2018 INTERIM REPORT JANUARY–MARCH 2018

JANUARY–MARCH 2018

SEK 48.4 MILLION
NET SALES

29.5%
DECLINED NET SALES

66.7%
GROSS MARGIN

SEK -11.5 MILLION
EBIT

-23.7%
EBIT MARGIN

2018

INTERIM REPORT JANUARY-MARCH

"The earnings reported in the first quarter of 2018 show that we must take measures to return to growth"

Karl Thedéen,
CEO Edgeware

FIRST QUARTER OF 2018:

- Net sales of SEK 48.4 million (68.7), down 29.5 percent.
- Gross profit of SEK 32.3 million (52.4), corresponding to a gross margin of 66.7 percent (76.2).
- EBIT of SEK -11.5 million (pos: 13.0), corresponding to an EBIT margin of -23.7 percent (pos: 18.9).
- Loss for the period amounted to SEK -9.2 million (profit: 10.3).
- Cash flow from operating activities of SEK 6.8 million (4.7).
- Earnings per share for the period of SEK -0.3 (pos: 0.3) before/after dilution.

SIGNIFICANT EVENTS DURING THE FIRST QUARTER AND AFTER THE REPORTING PERIOD

- Karl Thedéen assumed the role of CEO on 13 February 2018.
- One of Europe's largest telecom operators chose Edgeware's TV CDN to deliver live sports content.
- Edgeware launched Ad Enabler for personalised dynamic ad insertion.
- Edgeware launched the upgraded software CDN Selector with support for all leading CDN providers.
- For the ninth year, Edgeware participated in the NAB trade fair, the largest broadcasting show in North America and received the TV Technology Best in Show Award for its Ad Enabler product.

(SEK million unless otherwise indicated)	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Net sales	48.4	68.7	236.8
Gross profit	32.3	52.4	176.3
Gross margin (%)	66.7%	76.2%	74.4%
EBIT	-11.5	13.0	11.8
EBIT margin (%)	-23.7%	18.9%	5.0%
Profit/Loss for the period	-9.2	10.3	7.5
Cash flow from operating activities	6.8	4.7	-2.7
No. of employees at the end of the period*	115	100	112
Earnings per share before dilution	-0.3	0.3	0.2
Earnings per share after dilution	-0.3	0.3	0.2

*Included in the number of employees at 31 March 2018 are 19 (13) employees hired through Business Sweden and 9 (9) consultants with employment-like agreements.

COMMENTS BY THE CEO

Sales in first quarter lower than expected

We under-delivered on our growth target and sales declined by 29.5 percent. The reason for this was lower investments by major customers in all markets and the fact that the new customers we secured over the past few quarters have taken a longer time to develop. During the quarter, the gross margin fell to 66.7 percent, due partially to a provision for an exptected bad debt. The underlying gross margin was 70.4 percent. While we noted continued strong growth in the TV and Video industry, we were unsuccessful in capitalising on this momentum in the first quarter, which is something we are endeavoring to change.

Customer development

We also experienced success during the quarter, both in terms of customers and products. The quarter contained a number of major and strategically important orders from customers in the process of building up services for OTT live TV. For example, we secured a deal with one of Europe’s largest telecom operators: a customer that is expanding its offering in live sport supported by Edgeware’s TV CDN. For us, securing this transaction was a matter of prestige, given that Edgeware was thoroughly evaluated against other operators in the market. Furthermore, we were commissioned by one of our major IPTV customers to deliver live sports content over the Internet. This is just one example of how Edgeware is helping IPTV customers to make the jump to OTT (Over-The-Top, TV over the open Internet).

The market sentiment in all regions is cautious and there was a general lack of major orders from our largest customers.

Diversified product portfolio

During the quarter, we launched a range of new and competitive products, primarily in the software area. We are broadening our offering with Ad Enabler, which provides ad precision between programs and advertising material, and launched an upgraded CDN Selector that now offers support for all leading CDN providers. By combining the best of hardware and software solutions, we create flexible and attractive solutions that set Edgeware apart in the market. We noted significant interest among our customers for the above products.

Despite the absence of anticipated additional business from our major and global customers, we have high hopes that we will be able to grow our business moving forward, both in relation to existing customers that are continuing to grow and modernise their offering and to new customers that are growing with services and expanding audiences.

