a material impact on the Group's revenue recognition. However, the new standard will require more extensive disclosures in the financial statements.

The accounting policies for the main revenue streams are described below.

Recognition of revenue

Revenue is measured based on the consideration specified in a contract with a customer net of VAT. Edgeware recognises revenue when it transfers control of a product or service to a customer.

Products and licenses

Edgeware sells TV-servers with preinstalled software and necessary streaming and capacity licenses. This package remains functional without any updates or technical support.

Streaming and memory capacity licenses can also be purchased separately, to extend capacity, without any new hardware. The licenses are considered functional without technical support or updates. The licenses are made available with a license key to customers upon creation in Edgeware online tool.

System software features are made available for download in Edgeware online tool without restriction once purchased. The features are considered functional without technical support or updates.

Both streaming and memory capacity licenses and system software features are considered as right of use licenses, since the customer can direct the use of and obtain substantially all of the remaining benefits from the license at the point in time the license is transferred. Revenue is recognised when the customer can control the use, being when the license is available to the customer upon creation in Edgeware online tool.

Revenue from sale of TV-servers with preinstalled software and necessary streaming and capacity licenses (bundles) are recognised at the point in time control when the products have been transferred to the customer, according to agreed delivery terms and conditions.

Technical support & maintenance

Agreements covering maintenance (software updates) provide assurance to the customer that Edgeware will provide all updates developed during the contract period. It is not possible to specify the number of updates in advance. Revenue from maintenance is recognised on a straight-line basis over the contract period, usually between one and three years.

Technical support is to be provided as and when needed over the contract period, and therefore the criteria for recognising revenue over time is considered to be met.

Where necessary, Edgeware provides customers with technical support (online or telephone). The utilisation of technical support does not vary significantly between months and the customer pays a flat rate regardless of how many times the service is used. Revenue from technical support is recognised on a straight-line basis over the contract period, usually between one and three years.

Professional services

Sale of professional services mainly refer to installation services, deployment services and training.

Installation services are considered a separate performance obligation. The service can be performed by other entities (Edgeware partners, available in all markets). Control is normally transferred to the customer when the installation has been completed, and revenue is recognised at this point in time.

Integration services consist of larger or more complex installation projects, often milestone based. These services are often sold bundled with products and licenses. In these type of contracts, the assessment is made as to whether the bundle should be viewed as one performance obligation or several. If the bundle is a performance obligation, the criteria for recognising revenue over time is normally met.

Revenue from sale of training is recognised when the service is performed.

IFRS 9 Financial Instruments

The new standard for financial instruments replaces IAS 39. The standard took effect on 1 January 2018. IFRS 9, which replaces IAS 39 Financial instruments: Recognition and Measurement, contains rules for recognition, classification and measurement, impairment, derecognition and general rules for hedge accounting. The assessment classification for assets is based on two criteria: (a) the company's business model for managing the financial asset and (b) the instrument's contractual cash flows, while classification and measurement of financial liabilities is largely unchanged compared with IAS 39. A project has been carried out on the basis of these areas and concluded that these will not have a material impact on recognition, and earlier periods will thus not be restated. Furthermore, Edgeware does not apply hedge accounting.

The project included a calculation of the effects of transitioning to a new model for recognising expected loan losses known as the "expected loss model". No part of IFRS 9 will have a material impact of Group's reporting and earlier periods will not be restated. In the first quarter of 2018, Edgeware intends to recognise a non-recurring effect of SEK 0.5 million in equity due to a change of calculation model for expected loan losses on trade accounts receivable as a result of future losses being taken into consideration.

IFRS 16 Leases

This new standard is to be applied as of 1 January 2019. Edgeware has commenced preparations to transition to the new standard on 1 January 2019. The preliminary assessment is that the new standard will impact Edgeware, particularly with respect to leases for premises which, according to the new standard, are to be recognised as an asset in the form of the right to utilise the premises and a liability in the form of an obligation to make rent payments.

Company management has assessed that other new and revised standards and interpretations not yet in force will not have a material impact on the consolidated financial statements when applied for the first time.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements cover the parent company Edgeware AB (publ) and the companies over which the parent company has a controlling interest. A controlling interest exists when the Group is exposed to, or has the right to, variable returns from its involvement in a company and can use its influence over the company to affect its return. A controlling interest usually exists where the parent company directly or indirectly holds shares representing more than 50% of the votes.

Subsidiaries are consolidated from the date of acquisition until the date when the parent company no longer has a controlling

interest in the subsidiary. Where necessary, the accounting principles for subsidiaries have been adjusted to comply with the Group's accounting principles. All intra-Group transactions, balances and unrealised gains and losses attributable to intra-group transactions have been eliminated in the preparation of the consolidated financial statements.

When the parent company loses its controlling interest in a subsidiary, the gain or loss on disposal is calculated as the difference between

- 1) the sum of the fair value of the consideration received and the fair value of any remaining holding, and
- b) the previous carrying amounts of the subsidiary's assets (including goodwill), and liabilities and any non-controlling interests.

SEGMENT REPORTING

An operating segment is a component of a company that carries out business operations that may result in the receipt of income and is evaluated regularly by the highest executive decision-maker and about which separate financial information is available. The company's reporting of operating segments accords with the internal reporting to the highest executive decision-maker. The highest executive decision-maker is the function responsible for allocation of resources and assessment of the operating segments' results. The CEO is the highest executive decision-maker. The accounting principles for the reporting segments are the same as those applied by the Group as a whole.

REVENUE

Revenue is recognised at the fair value of what has been received or will be received, less value-added tax, discounts, returns and similar deductions. The Group recognises revenue when the amount of the revenue can be reliably measured, when it is probable that future economic benefits will flow to the company and the specific criteria are met for each of the Group's revenue types.

The Group's revenue consists mainly of the provision of infrastructure customised to allow network operators to offer video services. The products are a combination of hardware and software and associated capacity licenses that support both traditional pay TV services and the new web TV services. The Group also provides services in the form of installation, integration, support and training.

Sales of products

Revenue from the sale of products is recognised when the significant risks and benefits associated with the products have been transferred to the customer. This generally takes place upon delivery. If Edgeware has an integration obligation in addition to its own products, and this represents a significant share of the delivery, revenue from the sale of the product may be recognised in connection with integration.

Sales of support

Revenue from support contracts is recognised as revenue on a straight-line basis over the contract period.

Sales of other services

Revenue from sales of training and installation is recognised in the period in which the services are performed.

Interest income

Interest income is allocated over the relevant term using the effective interest method.

LEASES

Lessee

A finance lease is a contract under which the financial risks and benefits associated with ownership of an asset are essentially transferred from the lessor to the lessee. Other leases are classified as operating leases. The Group has only operating leases. Lease payments for operating leases are expensed on a straight-line basis over the term of the lease, unless a different systematic approach better reflects the user's financial benefit over time.

FOREIGN CURRENCY

Items included in the financial statements for the various entities in the Group are recognised in the currency of the primary economic environment where the entity in question mainly conducts its operations (functional currency). In the consolidated financial statements all amounts are translated into Swedish kronor (SEK), which is the functional currency and reporting currency of the parent company.

Foreign currency transactions are translated in each entity into the entity's functional currency at the exchange rates on the transaction date. On each closing day, monetary items in foreign currencies are translated at the exchange rate on the closing day. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate on the day fair value was established. Non-monetary items measured at historical cost in a foreign currency are not translated.

Exchange-rate differences are recognised in profit or loss for the period in which they arise, with the exception of hedging transactions that meet the criteria for hedge accounting of cash flows or of net investments, in which case gains and losses are recognised in other comprehensive income.

In the preparation of consolidated financial statements, assets and liabilities in foreign subsidiaries are translated into Swedish kronor at the exchange rate on the closing day. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate fluctuated significantly during the period, in which case the exchange rate on the transaction date is used instead. Any translation differences arising are recognised in other comprehensive income and are transferred to the translation reserve. On the divestment of a foreign subsidiary, such translation differences are recognised in the income statement as part of the capital gain or loss.

EMPLOYEE BENEFITS

Employee benefits in the form of salary, bonuses, vacation pay, sick pay, etc. and pensions are recognised as they are earned. Pensions and other post-employment benefits are classified as defined-contribution or defined-benefit pension plans. The Group has only defined-contribution pension plans.

Defined-contribution plans

In defined-contribution plans the Group makes fixed payments to a separate independent legal entity and has no obligation to make further payments. The Group's costs are expensed as the benefits are earned, which usually coincides with the date of payment of the premiums.

Share-based remuneration

Share-based remuneration settled using equity instruments are measured at fair value on the date of allocation, which is the date that the company enters into an agreement on share-based remuneration. The fair value established on the date of allocation is expensed on the date of allocation, with a corresponding adjustment to equity distributed across the earnings period, based on the Group's estimate of the number of warrants that are expected to be able to be exercised.

Fair value is calculated using the Black and Scholes model. Social insurance contributions attributable to the share-based remuneration are accrued in the same way as the cost of the services received and the liability is re-measured during every report period until it has been settled.

For incentive plans in the form of warrants, transfer to the participants is to occur at the market value of the warrants. Fair value per option has been calculated according to Black and Scholes.

TAXES

Tax expense comprises the sum of current tax and deferred tax.

Current tax

Current tax is calculated on the taxable profits for the period. Taxable profit differs from the profit recognised in the income statement since it has been adjusted for tax-exempt income and non-deductible expenses, and for income and expenses that are taxable or deductible in other periods. The Group's current tax liability is calculated using the tax rates applicable on the closing day.

Deferred tax

Deferred tax is recognised on temporary differences between the recognised value of assets and liabilities in the financial statements and the fiscal value used to calculate taxable profits. Deferred tax is recognised according to the balance sheet method. Deferred tax liabilities are recognised for practically all taxable temporary differences, and deferred tax assets are recognised for practically all deductible temporary differences, to the extent it is likely that the amounts can be utilised against future taxable surpluses. Deferred tax liabilities and tax assets are not recognised if the temporary difference is attributable to goodwill or if it arises from a transaction that constitutes initial recognition of an asset or liability (that is not a business combination) and which at the transaction date affects neither recognised nor taxable profit.