Measures taken

As the recently appointed CEO, I will – together with my management team – be taking a number of measures to return the company to a situation of healthy growth and strong earnings. A number of key initiatives have already been decided. For example, a new sales organisation have been launched to develop our way of driving the sales process, strengthen us internationally and grow our addressable market. In the new sales organisation, Luis Beute will be responsible for sales in Emea and LATAM, while Magnus Larsson will take responsibility for APAC and North America. The purpose of the new organisation is to create a stronger link between sales representatives and product development. This will enable Edgeware to be more receptive to customers’ needs. We are also reviewing the addressable market and will develop more distinct product offerings and sales strategies for the various markets. Further more we are reviewing our cost scenario to ensure continued strong and healthy earnings. With these measures and other changes, we are creating the prerequisites to enable us to leverage underlying market growth in TV and Video Content distribution.

Financial objectives

Despite already approved and planned measures to strengthen our growth opportunities, and taking the prevailing market situation into account, I have recommended that the Board revise the financial target for sales growth. This should not be taken to mean that we do not see potential in the market, but rather that I am fully aware of the time it takes to secure new business and scale this up in terms of volume. Based on my recommendation, the Board has decided that the new target for sales growth should be as follows:

Edgeware´s long-term organic sales growth is to exceed 10 percent on an annual basis (Edgware’s goal is to achieve organic annual sales growth exceeding 20 percent.). The company´s target for EBIT margin, capital structure and dividend policy will remain unchanged.

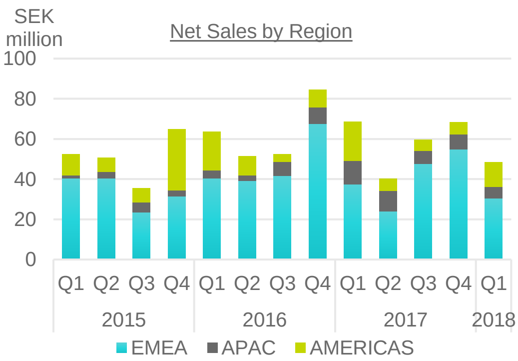
Karl Thedéen
CEO, Edgeware

Net sales

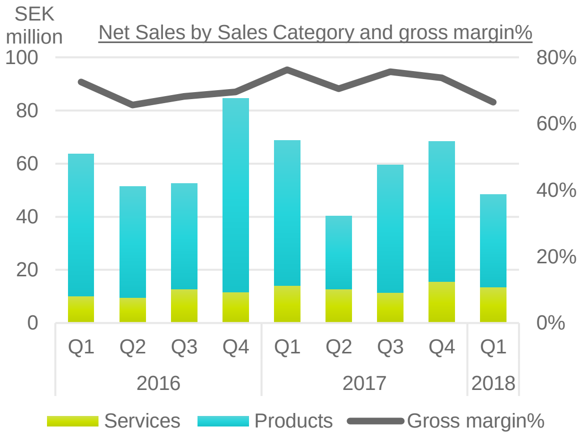
The Group's net sales for the first quarter amounted to SEK 48.4 million (68.7), corresponding to a year-on-year decline of 29.5 percent. The decrease in comparable currencies was 30.0 percent. Net sales declined in all regions: to SEK 30.3 million (37.4) in EMEA (Europe, the Middle East and Africa), SEK 12.4 million (19.4) in AMERICAS (North and South America) and SEK 5.7 million (11.9) in APAC (Asia-Pacific).

While the quarter contained a number of major and strategically important orders from customers in the process of building up services for OTT live TV, there was generally a lack of substantial orders from the company's largest customers. The market is characterised by a cautious approach in all regions, although there was significant interest in the company's recently launched software products, especially in the Software origin portfolio including the Ad Enabler and CDN Selector but also in the CDN Software solution.

The EMEA region accounted for 62.7 percent (54.4) of the Group's total sales in the first quarter, AMERICAS for 25.6 percent (28.3) and APAC for 11.7 percent (17.3).



Of the Group's total net sales in the first quarter, the Products business stream (hardware, software and licences) accounted for 72.2 percent (79.5), while the remaining 27.8 percent (20.5) was attributable to Services (maintenance, support and other services). Recurring support revenue from existing customers amounted to SEK 11.7 million (10.1), corresponding to 86.9 percent (71.8) of Services' net sales. The decline in revenue from services compared with the corresponding quarter in 2017 is the result of fewer installation and integration projects.



Breakdown of net sales

The table below shows net sales broken down by region, sales category and point in time for revenue recognition.