A deferred tax liability is recognised for taxable temporary differences attributable to investments in subsidiaries, except where the Group can determine the date of reversal of the temporary differences and it is likely that such reversal will not take place within the foreseeable future. The deferred tax assets attributable to deductible temporary differences in respect of such investments are only recognised to the extent that it is probable that the amounts can be utilised against future taxable surpluses and it is likely that such utilisation will take place within the foreseeable future.

The carrying amount of deferred tax assets is tested on each closing day and reduced to the extent that it is no longer probable that there will be sufficient taxable surplus available to utilise the deferred tax asset, either in full or in part.

Deferred tax is calculated using the tax rates that are expected to apply in the period when the asset is recovered or the liability is settled, based on the tax rates (and the tax legislation) that are enacted or have been announced as of the closing day.

Deferred tax assets and tax liabilities are offset where they relate to income tax debited by the same authority and where the Group intends to settle the tax in a net amount.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or as income in the income statement, except where the tax is attributable to transactions recognised in other comprehensive income or directly in equity. In such cases the tax is also reported in other comprehensive income or directly in equity. In the case of current and deferred tax arising when reporting business combinations, the tax effect is to be recognised in the acquisition calculation.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reported at cost following deductions for accumulated depreciation and any impairment losses.

Cost includes the purchase price, expenses directly attributable to the asset in order to bring it to the location and condition to be used and estimated expenses for dismantling and removal of the asset and restoration of its location. Further expenditures are included in the asset or recognised as a separate asset only if it is probable that future economic benefits associated with the asset will accrue to the Group and the cost of these can be reliably estimated. All other costs for repairs and maintenance, as well as further expenditures, are recognised in the income statement in the period in which they are incurred.

Depreciation of property, plant and equipment is expensed such that the asset's cost, decreased by any estimated residual value at the end of its useful life, is depreciated on a straight-line basis over its expected useful life. Depreciation begins when the item of property, plant and equipment can be taken into use. The useful life of equipment, tools and installations has been estimated at 3 years.

The estimated useful life, residual value and depreciation method is reviewed at least at the close of each reporting period, and the effect of any changes in estimates is reported from then on.

The carrying amount of a property, plant and equipment item is removed from the balance sheet when it is disposed of or divested, or when no further economic benefits are expected from the use or disposal/divestment of the asset. The gain or loss arising from the disposal or divestment of the asset is the difference between any net proceeds of the divestment and its carrying amount, and is recognised in profit or loss in the period when the asset is removed from the balance sheet.

INTANGIBLE ASSETS

Internally generated intangible assets – Capitalised product development expenses Internally generated intangible assets arising from the Group's product development are recognised only if the following conditions are met:

- it is technically feasible to complete the intangible asset and to use or sell it,
- the company intends to complete the intangible asset and to use or sell it,
- the conditions are in place for using or selling the intangible asset,
- the company shows how the intangible asset will generate probable future economic benefits,
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- the expenditure attributable to the intangible asset during its development can be reliably measured, and
- if it is not possible to recognise an internally generated intangible asset, then the development costs are expensed in the period in which they are incurred.

Cost includes all directly attributable expenditure, such as material and services, remuneration to employees, consultant fees, registration of legal rights, amortisation of patents and licenses, and indirect costs if these can be directly attributed to work required to complete the asset for its intended use.

After initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and any accumulated impairment losses. Useful life is estimated at 3 years. The estimated useful life and depreciation method is reviewed at least at the close of each financial year, and the effect of any changes in estimates is recognised from then on.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

At each closing day, the Group analyses the carrying amounts of property, plant and equipment and of intangible assets to establish whether there is any indication that these have decreased in value. If this is the case, the asset's recoverable amount is calculated in order to establish the level of any impairment loss. Where it is not possible to calculate the recoverable amount of an individual asset, the Group calculates the recoverable amount for the cash-generating unit to which the asset belongs.

Intangible assets with an indeterminate useful life, and intangible assets that are not yet ready for use, are tested for impairment annually or when there is an indication of a decrease in value.

The recoverable amount is the higher of the fair value minus selling expenses and its value in use. When calculating value in use, estimated future cash flows are discounted to present value using a discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount for an asset (or cash-generating unit) is established to be lower than the carrying amount, then the carrying amount for the asset (or cash-generating unit) is written down to the recoverable amount. Any write-down is to be expensed in the income statement straight away.

When an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the remeasured recoverable amount, but the increased carrying amount must not exceed the carrying amount that would have been established if the asset (cash-generating unit) had not been written down in previous years. A reversal of an impairment loss is recognised directly in profit or loss.

FINANCIAL INSTRUMENTS

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the instrument's contractual terms. A financial asset is removed from the balance sheet when the contractual right to the cash flow from the asset ceases, is settled or when the Group loses control over it. A financial liability, or part thereof, is removed from the balance sheet when the agreed obligation is fulfilled or otherwise ceases.

At each reporting date, the company assesses whether there are objective indications of impairment of a financial asset or group of financial assets on the basis of events that have occurred. Examples of such events include a substantial deterioration in the counterparty's financial position or failure to pay amounts due.

Financial assets and financial liabilities that are not measured at fair value through profit or loss on the subsequent reporting date are recognised on initial recognition at fair value plus or minus transaction expenses. Financial assets and financial liabilities that are measured at fair value through profit or loss on the subsequent reporting date are recognised on initial recognition at fair value. In subsequent reporting, financial instruments are measured at amortised cost or at fair value depending on their initial categorisation according to IAS 39.

On initial recognition, a financial instrument is classified in one of the following categories:

Financial assets

- a) At fair value through profit or loss
- b) Loans and accounts receivables
- c) Held-to-maturity investments
- d) Available-for-sale financial assets

Financial liabilities

- a) At fair value through profit or loss
- b) Other financial liabilities at amortised cost

Value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

The fair value of financial assets and liabilities traded on an active market is determined by reference to quoted market prices.

The fair value of other financial assets and liabilities is determined according to generally accepted measurement models such as discounting of future cash flows and using information taken from relevant market transactions.

For all financial assets and liabilities, the carrying amount is considered to be a good approximation of their fair value unless specifically stated otherwise in subsequent notes.

Amortised cost

Amortised cost refers to the amount at which the asset or liability was initially recognised less repayments, supplements or deductions for accumulated accruals using the effective interest method of the initial difference between the amount received/paid and the amount payable/receivable on the due date, and less impairment losses.

The effective interest rate is the rate at which discounting of all future expected cash flows over the expected term results in the initial carrying amount of the financial asset or financial liability.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and reported as a net amount in the balance sheet where there is a legal right to offset the amounts and it is intended that the items will be settled by a net amount or that the asset will be realised and the liability settled simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash at hand and bank balances, as well as other short-term liquid deposits that can be readily converted into cash and for which the risk of changes in value is insignificant. To be classified as cash and cash equivalents, the maturity must not exceed three months from the date of acquisition. Cash at hand and bank balances are categorised as "Loan receivables and trade accounts receivable", and are therefore measured at amortised cost.

Since bank deposits are payable on demand, the amortised cost is equal to the nominal amount.

Short-term investments are categorised as "Held for trading" and measured at fair value, with changes in value recognised through profit or loss.

Trade accounts receivable

Trade accounts receivable are categorised as "Loan receivables and trade accounts receivable" and are therefore measured at amortised cost. The anticipated duration of trade receivables is short, however; for this reason, they are reported at nominal amounts without discounting. Deductions

are made for receivables assessed to be doubtful. Impairment losses on accounts receivable are recognised in operating expenses

Trade accounts payable

Trade accounts payable are categorised as "Other financial liabilities", and are therefore measured at amortised cost. The anticipated duration of trade payables is short, however; for this reason, they are recognised at nominal amounts without discounting.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first in, first out principle (FIFO). Net realisable value is the estimated selling price less the estimated costs of completion and estimated costs required to achieve a sale.

PROVISIONS

A provision is recognised when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are made at the amount which is the best estimate of the expenditure required to settle the present obligation on the closing day, taking into account the risks and uncertainties associated with the obligation. When a provision is calculated by estimating the outflows that are expected to be required in order to settle the obligation, the carrying amount must equal the present value of these outflows.

Where part or all of the amount required to settle a provision is expected to be compensated by a third party, the compensation is to be reported separately as an asset in the statement of financial position when it is as good as certain that it will be received if the company settles the obligation and the amount can be reliably calculated.

NOTE 3 KEY ESTIMATES AND JUDGMENTS

The main assumptions concerning the future are reported below, along with other significant sources of uncertainty in estimates on the closing day which represent a material risk of significant adjustments to the carrying amounts of assets and liabilities in the subsequent financial year.

The main judgments made by the company management when applying the Group's accounting principles and that have the most significant effect on the amounts recognised in the financial reports are also detailed.

Impairment testing of capitalised development expenses

Capitalised development expenses that are not yet ready for use and thus are not subject to depreciation are tested for impairment at least annually. When testing for impairment, company management makes assumptions concerning expected cash flow (based on budget) from the asset, and discounts this using a discount rate to establish the recoverable amount. Budgeted revenues and the discount rate are significant assumptions that could result in a need to apply impairment losses.

Capitalisation of loss carryforwards

Capitalisation of loss carryforwards is recognised to the extent that it is probable that the amounts can be used against future taxable surpluses. To establish how much of the carryforward can be capitalised, the company management makes judgments concerning the amounts and concerning when taxable surplus-

es may arise. The company has unutilised loss carryforwards amounting to SEK 42.2 million (59.5) that have been recognised as a deferred tax asset.

Company management bases its judgment concerning capitalisation on forecasts of taxable surpluses based on a forecast for the foreseeable future. For further information, see Note 15.

Tax loss carryforwards of SEK 42.2 million (59.5) are attributable to the parent company Edgeware AB (publ). The carryforwards cannot be utilised by any other entity in the Group. There are additional unrecognised loss carryforwards in the US subsidiary. The company is not certain whether or not these loss carryforwards will be utilisable because it is uncertain about when in the future a sufficient taxable surplus will be generated. The unrecognised loss carryforwards in the US subsidiary amount to USD 5,998,000 (5,662,000).