	Q1 2018	Q1 2017
Region		
EMEA	30,3	37,4
APAC	5,7	11,9
Americas	12,4	19,5
Total	**48,4**	**68,7**
Sales Category		
Product	35,0	54,6
Services	13,5	14,1
Total	**48,4**	**68,7**

Q1 2018			
Timing	**Product**	**Services**	**Total**
At a point of time	35,0	1,8	**36,7**
over time		11,7	**11,7**
Total	**35,0**	**13,5**	**48,4**
Q1 2017			
Timing	**Product**	**Services**	**Total**
At a point of time	54,6	4,0	**58,6**
over time		10,1	**10,1**
Total	**54,6**	**14,1**	**68,7**

Results

Gross profit in the first quarter amounted to SEK 32.2 million (52.4), corresponding to a year-on-year decline of SEK 20.1 million. The gross margin was 66.7 percent (76.2). Margins for both the Products and Services sales categories deteriorated during the first quarter. Gross profit and gross margin were negatively impacted by an anticipated bad debt loss that impacted earnings by SEK 1.8 million. Excluding this loss, the underlying gross margin amounts to 70.4 percent for the first quarter 2018.

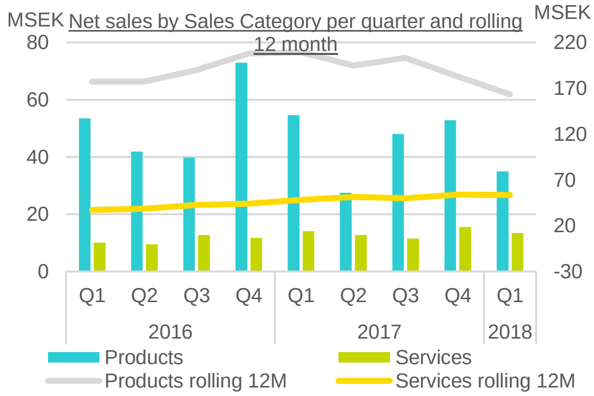
Operating expenses amounted to SEK 43.8 million (39.4), up SEK 4.4 million compared with the first quarter of 2017. The year-on-year cost increase was mainly due to a higher number of employees in the Group. In the first quarter, the company was also charged with a non-recurring cost of SEK 1.4 million related to the new sales organisation. The aim of restructuring the sales organisation is to further bolster the international expansion and broaden the addressable market.

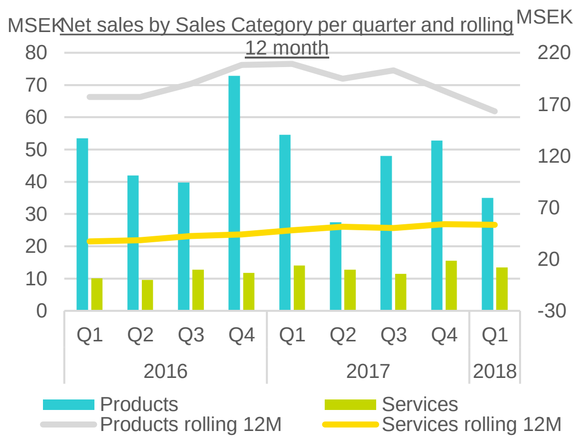
Development expenses of SEK 2.7 million (3.6) were capitalised in the first quarter, accounting for 14.7 percent (19.9) of the company's total R&D expenses. At the same time, amortisation of previously capitalised development expenses rose to SEK 2.7 million (1.9). This amortisation is a component of the company's cost of goods sold and thus impacts Edgeware's gross profit. On the whole, the net of the period's capitalised expenses after amortisation for the period had no impact on EBIT, SEK 0.0 million (1.7).

EBITDA amounted to SEK -8.1 million (pos: 15.7).

EBIT for the quarter amounted to SEK -11.5 million (pos: 13.0), corresponding to a year-on-year decline of SEK 24.5 million. This EBIT corresponds to an EBIT margin of -23.7 percent (pos: 18.9).
Net financial items for the period amounted to income of SEK 0.5 million (-0.3) and mainly comprised FX effects on cash and cash equivalents, revaluation of inter-company transactions and interest income and interest cost.

Loss for the quarter totalled SEK -9.2 million (profit: 10.3), corresponding to a year-on-year decrease of SEK 19.5 million.





Financial position

The comparison figures under financial position pertain to December 2017. The equity/assets ratio was 80.8 percent (78.5) on 31 March 2018 and equity amounted to SEK 234.6 million (244.7). Total assets on 31 March 2018 amounted to SEK 290.4 million (311.7). At the end of the period, inventories totalled SEK 16.1 million (12.9) and capitalised development expenses amounted to SEK 19.9 million (19.9). The increase in inventories is attributable to lower-than-expected sales in the first quarter of 2018.