Recognition of revenue

The Group recognises revenue in accordance with IAS 18, the IFRS standard for revenue recognition. According to this standard, revenue is to be recognised when it is probable that economic benefits will accrue to the seller and these can be calculated reliably. Revenue is recognised according to the policies presented in Note 2 above. In certain cases, the Group's sales agreements contain delivery of different sub-components, known as multiple elements, and the Group has divided up such sub-components based on the estimated fair value of each particular sub-component to ensure that revenue recognition illuminates the financial implication of the transaction. When bundling products and services, it is necessary for management to make a judgment in order to determine fair value and if and when revenue should be recognised. Revenue is allocated between products and services based on relative fair value. Since, in certain cases, delivery of multiple elements occurs at different times, the fair value determined for products and services could affect the timing of revenue recognition. Determining the fair value of each element and the date of delivery is complex and requires a judgement by management.

NOTE 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL

INSTRUMENTS

Through its operations the Group is exposed to various types of financial risks, such as market risk, liquidity risk and credit risk. The main market risks are interest-rate risk and currency risk. The company's board of directors has the ultimate responsibility for exposure, management and monitoring of the Group's financial risk. The frameworks that apply to exposure, management and monitoring of financial risk are established by the board of directors in a financial policy adopted in 2016, which is revised annually. In the financial policy, the board has delegated responsibility for day-to-day risk management to the company's CFO. The board may decide to deviate temporarily from the established financial policy.

MARKET RISK

Currency risk

Currency risk is the risk that fair value or future cash flows will fluctuate due to changes in foreign exchange rates. Exposure to currency risk arises mainly from payment flows in foreign currency – which is known as transaction exposure – and from the translation of foreign subsidiaries' income statements and balance sheets into SEK, the Group's reporting currency – known as translation exposure.

Transaction exposure

Transaction exposure is the risk that earnings will be negatively impacted by fluctuations in exchange rates for cash flows that take place in foreign currency. The Group's outflows are mainly in SEK, EUR and USD, and at the same time the Group's inflows are mainly in EUR, USD and MXN. The Group is therefore considerably affected by changes in these exchange rates as regards operational transaction exposure. Where financial transaction exposure is concerned, this is largely limited to intra-Group exposure.

The company's policy allows forecast cash flows to be hedged on an ongoing basis. Under the financial policy, transaction exposure may be reduced through the use of derivative instruments.

Currency hedging was introduced on 1 April 2017. Most of Edgeware's accounts are invoiced in USD, EUR or MXN. Edgeware has historically had a balance between inflows and outflows of USD, thus representing a natural hedge. The net flow of USD will be continuously analysed to assess whether there is a need for hedging in the future. For EUR and MXN, exposure is considerable between EUR/SEK and MXN/SEK, which means hedges have to be taken up to manage currency exposure. Hedging is effected via forward contracts and swaps. This applies to orders with a value exceeding an amount corresponding to SEK 2,000,000 and an expected payment term exceeding 60 days from receipt of an order, which is expected to correspond to about 80-90% of the company's net exposure.

As of the closing day, 0% of the cash flows in EUR, USD and MXN was hedged.

The table below shows the nominal net amounts of the major flows giving rise to transaction exposure. The exposure is stated based on the Group's payment flows in the most significant currencies and is presented in SEK.

Currency	31 Dec 2017	31 Dec 2016
EUR	129.3	164.7
USD	19.9	14.0
MXN	7.7	13.3

As of the closing day, the net book value of the Group's monetary assets and liabilities that are subject to translation into SEK amount to the sums below, presented in SEK:

Currency	31 Dec 2017	31 Dec 2016
EUR	59.2	67.5
USD	17.8	22.0
MXN	0.1	4.7

Translation exposure

Translation exposure is the risk that the value of the Group's net investments in foreign currency will be negatively impacted by changes in foreign exchange rates. The Group consolidates the net assets in SEK on the closing day. This risk is known as translation exposure and is not currency-hedged under the Group's financial policy.

The translation exposure for net investments in foreign currency is stated in local currency.

The Group's net investments refer to investments in the foreign subsidiary Edgeware Inc. in the US. The net investments correspond to the value of the company's equity and amounted to a

net expense of USD 4.2 million (expense: 3.8) as of 31 December 2017.

The table below, "Sensitivity analysis for market risk", presents the effects of exchange rate fluctuations against SEK for the most significant foreign currencies.

INTEREST-RATE RISK

Interest-rate risk is the risk that fair value or future cash flows will fluctuate due to changes in market interest rates. Under the Group's financial policy, interest-rate risk is not to be hedged.

The table below, "Sensitivity analysis for market risk", presents the effects of changes in market interest rates.

Sensitivity analysis for market risk The sensitivity analysis for currency risk shows the Group's sensitivity to a 10% increase or

decrease respectively in the exchange rate for SEK against the most significant foreign currencies. For transaction exposure, the table shows how the Group's earnings after tax would have been affected by a change in the exchange rate. This also includes outstanding monetary assets and liabilities in foreign currency on the closing day, including loans between Group companies where the currency effect impacts the Group's income statement. For translation exposure, the table shows how the Group's earnings after tax and equity would have been affected by a change in the exchange rate.

The sensitivity analysis for interest-rate risk shows the Group's sensitivity to a 1% increase in the market interest rate. The interest-rate sensitivity shows the effect on earnings after tax of a change in the market interest rate, as regards both interest income and expense.

Since the Group does not report changes in value in other comprehensive income or equity, there is a corresponding effect on equity.

	2017 Effect on profit/loss	31 Dec 2017 Effect on shareholders' equity	2016 Effect on profit/loss	31 Dec 2016 Effect on shareholders' equity
Transaction exposure				
EUR	8.4		11.6	
USD	1.3		2.0	
MXN	0.5		0.9	
Translation exposure				
USD		-0.4		-0.4
Interest				
SEK				
Financial expense		0		0

LIQUIDITY AND FINANCING RISK

Liquidity risk is the risk that the Group encounters problems meeting its commitments related to the Group's financial liabilities. Financing risk is the risk that the Group is unable to obtain sufficient financing at a reasonable cost.

The maturity profile of contractual payment commitments related to the Group's and the parent company's financial liabilities, excluding derivatives, is presented in the tables below. The amounts in these tables are not discounted values and they also include interest payments where relevant, which means that these amounts cannot be reconciled with the amounts reported in the balance sheets. Interest payments are established based on the

conditions applicable on the closing day. Amounts in foreign currency have been translated into SEK at closing day exchange rates. The Group's loan agreements contain no special conditions that could result in the payment date being significantly earlier than shown in the tables. The information below shows that the expected outflow amounts to approximately SEK 19.6 million (20.6) over the coming 12 months. The Group's liquidity reserve is defined as cash and cash equivalents, which amounted to SEK 97.7 million (194.6) at year-end, and this will be used to meet this outflow. There are also current investments amounting to SEK 75.1 million (0). In addition, there is the possibility of borrowing against trade accounts receivable if further funds should be needed in the short term.

	Within 3 months	3-12 months	1-5 years	More than 5 years	Total
31 Dec 2017					
Trade accounts payable	17.3		0	0	17.3
Other current liabilities	1.8	0.5	0	0	2.3
Total	19.1	0.5	0	0	19.6
31 Dec 2016					
Trade accounts payable	16.9		0	0	16.9
Other current liabilities	2.3	1.4	0	0	3.7
Total	19.2	1.4	0	0	20.6

Credit risk is the risk that a counterparty in a transaction will not fulfill its contractual obligations, thereby incurring a loss for the Group.

The Group's exposure to credit risk is mainly attributable to accounts receivable.

To limit the Group's credit risk, the company has formulated a credit policy that stipulates, for example, the requirement of a credit assessment of every new customer.

The situation of existing customers is also monitored continuously, in order to identify warning signs at an early stage.

Credit risk also arises when the company's surplus liquidity is invested in various types of financial instruments. Under the financial policy, surplus liquidity may only be placed in interest-bearing bank accounts or in interest-bearing securities. The financial policy states that credit risk from the investment of surplus liquidity is to be reduced by only investing with counterparties that have a very good rating. The financial policy also states that investments shall normally be spread across multiple counterparties or issuers. The credit risk pertaining to bank balances is limited because the counterparties are banks with a high credit rating. A board decision is required for alternative investments above and beyond what has been approved in the financial policy.

Trade accounts receivable are spread across a large number of customers, and no customer represents a significant portion of the total.

Neither are trade accounts receivable concentrated to a specific geographical area. The Group therefore assesses that the concentration risk is limited.

The Group's maximum exposure to credit risk is judged to be reflected in the recognised amounts of all financial assets, and shown in the table below.

	31 Dec 2017	31 Dec 2016
Trade accounts receivable	72.8	66.5
Other current receivables	0	0
Current investments	75.1	-
Cash and cash equivalents	97.7	194.6
Maximum exposure to credit risk	245.6	261.1

CATEGORISATION OF FINANCIAL INSTRUMENTS

The carrying amount of financial assets and financial liabilities by measurement category according to IAS 39 is shown in the table below. All financial assets and liabilities are recognised at amortised cost, which is a good approximation of fair value.

	31 Dec 2017	31 Dec 2016
Financial assets		
Loans and accounts receivables		
Trade accounts receivable	72.8	66.5
Cash and cash equivalents	97.7	194.6
Total	170.5	261.1
Financial assets to be sold		
Current investments	75.1	-
Other liabilities		
Trade accounts payable	18.9	16.9
Total	18.9	16.9

MEASUREMENT OF FINANCIAL INSTRUMENTS AT FAIR VALUE

Financial assets and financial liabilities that are measured at fair value in the balance sheet, or for which fair value disclosures are made, are classified at one of three levels based on the information used to establish fair value.

Level 1 – Financial instruments for which fair value is established based on observable quoted prices (unadjusted) on active markets for identical assets or liabilities. A market is regarded as active if quoted prices from a stock market, broker, industry group, pricing service or supervisory authority are readily and regularly available and these prices represent actual and regularly occurring market transactions at arm's length.

Level 2 – Financial instruments for which fair value is established using measurement models that are based on observable data for the assets or liabilities other than quoted prices included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Examples of observable data within level 2 are:

- Quoted prices for similar assets and liabilities.
- Data that can provide a basis for price assessment, e.g. market interest rates and yield curves.

Level 3 – Financial instruments for which fair value is established using measurement models in which input data is based on nonobservable data.

For cash and cash equivalents, accounts receivable, other short-term receivables, trade payables and other short-term liabilities, the net book value is a good approximation of fair value as the maturity is short. Short-term investments amount to SEK 75.1 million (-) and are valued at fair value according to level 1.

CAPITAL MANAGEMENT

The Group's aim as regards capital management is to ensure the Group's ability to continue its operations in order to generate a reasonable return to shareholders and for the benefit of other stakeholders.