At the end of the period, the Group's cash and cash equivalents totalled SEK 99.9 million (97.7). Current investments are short-term interest fund investments and amounted to SEK 75.2 million (75.1). The fund is measured according to level 1 of the fair value hierarchy.

Liquidity and cash flows

Cash flow from operating activities amounted to SEK 6.7 million (4.7). The year-on-year improvement was mainly attributable to large payments by customers that reduced trade accounts receivable and thus working capital. Cash flow from investing activities amounted to SEK -3.2 million (-4.6) and was primarily attributable to salaries and other direct costs for capitalised of development work as well as investments in intangible non-current assets.

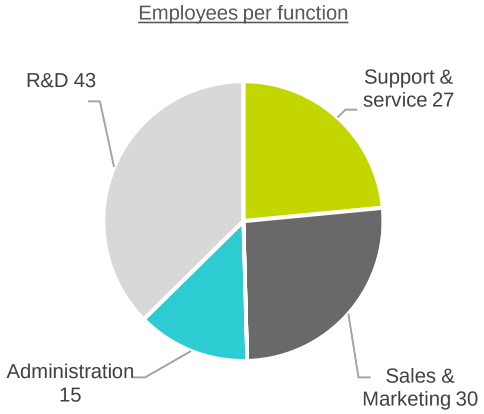
Cash flow for the period amounted to SEK 2.1 million (0.1).

Parent company

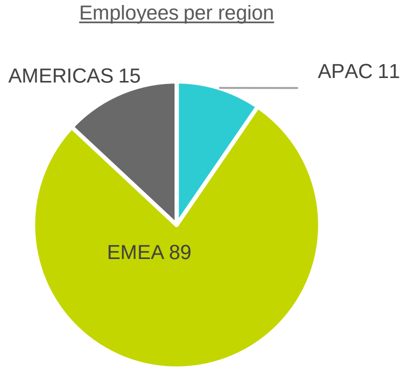
The parent company's net sales in the first quarter totalled SEK 47.6 million (68.5) and loss for the period amounted to SEK -6.6 million (profit: 8.4). Since the Group's business and net sales are predominantly generated in the parent company, reference is made to the Group for additional comments in the interim report.

Employees

The number of employees in the Group at the end of the period was 115 (100), corresponding to a year-on-year increase of 15 employees. The number of employees in R&D is 43 (41), service and support 27 (20), sales and marketing 30 (26) and administration 15 (13). Included in the number of employees at 31 March are employees hired through Business Sweden 19 (13) and consultants with employment-like agreements 9 (9). The Group also employs two outsourced development teams in Vietnam as well as other consultants, corresponding to a total of 22 (18) additional individuals.



At the end of the period, there were 71 (67) employees in Sweden, 18 (12) in EMEA, 11 (8) in APAC and 15 (13) in AMERICAS.



Risks and uncertainties

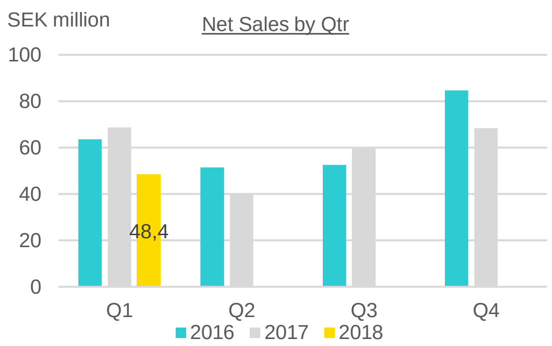
Edgeware's operations, sales and results are affected by a number of internal and external risk factors. The company has a continuous process to identify and assess how each risk should be managed. The main risks facing the company are delivery risk, technical development risk and financial risk.

Edgeware is able to hedge orders invoiced in EUR or MXN with an order value exceeding SEK 2 million and with payment terms of 60 days or more in order to reduce the currency risk. Hedged receivables and currency future contracts are measured at fair value on every reporting date, with the change in value recognised in profit/loss, whereby hedge accounting is not applied. There were no outstanding derivatives as of 31 March 2018. Derivatives are measured according to level 2 of the fair value hierarchy with discounting of cash flows using exchange rates and interest rates prevailing on the balance-sheet date.

No significant risks and uncertainties beyond those described in the 2017 annual report arose in 2018.