NOTE 5 SEGMENT INFORMATION

Operating segments are reported in compliance with the internal reports submitted to the highest executive decision-maker. The Group's sales are monitored by region – EMEA, APAC and AMER-ICAS – based on two business areas: Products and Services. The outcomes by region and business area consist of the sum of invoices issued for products and services sold from different parts of the Group. These are not, however, reflected in separate income statements and balance sheets.

The Group's regions and business areas use Group-wide resources for sales activities, development work and administration and, accordingly, dividing up the company's costs is only possible through allocation of the costs. The same applies to assets and liabilities. Since Group management does not feel that an allocation of income statement and balance sheet items would provide a fairer view of operations and thus follows results for the Group as a whole, the Group has not identified any operating segments.

The largest customer accounted for 17.7 percent (23.0) of Edge-ware's total net sales in 2017, the three largest for 38.5 percent (41.9) and the five largest for 51.4 percent (55.4).

NOTE 6 NET SALES BY SALES CATEGORY

AND REGION

The table below shows net sales by sales category and region.

Net sales by sales category	2017	2016
Products (hardware, software and capacity licenses)	182.9	208.1
Services (maintenance, support and services)	53.9	44.1
Total	236.8	252.2
Net sales by region	2017	2016
EMEA (Europe, Middle East and Africa)	163.9	188.7
AMERICAS (North and South America)	37.1	41.4
APAC (Asia-Pacific)	35.8	22.2
Total	236.8	252.2
Net sales in EMEA include an element of sales pertaining to Sweden	12.8	13.3

NOTE 7 OTHER OPERATING INCOME/EXPENSES

	2017	2016
Net exchange gains/losses	0.3	-0.7
Total	0.3	-0.7

NOTE 8 OPERATING EXPENSES

	2017	2016
Cost of goods and materials	-60.5	-76.6
Remuneration of employees (Notes 12, 18)	-105.8	-96.2
Depreciation (Notes 9, 18, 19)	-11.8	-9.9
Other operating expenses (Notes 10, 11)	-46.9	-50.4
Total	-225.0	-233.1

NOTE 9 DEPRECIATION/AMORTISATION AND IMPAIRMENT

OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE

NON-CURRENT ASSETS

	2017	2016
Cost of goods sold	-3.3	-3.3
Research and development expenses	-8.5	-6.6
Total	-11.8	-9.9

NOTE 10 AUDITOR'S FEES

	2017	2016
Deloitte AB		
Audit assignments	0.7	0.4
Auditing activity other than audit assignments	0	1.5
Other services	0.1	0.6
Total	0.8	2.5

The audit assignment amounts are the fees paid to the auditor for the statutory audit. The audit involves examining the annual accounts and consolidated financial statements, the accounting records and the administration of the company by the board of directors and CEO, as well as fees for audit advisory services provided in connection with the audit assignment. SEK 0 million (0.8) was related to consultancy, and to examinations connected to preparations for the market listing.

NOTE 11 LEASES

Operating leases - lessees

The Group is a lessee in operating leases for rented premises. The year's expensed lease payments for operating leases totalled SEK 4.3 million (4.1) in the Group. Future minimum lease payments and variable payments for non-cancellable operating leases fall due as follows:

Maturity:	2017	2016
Future minimum lease payments		
Within one year	2.8	3.6
Later than one year but within five years	0	2.7

NOTE 12 NUMBER OF EMPLOYEES, PERSONNEL EXPENSES AND EXECUTIVE MANAGEMENT

Average number of employees	Average number 2017			Average number 2016		
	Women	Men	Total	Women	Men	Total
Parent company:						
Sweden	9	64	73	9	65	74
Total in parent company	9	64	73	9	65	74
Subsidiaries						
USA	1	6	7	1	5	6
Total in subsidiaries	1	6	7	1	5	6
Total in Group	10	70	80	10	70	80
Number of consultants subject to terms and conditions equivalent to employment	1	23	24	3	13	16
Total in the Group, including consultants subject to terms and conditions equivalent to employment	11	93	104	13	83	96

Number of board members and other executive management	31 Dec 2017	31 Dec 2016
Parent company		
Women:		
Board of directors	1	1
Other executive management incl. CEO	1	1
Men:		
Board of directors	5	6
Other executive management incl. CEO	9	9
Total in parent company	16	17
Group		
Women:		
Board of directors	1	1
Other executive management incl. CEO	1	1
Men:		
Board of directors	5	6
Other executive management incl. CEO	9	9
Total in Group	16	17
Cost of employee remuneration	2017	2016
Parent company		
Salaries and other remuneration	62.4	66.5
Share-based remuneration	-	-
Social insurance contributions	16.4	16.9
Pension expenses, defined-contribution plans	10.0	10.5
Subsidiaries		
Salaries and other remuneration	11.2	10.4
Social insurance contributions	0.5	0.4
Pension expenses, defined-contribution plans	0.4	0.2
Total salaries and other remuneration, Group	6	76.9
Total social insurance contributions, Group	16.9	17.3
Total pension expenses, Group, defined contribution	10.4	10.8
Total in Group	100.9	105.0
Invoiced costs for consultants subject to terms and conditions equivalent to employment	30.2	17.2
Total in the Group, including costs for consultants subject to terms and conditions equivalent to employment	131.1	122.2

Salaries and other remuneration for executive management and other employees	2017	2016
Parent company		
Salaries and other remuneration, executive management (10 individuals)	19.5	18.7
of which bonuses and similar remuneration	2.5	4.8
Salaries and other remuneration, other employees	50.0	39.5
Total salaries and other remuneration, parent company	69.5	58.2

Salaries and other remuneration for executive management and other employees	2017	2016
Group		
Salaries and other remuneration, executive management (10 individuals)	21.3	18.9
of which bonuses and similar remuneration	2.5	4.8
Salaries and other remuneration, other employees	59.9	39.3
Total salaries and other remuneration, as well as pension expenses for executive management, Group	81.2	58.2

Remuneration of executive management

Fees and other remuneration to the members of the board including the Chairman, are resolved by a shareholders' meeting. The annual general meeting held on 12 April 2017 resolved that director fees would be payable in an amount of SEK 1,450,000, whereby the chairman of the board would receive SEK 500,000 and each other board member would receive SEK 175,000. It was also resolved that fees for committee work on the audit committee would be payable in a maximum amount of SEK 60,000, of which SEK 30,000 to the chairman of the committee and SEK 15,000 to each of the two other members. It was resolved that fees for committee work on the remuneration committee would be payable in the amount of SEK 15,000 to the chairman of the committee. The company's board members are not entitled to any benefits after their assignments on the board have ended. The annual general meeting held on 12 April 2017 adopted guidelines for remuneration to the CEO and other executive management. The remuneration of the executive management shall consist of fixed salary, variable remuneration, long-term share-based or share-related incentive plans (LTI) and pension provisions.

The total remuneration is to be based on market terms, be competitive, well balanced and not wage leading while contributing to good business ethics and company culture. Fixed salary is to be based on the executive management's competence and area of responsibility, be individual and is normally to be reviewed every year.

Executive management may also be granted customary non-monetary benefits, although such benefits shall not constitute a material part of the total remuneration. The vesting period for the LTI programme must be at least three years. The LTI program is to be based on shares or share-related securities. The purpose of the LTI is to ensure long-term incentives linked to Edgware's development. Every share-based LTI requires approval of the shareholders before implementation.

Pension benefits are to be premium based and constitute 4.5 percent of the pension-qualifying salary up to 7.5 income base amounts and 30 percent on any excess amount. The board of directors is to be entitled to deviate from the guidelines if there is special reason to do so in an individual case.

Remuneration of executive management in 2017	Fee	Variable remuneration	Other benefits	Share-based remuneration	Pension cost	Total
Chairman of the board Michael Ruffolo*	1.9	0	0	0	0	1.9
Board member Jason Pinto	0.2	0	0	0	0	0.2
Board member Staffan Helgesson	0.2	0	0	0	0	0.2
Board member Karl Thedéen	0.2	0	0	0	0	0.2
Board member Sigrun Hjelmqvist	0.2	0	0	0	0	0.2
Board member Kent Sander	0.2	0	0	0	0	0.2
Chief Executive Officer Joachim Roos	2.1	1.0	0	0	0.9	4.0
Other executive management (10 individuals)**	14.6	3.6	0	0	2.1	20.3
Total remuneration of executive management***	19.6	4.6	0	0	3.0	27.2

Remuneration of executive management in 2016	Board fee	Variable remuneration	Other benefits	Share-based remuneration	Pension cost	Total
Chairman of the board Michael Ruffolo*	1.4	0	0	0	0	1.4
Board member Lukas Holm	0.9	0	0	0	0.2	1.1
Board member Jason Pinto	0	0	0	0	0	0
Board member Staffan Helgesson	0	0	0	0	0	0
Board member Karl Thedéen	0.2	0	0	0	0	0.2
Board member Sigrun Hjelmqvist	0.1	0	0	0	0	0.1
Board member Kent Sander	0.1	0	0	0	0	0.1
Chief Executive Officer Joachim Roos	1.5	0.9	0	0	0.4	2.9
Other executive management (9 individuals)	11.4	3.9	0	0	1.1	16.5
Total remuneration of executive management***	15.7	4.8	0	0	1.8	22.3

* Remuneration of the Chairman for other assignments within the Group of the Board includes both Board fees and ongoing remuneration

**During the year, two executive managers have left the company, and one has joined

***Social security fees are included

Pensions

The retirement age of the CEO is 65. The pension premium amounts to 35 percent (18) of pensionable salary for 2017. The pension solution consists of a voluntary plan that reflects ITP1, which means that it is defined-contribution and constitutes 4.5 percent of pensionable salary up to 7.5 income base amounts and 30 percent of any excess amount. The retirement age for other executive management varies between 65 and 67 years.

Severance pay agreement

There is a mutual period of notice of termination between the company and the CEO of six months. In the case of termination by the company, severance pay equivalent to six monthly salaries is payable. Other income is not deducted from the severance pay. If the CEO resigns, no severance pay is payable.

Share-based remuneration

Warrants 2013-2014

The Group has issued share-based remuneration that will be settled in the form of equity instruments to Michael Ruffolo. The share-based remuneration consists of warrants. Warrants have been issued for 2013 and 2014 and expire at the time of a change in the ownership of at least a majority of the shares. A total of 13,659 warrants have been issued and the average exercise price is SEK 400. The vesting period for the warrants is three years, but full conversion rights apply if there is a change in the company's ownership before the end of the vesting period.

Warrants 2016

An extraordinary general meeting on April 29, 2016 resolved to issue not more than 2,060 series B common shares to the new di-

rectors. The proceeds were received in June. The new issue was registered with the Swedish Companies Registration Office on 14 July 2016. The shares were subscribed at market value and no cost was incurred by the company. 1,500 shares were subscribed for and increased the share capital by SEK 1,500. The subscription period for the remaining warrants has expired.

Warrants 2016/2019

The extraordinary shareholders' meeting held on 28 November 2016 resolved to issue not more than 130,000 warrants as part of a three-year long-term incentive plan for about five members of executive management of the company. The Chief Executive Officer is not covered by the plan. Transfers to the participants will take place at the market value of the warrant and each warrant will entitle the holder to subscribe for one new share at a subscription price for the warrants corresponding to 120 percent of the offering price in connection with the company's listing on Nasdaq Stockholm, corresponding to an exercise price of SEK 34.80. The fair value per option has been calculated according to Black and Scholes, with volatility, the time factor and interest rate as the principal parameters. 130,000 of the warrants were subscribed and paid for in cash in December 2016. The warrants were subscribed at market value and no cost was incurred by the company. Assuming maximum exercise, the share capital will increase by SEK 6,500 corresponding to 0.43%. The exercise period for this is during the period 1 January 2020 through 31 May 2020.

The year's costs for share-based remuneration, which is settled in the form of equity instruments, amounted to SEK 0 (0) in the Group. The effect on the Group's financial position was SEK 0 (0). What is stated above for the Group also applies to the parent company.

Share-based remuneration, warrants 2013-2014/2016	2017	2016
Group		
Outstanding	0	0.5
Forfeited during the period	0	-0.5
Parent company		
Outstanding	0	0.5
Forfeited during the period	0	-0.5

NOTE 13 FINANCIAL INCOME

	2017	2016
Interest income	0.4	0
Exchange gains	1.1	5.2
Total	1.5	5.2

NOTE 14 FINANCIAL EXPENSES

	2017	2016
Interest expense	-0.4	-0.3
Exchange-rate differences	-1.5	-1.7
Total	-1.9	-2.0

NOTE 15 TAX

	2017	2016
Current tax		
Current tax on profit for the year	-3.8	-7.2
Adjustments recognised in current year for previous year's current tax	0.3	0
Deferred tax		
Deferred tax attributable to temporary differences	-0.5	0.6
Total	-3.9	-6.6

Reconciliation of the year's tax expenses	2017	2016
Pre-tax profit	11.4	22.3
Tax based on Swedish tax rate (22%)	-2.5	-4.9
Tax effect of non-deductible expenses and losses:		
Deficit for the year for which no deferred tax assets have been recognised	-0.6	-1.5
Temporary differences for the year for which no deferred tax assets have been recognised	-0.2	-0.6
Other non-deductible expenses and losses	-0.4	-0.1
Deduction for reversed accelerated depreciation and changes in accelerated depreciation	-0.1	-0.1
Total	-3.8	-7.2
Deferred tax attributable to temporary differences	-0.5	0.6
Adjustments recognised in current year for previous year's current tax	0.3	0
Tax expenses recognised for the year	-3.9	-6.6

In the closing accounts for 2016, expenses related to the IPO that were recognised through equity were incorrectly shown as being non tax deductible. Accordingly, equity for the second quarter of 2017 has been increased by SEK 2.9 million, corresponding to the positive tax effect of these expenses deriving from the 2017 tax year.

Current tax recognised directly in equity thus amounts to SEK 2.9 million (0). Deferred tax recognised directly in equity amounts to SEK 0 million (0). Current tax recognised in other comprehensive income amounts to SEK 0 million (0). Deferred tax recognised in other comprehensive income amounts to SEK 0 million (0).

Deferred tax assets and deferred tax liabilities

The Group's deferred tax assets and deferred tax liabilities relate to the following items:

	31 Dec 2017	31 Dec 2016
Deferred tax assets		
Withholding tax	1.5	0.9
Unutilised tax loss carryforwards	9.3	11.0
Deferred tax assets	10.8	11.9
Deferred tax liabilities		
Capitalised expenditure on development work	0	-0.2
Deferred tax liabilities	0	-0.2

Deferred tax assets are measured at no more than the amount that is likely to be recovered based on current and future taxable profits. The company has unutilised loss carryforwards amounting to SEK 42.2 million (59.5) that have been recognised as a deferred tax asset. The US subsidiary has additional loss carryforwards that have not been recognised as a deferred tax asset. The company is not certain whether or not these loss carryforwards will be utilisable because it is uncertain about when in the future a sufficient taxable surplus will be generated. The unrecognised loss carryforwards in the US subsidiary amount to SEK 5,998,000 (5,662,000). The tax rate for calculating deferred tax is 22%.

NOTE 16 EARNINGS PER SHARE

Earnings per share before dilution

The following amounts for profits and weighted average number of ordinary shares have been used in calculating earnings per share before dilution:

	2017	2016
Profit for the year attributable to owners of the parent	7.5	15.7
Average number of outstanding ordinary shares, before dilution	30,043,008	24,854,312
Earnings per share before dilution, SEK	0.2	0.6

Earnings per share after dilution

The following amounts for profits and weighted average number of ordinary shares have been used in calculating earnings per share after dilution:

	2017	2016
Profit for the year attributable to owners of the parent	7.5	15.7
Average number of outstanding ordinary shares, before dilution	30,048,586	24,854,312
Effect of warrants, number of shares	5,578	0
Earnings per share after dilution, SEK	0.2	0.6

NOTE 17 INVESTMENTS IN SUBSIDIARIES

The Group had the following subsidiary as of 31 December 2017 and 2016:

Name	Corp. Reg. No. and country of operation	Operations	Holding (%) ¹⁾
Edgeware Inc	USA	Responsible for sales in North, Central and South America	100

1) The percentage holding pertains to the ownership share and percentage of voting rights.

The Group has no significant non-controlling interests.

NOTE 18 CAPITALISED EXPENDITURE ON DEVELOPMENT WORK

	2017	2016
Cost as of 1 January	28.0	19.2
Assets developed internally	13.7	8.8
Sales/disposals	-1.2	-
Closing accumulated cost as of 31 December	40.5	28.0
Amortisation as of 1 January	-13.2	-6.6
Amortisation for the year	-8.3	-6.6
Sales/disposals	0.9	-
Closing accumulated amortisation as of 31 December	-20.6	-13.2
Carrying amount as of 31 December	19.9	14.7

NOTE 19 OTHER INTANGIBLE ASSETS

	2017	2016
Cost as of 1 January	-	-
Purchases	0.2	-
Closing accumulated cost as of 31 December	0.2	-
Amortisation as of 1 January	-	-
Amortisation for the year	-	-
Closing accumulated amortisation as of 31 December	-	-
Carrying amount as of 31 December	0.2	-

NOTE 20 TRADEMARKS

	2017	2016
Cost as of 1 January	-	-
Acquisitions	0.8	-
Closing accumulated cost as of 31 December	0.8	-
Amortisation as of 1 January	-	-
Amortisation for the year	-	-
Closing accumulated amortisation as of 31 December	-	-
Carrying amount as of 31 December	0.8	-

Trademark relates to the Edgeware name, in part, nationally in the UK and, in part, across the rest of the EU. The trademark is amortised over 20 years in the parent company Edgeware AB. It is instead tested for impairment on an ongoing basis in the Group.

NOTE 21 EQUIPMENT, TOOLS AND INSTALLATIONS

	2017	2016
Cost as of 1 January	21.9	18.3
Purchases	0.7	2.8
Reclassifications	2.4	0.8
Closing accumulated cost as of 31 December	25.0	21.9
Depreciation as of 1 January	-17.5	-14.3
Depreciation for the year	-3.3	-3.2
Closing accumulated depreciation as of 31 December	-20.8	-17.5
Carrying amount as of 31 December	4.2	4.4

NOTE 22 OTHER NON-CURRENT RECEIVABLES

	31 Dec 2017	31 Dec 2016
Deposit, landlord	1.0	1.0
Deposit, Business Sweden	4.0	2.6
Carrying amount	5.0	3.6

NOTE 23 INVENTORIES

Inventories consist of components, third-party products and finished products. Inventories recognised as costs during the year are included in the cost of goods sold and amounted to SEK 1.3 million (2.4), partially related to a product group that is approaching the end of its lifecycle.

NOTE 24 TRADE ACCOUNTS RECEIVABLE

Management considers the carrying amount of trade accounts receivable, net after reserves for doubtful receivables, to be the same as fair value. The company did not incur any bad debts in 2017. In 2016, a provision was posted for anticipated bad debts in the US subsidiary of SEK 0.6 million. This was reversed in 2017 given that the bad debt did not materialise. In 2017, a provision was posted for anticipated bad debts of SEK 0.1 million (0.6). This provision was also related to the US subsidiary.

	31 Dec 2017	31 Dec 2016
Trade accounts receivable, gross	73.2	67.1
Reserve for doubtful receivables	-0.4	-0.6
Trade accounts receivable, net after reserve for doubtful receivables	72.8	66.5
	31 Dec 2017	31 Dec 2016
Reserve for doubtful accounts receivable during the year	0.4	0.6
Doubtful receivables reversed during the year	-0.6	-
Trade accounts receivable, net after reserve for doubtful receivables	-0.2	0.6

Age analysis, trade accounts receivable	31 Dec 2017	31 Dec 2016
Not overdue	52.9	56.1
Overdue by 30 days	5.3	8.0
Overdue by 31-60 days	12.2	1.2
Overdue by 61-90 days	1.2	0
Overdue by >90 days	1.2	1.2
Total	72.8	66.5

The company expects payment to be received for trade accounts receivable that are overdue but have not been impaired, because the customers have a good payment history.