Seasonal variations

Over the 2015-2016 calendar years, the seasonal variations between quarters were fairly similar. Net sales have normally been highest in the fourth quarter, followed by the first quarter, while the second and third quarters normally have the lowest net sales, which is consistent with Edgeware's market and the seasonal variations that come from having a majority of customers in EMEA. During 2017, the company noted that these seasonal variations were less clear. One reason for this was that EMEA's share of Edgeware's total sales declined.



Edgeware's share

During the first quarter, the share price varied between SEK 15.9 and SEK 35.2. The closing price on the last day of trading in March 2018 was SEK 16.3. Edgeware's market capitalisation on 31 March 2018 was SEK 490 million. The number of Edgeware shareholders on 31 March 2018 was 3,564. Foreign shareholders accounted for some 25 percent of the voting rights. As per 31 March 2018, Edgeware'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. Refer also to Note 3.

Significant events during and after the quarter

- Karl Thedéen assumed the role of CEO on 13 February 2018.
- One of Europe's largest telecom operators chose Edgeware's TV CDN to deliver live sports content.
- Edgeware launched Ad Enabler for personalised dynamic ad insertion.
- Edgeware launched the upgraded software CDN Selector with support for all leading CDN providers.
- For the ninth year, Edgeware participated in the NAB trade fair, the largest broadcasting show in North America and received the TV Technology Best in Show Award for its Ad Enabler product.

Outlook

With regards of the prevailing market situation, the Board of Directors adopted a revised financial target for the company's organic revenue growth at the Board meeting 3 May 2018. The targets for EBIT margin, capital structure and dividend policy remain unchanged. The outlook for the markets served by the company is adjudged to remain positive. The policy of not issuing a forecast stands firm.

Financial objectives

Edgeware has the following long-term financial objectives:

- To achieve long-term annual organic sales growth of more than 10 percent. (To achieve organic annual sales growth exceeding 20 percent.)
- To achieve a long-term EBIT margin exceeding 15 percent.
- Edgeware's capital structure is to enable a high degree of financial flexibility and allow for acquisitions. The objective is for net indebtedness to amount to a maximum of two times EBITDA for the most recent 12-month period.
- Since Edgeware's cash flow in coming years should finance the continued development, expansion and opportunities to acquire, no dividend will be paid.

For more information, please visit:
https://corporate.edgeware.tv/

CONSOLIDATED INCOME STATEMENT

(AMOUNTS IN SEK MILLION)	2018 JAN-MAR Q1	2017 JAN-MAR Q1	2017 JAN-DEC FULL-YEAR
Net sales	48.4	68.7	236.8
Cost of goods sold	-16.1	-16.3	-60.5
Gross profit	**32.3**	**52.4**	**176.3**
Selling expenses	-18.9	-15.9	-64.5
Administrative expenses	-11.4	-9.3	-44.2
Research and development expenses	-15.5	-14.5	-56.1
Other operating income/expenses	2.0	0.3	0.3
EBIT	**-11.5**	**13.0**	**11.8**
Financial items			
Financial income	1.2	0.1	1.5
Financial expense	-0.7	-0.4	-1.9
Pre-tax profit	**-11.0**	**12.7**	**11.4**
Tax	1.8	-2.4	-3.9
Profit/Loss for the period	**-9.2**	**10.3**	**7.5**
Attributable to:			
Owners of the parent	-9.2	10.3	7.5
Earnings per share before dilution, SEK Note 6	-0.3	0.3	0.2
Earnings per share after dilution, SEK Note 6	N/A	0.3	0.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PROFIT/LOSS FOR THE PERIOD	**-9.2**	**10.3**	**7.5**
Other comprehensive income Items that can be reversed to profit or loss: Exchange-rate differences when translating foreign operations	-0.4	-0.0	0.2
Other comprehensive income, net after tax	-0.4	**-0.0**	0.2
Comprehensive income for the period	**-9.6**	10.3	**7.7**
Attributable to: Owners of the parent	-9.6	10.3	7.7