NOTE 25 PREPAID EXPENSES AND

ACCRUED INCOME

	31 Dec 2017	31 Dec 2016
Prepaid rent	1.1	1.1
External product license	2.9	1.1
Accrued income	3.0	3.9
Other items	3.5	-0.3
Carrying amount	10.5	5.8

NOTE 26 CASH AND CASH EQUIVALENTS

	31 Dec 2017	31 Dec 2016
Available funds on accounts at banks and other credit institutions	97.7	194.6
Total	97.7	194.6

NOTE 27 CURRENT INVESTMENTS

Current investments are short-term interest-bearing fund investments and amounted to SEK 75.1 million (0).

NOTE 28 SHARE CAPITAL

As per 31 December 2017 and 2016, the registered share capital amounted to 30,043,008 shares with a quotient value of SEK 0.05 each.

The below table shows historic changes in the company's share capital since 1 January 2013, and changes in the number of shares and the share capital during 2016 in connection with the listing of the company's shares on Nasdaq Stockholm.

Time	Event	Change in number of shares	Number of shares after the transac- tion	Change in share capital	Total share capital
1 Jan 2013		–	649,171	–	649,171.00
14 Jul 2016	New share issue	500	649,671	500.00	649,671.00
14 July 2016	Issue against set off	30,221	679,892	30,221.00	679,892.00
14 July 2016	Share subscription due to warrants	7,679	687,571	7,679.00	687,571.00
14 July 2016	New share issue	1,000	688,571	1,000.00	688,571.00
23 Nov 2016	New share issue	266	688,837	266.00	688,837.00
23 Nov 2016	Share split	13,087,903	13,776,740	–	688,837.00
9 Dec 2016	Share conversion	–	13,776,740	–	688,837.00
9 Dec 2016	Bonus issue	11,093,855	24,870,595	554,692.75	1,243,529.75
15 Dec 2016	New share issue	5,172,413	30,043,008	258,620.65	1,502,150.40

NOTE 29 OTHER CONTRIBUTED CAPITAL

Other contributed capital consists of the share premium reserve.

NOTE 30 TRANSLATION RESERVE

The translation reserve is for translation differences upon translation of foreign operations to SEK.

NOTE 31 OTHER PROVISIONS

	31 Dec 2017	31 Dec 2016
1 January	0.6	0.5
Additional provisions	0.5	1.6
Amounts utilised	-0.1	-0.6
Reversal of unutilised amount	-0.7	-0.9
Carrying amount	0.3	0.6

Other provisions relate to hardware warranties for the first year.

NOTE 32 ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2017	31 Dec 2016
Accrued salaries	6.5	8.2
Accrued vacation pay	3.0	2.6
Accrued social insurance contributions	2.3	2.3
Prepaid income	32.8	36.0
Accrued interest expense	0	0
Other items	2.4	6.1
Carrying amount	47.0	55.2

NOTE 33 ASSETS PLEDGED AND CONTINGENT LIABILITIES

	31 Dec 2017	31 Dec 2016
Pledged assets		
Chattel mortgage	0	0
Bank guarantee	0	0.5
Total	0	0.5
Contingent liabilities	None	None

NOTE 34 TRANSACTIONS WITH RELATED PARTIES

Transactions between the company and its subsidiaries, which are parties related to the company, were eliminated upon consolidation, which is why no disclosures about these transactions are provided in this note.

Liabilities to related parties are reported under other current liabilities.

During the year, The Chairman of the Board also had consultancy within the Group. For further information, see Note 12.

Disclosures on remuneration of executive management are presented in Note 12.

NOTE 35 EVENTS AFTER THE CLOSING DAY

Karl Thedéen assumed the role of CEO on 13 February 2018.

PARENT COMPANY INCOME STATEMENT

SEK MILLION	NOTE	2017	2016
Net sales	2	234.0	249.5
Cost of goods and services sold		-58.0	-74.8
Gross income		176.0	174.7
Selling expenses		-64.8	-54.0
Administrative expenses	3	-42.5	-42.9
Research and development expenses		-54.7	-52.0
Other operating expenses		0.3	-0.7
Operating profit	4,5,6	14.3	25.1
Profit from financial items			
Impairment of financial non-current assets	7	-	0.9
Interest income and similar items	8	1.6	5.2
Interest expenses and similar expense items	9	-1.9	-1.8
Profit after financial items		14.0	29.4
Pre-tax profit		14.0	29.4
Tax on profit for the year	10	-3.9	-6.5
PROFIT FOR THE YEAR		10.1	22.9

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK MILLION	NOTE	2017	2016
Profit for the year		10.1	22.9
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		10.1	22.9

PARENT COMPANY BALANCE SHEET

SEK MILLION	NOTE	31 DEC 2017	31 DEC 2016
ASSETS			
Non-current assets			
Intangible non-current assets			
Capitalised expenditure on development work	11	19.9	14.7
Software	12	0.2	–
Trademarks	13	0.8	–
		20.9	14.7
Property, plant and equipment			
Equipment, tools and installations	14	4.2	4.4
		4.2	4.4
Financial non-current assets			
Deferred tax assets	10	10.8	11.7
Other long-term receivables	17	5.0	3.6
		15.8	15.3
Total non-current assets		40.9	34.4
Current assets			
Inventories			
Raw materials and supplies	18	12.3	6.1
		12.3	6.1
Current receivables			
Trade accounts receivable		69.5	63.5
Receivables from Group companies	16	8.8	6.6
Other receivables		1.8	2.4
Prepaid expenses and accrued income	19	9.8	5.7
		89.9	78.2
Current investments	25	75.1	–
Cash and bank balances	24	97.2	193.2
Total current assets		274.5	277.5
TOTAL ASSETS		315.4	311.9

PARENT COMPANY BALANCE SHEET

(SEK MILLION)	NOTE	31 DEC 2017	31 DEC 2016
EQUITY AND LIABILITIES			
Equity	27		
Restricted equity			
Share capital (30,043,008 shares)		1.5	1.5
Reserve for development expenses		16.9	7.6
Total restricted equity		18.4	9.1
Unrestricted equity			
Share premium reserve		234.3	231.4
Earnings brought forward		-12.7	-26.3
Profit for the year		10.1	22.9
		231.7	228.0
Total equity		250.1	237.1
Provisions			
Other provisions	20	0.3	0.6
		0.3	0.6
Current liabilities			
Trade accounts payable	22	18.7	16.7
Other current liabilities	22	0.8	3.0
Accrued expenses and deferred income	21	45.5	54.5
		65.0	74.2
TOTAL EQUITY AND LIABILITIES		315.4	311.9

PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SEK MILLION	RESTRICTED EQUITY		UNRESTRICTED EQUITY			TOTAL EQUITY
	SHARE CAPITAL	RESERVE FOR DEVELOPMENT EXPENDITURE	SHARE PREMIUM RESERVE	RETAINED PROFIT OR LOSS	PROFIT FOR THE YEAR	
Balance, 1 January 2017	1.5	7.6	231.4	-26.3	22.9	237.1
Appropriation of profit/loss for the preceding year				22.9	-22.9	0
Reserve for development expenditure		9.3		-9.3	0	0
Profit for the year				0	10.1	10.1
Other comprehensive income				0	0	0
Total comprehensive income				0	10.1	10.1
Transactions with owners:						
Tax on issuance costs			2.9	0		2.9
Total transactions with owners		0	2.9	0	0	2.9
Balance, 31 December 2017	1.5	16.9	234.3	-12.7	10.1	250.1

(SEK MILLION)	RESTRICTED EQUITY		UNRESTRICTED EQUITY			TOTAL EQUITY
	SHARE CAPITAL	RESERVE FOR DEVELOPMENT EXPENDITURE	SHARE PREMIUM RESERVE	RETAINED PROFIT OR LOSS	PROFIT FOR THE YEAR	
Balance, 1 January 2016	0.6	0	82.0	-11.1	-7.6	63.9
Appropriation of profit/loss for the preceding year				-7.6	7.6	0
Reserve for development expenditure		7.6		-7.6		0
Profit for the year				0	22.9	22.9
Other comprehensive income				0	0	0
Total comprehensive income				0	22.9	22.9
Transactions with owners:						
Share-based remuneration						0
Bonus issue	0.6		-0.6			0
New share issue	0.3		162.5			162.8
Warrants			0.5			0.5
Issuance costs			-13.0			-13.0
Total transactions with owners	0.9		149.4	0	0	150.3
Balance, 31 December 2016	1.5	7.6	231.4	-26.3	22.9	237.1

PARENT COMPANY CASH FLOW STATEMENT

(SEK MILLION)	NOTE	2017	2016
Cash flow from operating activities			
Operating profit		14.3	25.1
Adjustments for non-cash transactions:			
Depreciation/amortisation		11.9	9.8
Reversal of impairment loss, subsidiaries			0.9
Withholding tax		-0.2	-
Guarantee reserve		-0.3	0.1
Exchange-rate effect		-0.6	-
Received interest		0.1	0
Paid interest		-0.1	-0
Cash flow from operating activities before changes in working capital		25.1	35.9
Changes in working capital Decrease (+)/Increase (-) in inventories		-6.2	7.5
Decrease (+)/Increase (-) in accounts receivable		-6.0	-13.6
Decrease (+)/Increase (-) in other current receivables		-5.6	-3.3
Decrease (-)/Increase (+) in trade payables		2.0	8.5
Decrease (-)/Increase (+) in other current liabilities		-11.2	15.1
Cash flow from working capital		-27.0	14.2
Cash flow from operating activities		-1.9	50.1
Investing activities			
Acquisition of intangible non-current assets	11	-14.7	-8.8
Acquisition of property, plant and equipment	12	-3.1	-3.6
Investments in other financial non-current assets	15	-1.3	0.1
Investments in current assets	25	-75.1	-
Cash flow from investing activities		-94.2	-12.3
Financing activities			
New share issue	27	-	151.2
Issuance costs		-	-13.0
Warrants		-	0.5
Cash flow from financing activities		-	138.7
Cash flow for the year		-96.1	176.5
Cash and cash equivalents at beginning of year		193.2	14.5
Exchange-rate differences in cash and cash equivalents		0.1	2.2
Cash and cash equivalents at year-end	24	97.2	193.2

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING PRINCIPLES

The annual accounts of the parent company have been prepared pursuant to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. According to RFR 2, the parent company is to apply all International Financial Reporting Standards, as adopted by the EU, to the extent possible within the framework of the Annual Accounts Act. The amendments to RFR 2 that have come/will come into effect and apply to the 2017 and/or 2018 financial year had/are estimated to have no material impact on the parent company's financial statements.

The differences between the parent company's and the consolidated accounting principles are described below:

Classification and presentation

The parent company's income statement and balance sheet are presented according to the format stipulated in the Annual Accounts Act. The difference compared with IAS 1 Presentation of Financial Statements, which is applied to the presentation of the consolidated financial statements, primarily pertains to the recognition of financial income and expenses, non-current assets and shareholders' equity, as well as the existence of provisions under a separate heading.

Subsidiaries

Shares and participations in subsidiaries are recognised at cost in the parent company's financial statements. Acquisition-related costs for subsidiaries, which are expensed in the consolidated financial statements, are included as a component of cost in respect of participations in subsidiaries.

Financial instruments

The parent company does not apply IAS 39 Financial Instruments: Recognition and Measurement. The method applied in the parent company uses the Annual Accounts Act as the point of departure.

NOTE 2 INFORMATION ON INTRA-GROUP

PURCHASES AND SALES

	2017	2016
Sales	2.9%	3.7%

NOTE 3 REMUNERATION OF THE AUDITOR

	2017	2016
Deloitte AB		
Audit assignments	0.7	0.4
Auditing activity other than audit assignments	0.0	1.5
Other services	0.1	0.6
Total	0.8	2.5

NOTE 4 LEASES

Operating leases - lessees

The Group is a lessee in operating leases for rented premises. The year's expensed lease payments for operating leases totalled SEK 4.3 million (4.1) in the Group. Future minimum lease payments and variable payments for non-cancellable operating leases fall due as follows:

Due dates	2017	2016
Future minimum lease payments		
Within one year	2.8	3.6
Later than one year but within five years	0	2.7

NOTE 5 PERSONNEL EXPENSES

Salaries, remuneration, social security contributions and pension costs	2017	2016
Salaries and other remuneration	61.4	66.5
Social insurance contributions	16.3	16.9
Pension expenses	7.6	10.5
Total	85.3	93.9

See Note 12 to the consolidated financial statements for information on the average number of employees, salaries and remuneration, as well as the distribution between women and men on the board of directors and among executive management.

NOTE 6 DEPRECIATION/AMORTISATION AND IMPAIRMENT

OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE

NON-CURRENT ASSETS

	2017	2016
Cost of goods and services sold	-3.3	3.2
Research and development expenses	-8.5	6.6
Total	-11.8	9.8

NOTE 7 IMPAIRMENT OF FINANCIAL NON-CURRENT ASSETS

	2017	2016
Impairment losses	-	0.9
Total	-	0.9

The component of the parent company's receivables that is not regarded as being repayable in a foreseeable future has been granted to the subsidiary as a shareholder contribution and was subsequently impaired. The assessment of the parent company is that the remaining receivables will be repaid within the year ahead.

NOTE 8 OTHER INTEREST INCOME AND SIMILAR ITEMS

	2017	2016
Interest income	0.3	0.0
Interest income, Group companies	0.1	0.1
Exchange-rate differences	1.1	5.1
Exchange-rate differences, Group companies	0.1	-
Total	1.6	5.2

NOTE 9 OTHER INTEREST EXPENSES AND SIMILAR ITEMS

	2017	2016
Interest expense	-0.2	-0.1
Exchange-rate differences	-1.0	-1.5
Exchange-rate differences, Group companies	-0.7	-0.2
Total	-1.9	-1.8

NOTE 10 TAX ON PROFIT FOR THE YEAR

	2017	2016
Current tax	-3.8	-7.1
Adjustments recognised in current year for previous year's current tax	-0.4	0
Deferred tax attributable to temporary differences	0.2	0.6
Tax on profit for the year	-3.9	-6.5

Reconciliation of the year's tax expenses	2017	2016
Recognised profit before tax	14.0	29.4
Tax based on Swedish tax rate (22%)	-3.1	-6.5
Tax effect of non-deductible expenses and losses:		
Temporary differences for the year for which no deferred tax assets have been recognised	-0.2	-0.6
Impairment of financial asset	-	0.2
Deduction for reversal of accelerated depreciation and change in accelerated depreciation	-0.4	-0.1
Non-deductible expenses and losses	-0.1	-0.1
Interest income, tax account	0.0	0.0
Total	-3.8	-7.1
Deferred tax attributable to temporary differences	0.2	0.6
Adjustments recognised in current year for previous year's current tax	-0.3	0
Tax expenses recognised for the year	-3.9	-6.5

Current tax recognised directly in equity amounts to SEK 2.9 million (0). Deferred tax recognised directly in equity amounts to SEK 0 million (0).

Deferred tax assets and deferred tax liabilities

The parent company's deferred tax assets and deferred tax liabilities relate to the following items:

	31 Dec 2017	31 Dec 2016
Deferred tax assets		
Unutilised tax loss carryforwards	9,3	11,0
Withholding tax	1,5	0,9
Deferred tax assets	10,8	11,9
Deferred tax liabilities		
Capitalised expenditure on development work	0,0	-0,2
Recognized deferred tax assets, net	10,8	11,7

Deferred tax assets are measured at no more than the amount that is likely to be recovered based on current and future taxable profits. The company has unutilised loss carryforwards amounting to SEK 42.2 million (59.5), of which SEK 42.2 million (59.5) relates to recognised loss carryforwards. Deferred tax liabilities pertain to capitalised expenditure on development work concerning 2013 and 2014. The tax rate for calculating deferred tax is 22%.

NOTE 11 CAPITALISED EXPENDITURE ON DEVELOPMENT WORK

	2017	2016
Cost as of 1 January	28.0	19.2
Assets developed internally	13.7	8.8
Sales/disposals	-1.2	-
Closing accumulated cost as of 31 December	40.5	28.0
Amortisation as of 1 January	-13.2	-6.6
Depreciation for the year	-8.3	-6.6
Sales/disposals	0.9	-
Closing accumulated depreciation as of 31 December	-20.6	-13.2
Carrying amount as of 31 December	19.9	14.7

NOTE 12 SOFTWARE

	2017	2016
Cost as of 1 January	-	-
Purchases	0.2	-
Closing accumulated cost as of 31 December	0.2	-
Amortisation as of 1 January	-	-
Depreciation for the year	-	-
Closing accumulated depreciation as of 31 December	-	-
Carrying amount as of 31 December	0.2	-

NOTE 13 TRADEMARKS

	2017	2016
Cost as of 1 January	–	–
Assets developed internally	0.8	–
Closing accumulated cost as of 31 December	0.8	–
Amortisation as of 1 January	–	–
Depreciation for the year	-0.0	–
Closing accumulated depreciation as of 31 December	-0.0	–
Carrying amount as of 31 December	0.8	–

NOTE 14 EQUIPMENT, TOOLS AND INSTALLATIONS

	2017	2016
Cost as of 1 January	21.7	18.1
Purchases	0.7	2.8
Reclassification	2.4	0.8
Closing accumulated cost as of 31 December	24.8	21.7
Depreciation as of 1 January	-17.3	-14.1
Depreciation for the year	-3.3	-3.2
Closing accumulated depreciation as of 31 December	-20.6	-17.3
Carrying amount as of 31 December	4.2	4.4

NOTE 15 PARTICIPATIONS IN GROUP COMPANIES

	2017	2016
Cost as of 1 January	21.1	21.1
Closing accumulated cost as of 31 December	21.1	21.1
Opening impairment losses as per 1 January	-21.1	-21.1
Impairment losses for the year	0	0
Accumulated impairment losses as per 31 December	-21.1	-21.1
Carrying amount as of 31 December	0	0

Company's holdings of participations in Group companies

Company's name	Share of capital ¹⁾	Number of participations	Carrying amount	
			31 Dec 2017	31 Dec 2016
Edgeware Inc	100%	1,000	0	0
Total			0	0

1) The share of equity matches the share of votes.

Company's name	Registered office:
Edgeware Inc	Incorporated in Delaware, USA (situated in Chicago)

NOTE 16 RECEIVABLES FROM GROUP COMPANIES

	2017	2016
Cost as of 1 January	31.5	30.0
Additional receivables	7.6	8.8
Settled receivables	-5.4	-7.2
Reclassifications	0	0
Closing accumulated cost as of 31 December	33.7	31.5
Opening impairment losses as per 1 January	-24.9	-24.9
Reclassifications	0	0
Impairment losses for the year	0	0
Accumulated impairment losses as per 31 December	-24.9	-24.9
Carrying amount as of 31 December	8.8	6.6

NOTE 17 OTHER NON-CURRENT RECEIVABLES

	31 Dec 2017	31 Dec 2016
Deposit, landlord	1.0	1.0
Deposit, Business Sweden	4.0	2.6
Carrying amount	5.0	3.6

NOTE 18 RAW MATERIALS AND SUPPLIES

Inventories consist of components, third-party products and finished products. Inventories recognised as costs during the year include the cost of goods sold amounting to SEK 1.3 million (2.4).

NOTE 19 PREPAID EXPENSES AND

ACCRUED INCOME

	31 Dec 2017	31 Dec 2016
Prepaid rent	1.2	1.1
External product license	2.3	1.1
Accrued income	4.0	4.9
Other items	2.3	-2.5
Carrying amount	9.8	5.7

NOTE 20 OTHER PROVISIONS

	2017	2016
1 January	0.6	0.5
Additional provisions	0.5	1.6
Amounts utilised	-0.1	-0.6
Reversal of unutilised amount	-0.7	-0.9
Carrying amount as of 31 December	0.3	0.6

NOTE 21 ACCRUED EXPENSES AND

DEFERRED INCOME

	2017	2016
Accrued salaries	5.9	7.5
Accrued vacation pay	3.0	2.6
Accrued social insurance contributions	2.3	2.3
Prepaid income	33.0	36.0
Other items	1.3	6.1
Carrying amount	45.5	54.5

NOTE 22 FINANCIAL INSTRUMENTS

Maturity breakdown, financial liabilities

31 Dec 2017	Within 3 months	3–12 months	1–5 years	More than 5 years	Total
Trade accounts payable	18.7	0	0	0	18.7
Other current liabilities	1.8	0.5	0	0	2.3
Total	20.5	0.5	0	0	21.0

31 Dec 2016	Within 3 months	3–12 months	1–5 years	More than 5 years	Total
Trade accounts payable	16.7	0	0	0	16.7
Other current liabilities	0	3.0	0	0	3.0
Total	16.7	3.0	0	0	19.7

31 Dec 2017	Loans and accounts receivables	Other liabilities	Carrying amount
Financial assets			
Trade accounts receivable	69.5	0	69.5
Other receivables	0	0	0
Cash and cash equivalents	97.2	0	97.2
Financial assets to be sold			
Current investments	75.1	0	75.1
Financial liabilities			
Trade accounts payable		-18.7	-18.7
Other liabilities	0	0	0
Total	241.8	-18.7	223.1

31 Dec 2016	Loans and accounts receivables	Other liabilities	Carrying amount
Financial assets			
Trade accounts receivable	63.5	0	63.5
Other receivables	0	0	0
Cash and cash equivalents	193.2	0	193.2
Other liabilities			
Trade accounts payable		-16.7	-16.7
Other liabilities	0	0	0
Total	256.7	-16.7	240.0

NOTE 23 ASSETS PLEDGED AND CONTINGENT LIABILITIES

	31 Dec 2017	31 Dec 2016
Pledged assets		
Chattel mortgage	0	0
Bank guarantee	0	0.5
Total	0	0.5
Contingent liabilities		
	None	None

NOTE 24 CASH AND CASH EQUIVALENTS IN CASH FLOW

	31 Dec 2017	31 Dec 2016
Available funds on accounts at banks and other credit institutions	97.2	193.2
Total	97.2	193.2

NOTE 25 CURRENT INVESTMENTS

Current investments are short-term interest-bearing fund investments and amounted to SEK 75.1 million (0).