CONSOLIDATED BALANCE SHEET

(AMOUNTS IN SEK MILLION)	31 Mar 2018	31 Mar 2017	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure on development work	19.9	16.5	19.9
Other intangible assets	0.5	-	0.2
Trademarks	0.8	-	0.8
Property, plant and equipment			
Equipment	3.9	4.6	4.2
Financial non-current assets			
Other non-current assets	6.3	3.6	5.0
Deferred tax assets	**12.6**	**9.3**	**10.8**
Total non-current assets	**44.0**	**34.0**	**40.9**
Current assets			
Inventories	16.1	8.2	12.9
Trade accounts receivable	35.3	65.3	72.8
Other receivables	2.4	3.4	1.8
Prepaid expenses and accrued income	17.5	6.5	10.5
Current investments	75.2	-	75.1
Cash and cash equivalents	99.9	194.5	97.7
Total current assets	**246.4**	**277.9**	**270.8**
TOTAL ASSETS	**290.4**	**311.9**	**311.7**
EQUITY AND LIABILITIES			
Equity			
Share capital	1.5	1.5	1.5
Other paid-in capital	234.3	231.4	234.3
Translation reserve	-3.3	-2.7	-2.5
Retained earnings including profit for the period	2.1	14.2	11.4
Equity attributable to owners of the parent	**234.6**	**244.4**	**244.7**
Total equity	**234.6**	**244.4**	**244.7**
Current liabilities			
Trade accounts payable	11.3	14.2	18.9
Current tax liabilities	0.2	0.8	0.5
Other current liabilities	1.8	1.5	0.3
Accrued expenses and deferred income	42.2	50.5	47.0
Other provisions	0.3	0.5	0.3
Total current liabilities	**55.8**	**67.5**	**67.0**
TOTAL EQUITY AND LIABILITIES	**290.4**	**311.9**	**311.7**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(AMOUNTS IN SEK MILLION)	31 Mar 2018	31 Mar 2017
Opening balance, equity 1 Jan 2018 (1 Jan 2017)	**244.7**	**234.1**
Profit/Loss for the year	-9.2	10.3
Other comprehensive income	-0.4	0.0
Effect of amended impairment model upon transition to IFRS 9 at 1 Jan 2018.	-0.5	-
Total comprehensive income	**-10.1**	**10.3**
Closing balance, equity	**234.6**	**244.4**

In the first quarter of 2018, a nonrecurring effect of SEK 0.5 million was recognised in equity due to a change of calculation model for anticipated bad debts on trade accounts receivable as a result of future losses being taken into consideration in line with IFRS 9.

CONSOLIDATED STATEMENT OF CASH FLOWS

(AMOUNTS IN SEK MILLION)	2018 JAN-MAR Q1	2017 JAN-MAR Q1	2017 JAN-DEC FULL-YEAR
Operating activities			
EBIT	-11.5	13.0	11.8
Adjustments for non-cash items:			
Depreciation/amortisation	3.4	2.7	11.7
Revised assessment of provision for guarantee reserve	0.0	-0.1	-0.3
Withholding tax	-	-	-0.2
Exchange-rate effects	-0.1	-0.1	-0.4
Received interest	0.1	-	0.3
Paid interest	0.0	-0.1	-0.1
Cash flow from operating activities before changes in working capital	**-8.1**	**15.4**	**22.8**
Cash flow from changes in working capital			
Decrease/Increase in inventories	-3.3	-2.1	-6.7
Decrease/Increase in trade accounts receivable	37.4	1.2	-6.3
Decrease/Increase in other current receivables	-7.6	-1.7	-4.0
Decrease/Increase in trade accounts payable	-7.6	-2.7	2.0
Decrease/Increase in other current liabilities	-3.6	-5.4	-10.5
Effect of amended impairment model upon transition to IFRS 9 at 1 Jan 2018 Recognised in equity	-0.5	-	-
Cash flow from working capital	**14.8**	**-10.7**	**-25.5**
Cash flow from operating activities	**6.7**	**4.7**	**-2.7**
Investing activities			
Acquisition of intangible non-current assets	-2.8	-3.6	-14.7
Acquisition of property, plant and equipment	-0.4	-1.0	-3.1
Investments in current assets	-	-	-75.0
Cash flow from investing activities	**-3.2**	**-4.6**	**-92,8**
Financing activities			
Increase in long-term receivables regarding deposit, Business Sweden.	-1.4	-	-1,5
Cash flow from financing activities	**-1.4**	**-**	**-1,5**
Cash flow for the period	**2.1**	**0.1**	**-97.0**
Cash and cash equivalents at the beginning of the period	**97.7**	**194.6**	**194.6**
Exchange-rate differences in cash and cash equivalents	**0.1**	**-0.2**	**0.1**
Cash and cash equivalents at the end of the period	**99.9**	**194.5**	**97.7**