NOTE 26 TRANSACTIONS WITH RELATED PARTIES

Transactions between the parent company and its subsidiaries, which are parties related to the parent company, and disclosures about transactions between other related parties are presented below.

Sales of goods and services	2017	2016
Edgeware Inc	3.1	10.4
Total	3.1	10.4

Sales and purchases of goods and services are conducted on market-based terms.

Loans to related parties	31 Dec 2017	31 Dec 2016
Loans to related parties, convertible debentures	0	0
Total	0	0

NOTE 27 SHARE CAPITAL DEVELOPMENT

At the beginning of 2017, the registered share capital amounted to 30,043,008 shares with a quotient value of SEK 0.05 each. No changes in equity occurred during the 2017. As per 31 December 2017, the registered share capital amounted to 30,043,008 shares with a quotient value of SEK 0.05 each.

The below table shows historic changes in the company's share capital since 1 January 2013, and changes in the number of shares and the share capital during 2016 in connection with the listing of the company's shares on Nasdaq Stockholm.

Time	Event	Change in number of shares	Number of shares after the transaction	Change in share capital	Total share capital
1 Jan 2013		–	649,171	–	649,171.00
14 July 2016	New share issue	500	649,671	500.00	649,671.00
14 July 2016	Issue against set off	30,221	679,892	30,221.00	679,892.00
14 July 2016	Share subscription due to warrants	7,679	687,571	7,679.00	687,571.00
14 July 2016	New share issue	1,000	688,571	1,000.00	688,571.00
23 Nov 2016	New share issue	266	688,837	266.00	688,837.00
23 Nov 2016	Share split	13,087,903	13,776,740	–	688,837.00
9 Dec 2016	Share conversion	–	13,776,740	–	688,837.00
9 Dec 2016	Bonus issue	11,093,855	24,870,595	554,692.75	1,243,529.75
15 Dec 2016	New share issue	5,172,413	30,043,008	258,620.65	1,502,150.40

NOTE 28 EVENTS AFTER THE CLOSING DAY

Karl Thedéen assumed the role of CEO on 13 February 2018.

NOTE 29 PROPOSED DISTRIBUTION OF UNAPPROPRIATED EARNINGS

Funds available for distribution by the AGM, SEK

Earnings brought forward	221,591,543
Profit for the year	10,079,662
	231,671,205

Funds available for distribution by the AGM, SEK

The board of directors proposes that the following amount be carried forward	231,671,205
Carrying amount	231,671,205

The board of directors and the CEO hereby certify that the Annual Report has been prepared in accordance with the Annual Accounts Act and Recommendation RFR 2 Accounting for Legal Entities and provides a true and fair view of the company's financial position and results, and that the Directors' Report provides a true and fair overview of the development of the company's business, position and results and describes significant risks and uncertainties faced by the company. The board of directors and the CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's financial position and results, and that the Directors' Report for the Group provides a true and fair overview of the development of the Group's business, position and results and describes significant risks and uncertainties faced by the companies included in the Group.

Stockholm, 3 April 2018

Michael Ruffolo
CHAIRMAN OF THE BOARD

Kent Sander
BOARD MEMBER

Sigrun Hjelmquist
BOARD MEMBER

Jason Pinto
BOARD MEMBER

Staffan Helgesson
BOARD MEMBER

Karl Thedéen
CHIEF EXECUTIVE OFFICER AND BOARD MEMBER

Our auditor's report was submitted on 3 April 2018

Deloitte AB

Erik Olin
AUTHORISED ACCOUNTANT

AUDITOR'S REPORT

To the general meeting of the shareholders of Edgeware AB (publ) corporate identity number 556691-7554

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Edgeware AB (publ) for the financial year 2017-01-01 - 2017-12-31 except for the corporate governance statement on pages 54-59. The annual accounts and consolidated accounts of the company are included on pages 48-94 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 54-59. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consol-

idated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

Consolidated net sales amounts to SEK 236.8 (252.2) million and derives from sales of both products and services. We have classified this as a key audit matter since revenue is significant and consist of several different revenue streams such as hardware, software, licenses, integration services, installation services, support and maintenance where product and services in some cases is bundled into one customer offering, which may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). Revenue recognition should reflect the economic substance of each deliverable and revenue are allocated based on the relative fair value of each separately identifiable deliverables. The fair value for each separately identifiable deliverable and the timing of the recognition of revenue may have a significant impact on the Group's consolidated net sales and earnings.

For further information, please refer to the Group's accounting policies in Note 2 on page 67 and description of significant estimates and assumptions in Note 3 on page 71.

Our audit procedures included but were not limited to:

- evaluation of the appropriateness of Group's revenue recognition principles and compliance with the same for each significant deliverable
- gaining an understanding of significant transactions flows and review of key internal controls mitigating the risk of significant financial statements misstatements
- detailed testing for a sample of revenue transactions including reconciliation to customer contracts and testing of cut off based on the period Group deliver each deliverable
- detailed testing for a sample of revenue transactions with respect of existence and completeness of revenue by comparing reported revenue with customer payments and review of revenue accruals at year end.

Recognition and valuation of capitalized development expenses

Consolidated capitalized development expenses amounts to SEK 19.9 (14.7) million and includes internally generated software which is a key component in the customer offering. Development expenses are capitalized when the criteria's, described in the Group's accounting policies on page 69 are met.

The capitalization and subsequent measurement of internally generated software are based on the management's assessment of the future economic benefits. There is a risk that the development expenses do not qualify for capitalization and that the carrying value of individual software applications exceeds the recoverable amount, which could have a significant impact on the Group's consolidated earnings and financial position. The impairment test of capitalized development expenses is based on future cash flows as described in Note 3 on page 70.

For further information, please refer to the Group's accounting policies in Note 2 on page 69 and description of significant estimates and assumptions in Note 3 on page 70.

Our audit procedures included but were not limited to:

- evaluation of the appropriateness of Group's principles for capitalization of internally generated software development expenses
- gaining an understanding of the Group's process for capitalization, amortization and valuation of capitalized development expenses and review of key internal controls mitigating the risk of significant financial statement misstatements
- detailed testing for a sample of capitalized development expense and evaluation of management's assessment that capitalized development expenses meets the criteria for capitalization
- evaluation if the methodology used by management for impairment testing of capitalized development expenses is in accordance to IFRS 36 and if assumptions used by management in the impairment model is reasonable and disclosures in the annual report appropriate

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-47 and 98-99. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether

the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement

that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Edgeware AB (publ) for the financial year 2017-01-01 - 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance

whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 54-59 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act. Deloitte AB, was appointed auditor of Edgeware AB by the general meeting of the shareholders on the 2017-04-12 and has been the company's auditor since 2011-06-21.

Stockholm, April 3, 2018
Deloitte AB

ERIK OLIN
AUTHORIZED PUBLIC ACCOUNTANT

Signatures on Swedish original

GLOSSARY

EMEA Europe, Middle East and Africa.

ACCESS NETWORK The part of the public network that is closest to the end user.

BANDWIDTH Measurement of the amount of information that can be transmitted. Measured in the unit of bit per second, bps.

BUFFERING Downloading and delay in accessing the content.

CATCH UP TV Watching the latest TV programmes after they have been transmitted.

CDN Content Delivery Network. An overlapping, geographically dispersed network with customer content that enables rapid and reliable reception from the location of every end user.

CONTENT TV content that is distributed over the network.

HD/HDTV High definition/High definition TV.

UHD/TV Ultra High Definition/TV. Available in two different video formats, 4K and 8K.

IP (Internet Protocol) Protocol that is used for data transmission over the Internet. All Internet traffic is provided in IP packages.

IPTV TV transmitted using an IP network, often in a limited broadband network owned by an independent network operator.

LIVE TO VOD Live video and TV content that is stored and then available on demand.

OTT/OVER-THE-TOP Services that are not offered by a network operator. TV viewers use their broadband connection and watch TV over the Internet.

REALTIME Live transmission without delay.

STREAMED MEDIA Audio and video files that are played via mobile phone or PC, at the same time as they are transmitted over a LAN or WAN, such as the Internet. These are used, for example, for playing stored files from websites and for the reception of live events on the Internet.

TV SERVERS Hardware servers developed especially for TV and video content.

TV-CDN A decentralised supplier network developed especially for handling TV and video programmes.

VOD (VIDEO ON DEMAND) Choosing to watch video content when you want to.

FINANCIAL CALENDAR

- Annual report 2017, 12 April 2018.
- Annual shareholders meeting 2017, 10:00 a.m., 4 May 2018, Bygget Konferens, Norrlandsgatan 11, Stockholm, Sweden.
- Interim report for the period January–March 2018, Q1, 4 May 2018.
- Interim report for the period January–June 2018, Q2, 27 July 2018.
- Interim report for the period January–September 2018, Q3, 9 November 2018.

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Information about Edgeware, press releases, press photos, etc. are available in our newsroom at Cision.

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