KEY FINANCIAL FIGURES

	2018 JAN-MAR Q1	2017 JAN-MAR Q1	2017 APR-JUN Q2	2017 JUL-SEP Q3	2017 OCT-DEC Q4
Net sales by region					
EMEA	30.3	37.4	24.0	47.8	54.7
AMERICAS	12.4	19.4	6.2	6.2	6.0
APAC	5.7	11.9	10.0	5.5	7.7
Net sales	**48.4**	**68.7**	**40.2**	**59.5**	**68.4**
Net sales by sales category					
Products	35.0	54.6	27.4	48.0	52.8
Services	13.4	14.1	12.8	11.5	15.6
Net sales	**48.4**	**68.7**	**40.2**	**59.5**	**68.4**
Gross profit	32.2	52.4	28.4	45.1	50.5
Gross margin, %	66.5%	76.2%	70.5%	75.7%	73.8%
Operating expenses	-43.8	-39.4	-41.3	-39.1	-44.7
Operating expenses/Net sales, %	-90.6%	-57.4%	-102.6%	-65.6%	-65.4%
EBIT **)	-11.5	13.0	-12.9	6.0	5.8
EBIT margin, % **)	-23.7%	18.9%	-32.1%	10.1%	8.4%
EBITDA **)	-8.1	15.7	-9.9	9.0	9.0
EBITDA margin (%) **)	-16.7%	22.8%	-24.6%	15.1%	13.0%
Profit/Loss for the period after tax	-9.2	10.3	-10.2	4.0	3.3
Net margin, profit/loss for the period, %	-19.1%	15.0%	-25.2%	6.8%	4.8%
Total assets	290.4	311.9	296.9	296.2	311.7
Equity assignable to the parent company's shareholders	234.6	244.4	236.0	240.6	244.7
Equity/assets ratio, % **)	80.8%	78.4%	79.5%	81.2%	78.5%
Return on equity (ROE) **)	-4.0%	4.3%	-4.2%	1.7%	1.3%
Equity per share, before dilution	7.8	8.1	7.9	8.0	8.1
Equity per share, after dilution	7.8	8.1	7.9	8.0	8.1
Average number of shares before dilution	30,043,008	30,043,008	30,043,008	30,043,008	30,043,008
Average number of shares after dilution	30,043,008	30,043,008	30,043,008	30,051,924	30,043,008
Earnings per share before dilution (Note 6)	-0.3	0.3	-0.3	0.1	0.1
Earnings per share after dilution (Note 6)	-0,3	0.3	-0,3	0.1	0.1
Cash flow from operating activities	6.7	4.7	-9.1	-14.1	16.0
No. of employees at the end of the period*	115	100	104	106	112
Of whom, women	14	12	12	9	10

***) Employees:** Included in the number of employees at 31 December are 19 (13) employees hired through Business Sweden and 9 (9) consultants with employment-like agreements.
**) Financial measures not defined according to IFRS. Definitions of these measurements are presented on pages 13.

EMEA Europe, Middle Europe and Africa.
APAC Asia and Pacific region.
AMERICAS North and South America.
Gross profit Net sales less cost of goods sold.
Gross margin Gross profit as a percentage of net sales.
EBIT Operating profit before financial items and tax.
EBIT margin % EBIT in relation to net sales.
EBITDA Operating profit before depreciation/amortisation and impairment losses.
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 in relation to net sales whereby operating expenses correspond to the Group's costs that are not directly related to the company's goods or services.
Net margin The company's net profit in relation to net sales.

Financial measures not defined according to IFRS

The company presents certain financial measures in the interim 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 presentation. Since not all companies calculate financial measures in the same way, these measures are not always comparable to those used by other companies. Consequently, these financial measures 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.

The company has chosen to no longer present performance measures adjusted for items affecting comparability in the company's financial statements since these are no longer considered relevant given that expenses related to IPO preparations are no longer included in the comparative year. Any material income and expenses of a non-recurring nature will be disclosed in the company's comments on the outcome for the period.

EBITDA

The company has chosen to report the key ratio 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.

(AMOUNTS IN SEK MILLION)	2018 JAN-MAR Q1	2017 JAN-MAR Q1	2017 APR-JUN Q2	2017 JUL-SEP Q3	2017 OCT-DEC Q4
EBITDA bridge					
EBIT	-11.5	13.0	-12.9	6.0	5.8
Amortisation of capitalised development expenses	-2.7	-1.9	-2.1	-2.3	-2.3
Other depreciation/amortisation	-0.7	-0.8	-0.9	-0.7	-0.9
EBITDA	**-8.1**	**15.7**	**-9.9**	**9.0**	**9.0**
EBITDA margin (%)	-16.7%	22.8%	-24.6%	15.1%	13.0%

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.

(AMOUNTS IN SEK MILLION)	2018 JAN-MAR Q1	2017 JAN-MAR Q1	2017 APR-JUN Q2	2017 JUL-SEP Q3	2017 OCT-DEC Q4
Total assets	290.4	311.9	269.9	269.2	311.7
Equity	234.6	244.4	236.0	240.6	244.7
Equity/assets ratio (%)	**80.8%**	**78.4%**	**79.5%**	**80.2%**	**78.5%**

Return on equity (ROE)

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

(AMOUNTS IN SEK MILLION)	2018 JAN-MAR Q1	2017 JAN-MAR Q1	2017 APR-JUN Q2	2017 JUL-SEP Q3	2017 OCT-DEC Q4
Equity	234.6	244.4	236.0	240.6	244.7
Average adjusted equity	239.7	239.3	240.2	238.3	242.6
Profit/Loss for the period	-9.2	10.3	-10.2	4.0	3.3
Return on equity (ROE) (%)	**-4.0%**	**4.3%**	**-4.2%**	**1.7%**	**1.3%**

1. Accounting policies

The Group applies the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Group also applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups. This report has been prepared in accordance with IAS 34 Interim Financial Reporting and in compliance with the applicable provisions in the Swedish Annual Accounts Act. Disclosures according to IAS 34 Interim Financial Reporting are provided in the notes and elsewhere in this interim report.

The parent company applies RFR 2 Accounting for Legal Entities as well as the Swedish Annual Accounts Act.

The Group and the parent company have applied the same accounting policies and measurement methods as used in the preparation of the most recent annual report.

New accounting policies as of 1 January 2018

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 Edgeware Group's revenue recognition. However, the new standard requires more extensive disclosures in the financial statements. The accounting policies for IFRS 15 are described in the most recent annual report.

IFRS 9 Financial Instruments
IFRS 9 is the new standard for financial instruments that replaces IAS 39. The standard took effect on 1 January 2018. A project has been carried out based on the following areas: classification and measurement, and documentation of financial liabilities and assets. 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. Edgeware applies two different business models. For cash and cash equivalents, trade accounts receivable and other current receivables, the company's business model is "hold to collect," which means that the purpose is to collect contractual cash flows and the agreed conditions for the financial assets give rise to, on specific dates, cash flows that only constitute payments of capital amounts and interest on the outstanding capital amount. Assets belonging to this business model are recognised at amortised cost. Current investments comprise mutual and fixed interest funds where Edgeware's business model is "other" and where the nature of the cash flow excludes other business models. The holding is recognised at fair value through profit or loss. In the first quarter of 2018, Edgeware recognised a nonrecurring effect of SEK 0.5 million in equity due to a change of calculation model for anticipated bad debt losses on trade accounts receivable according to IFRS 9. At 31 December 2017, there was a provision of SEK 1.1 million for anticipated bad debts based on the assessment according to IAS 39. At 1 January 2018, the reserve for bad debts was further adjusted by SEK 0.5 million in accordance with the calculation model for anticipated bad debts under IFRS 9. The model that Edgeware applies for the calculation model for anticipated bad debts according to IFRS 9 is based on a grouping into various risk classifications. Each customer is assigned a risk classification on the basis of an overall assessment of the customer in relation to its external credit rating, the customer's payment history, the market in which the customer conducts operations and external factors in the region.

Effects of new accounting policies

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.

2. Estimates and judgments

Preparation of the report requires management to make judgments and estimates, and to make assumptions that affect the application of the accounting policies and the recognised amounts for assets, liabilities, revenue and expenses. Actual outcomes may deviate from these estimates and judgments. For further information, refer to Edgeware's annual report.

3. Share capital

At the end of the period, there were 30,043,008 shares (30,043,008) with a quota value of SEK 0.05 (0.05). The share capital at period-end was SEK 1,502,150.40 (1,502,150.40).

The extraordinary sharholders´ 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 five senior executives of the company. 130,000 of the warrants were subscribed and paid for in cash in December 2016. Assuming maximum exercise, the capital will increase by SEK 6,500 corresponding to 4.3%. The exercise period for this is during the period 1 January 2020 through 31 May 2020. For further information see the Annual report 2017.

4. Segment information

Operating segments are reported in compliance with the internal reports submitted to the highest executive decision-maker.

Because the Group's regions and the business areas utilise the same sales, development and administrative resources, the company's expenses are distributed by allocating them proportionately. The same applies to assets and liabilities. Group management does not feel that an allocation of income statement and balance sheet items would provide a fairer view of operations and therefore follows results for the Group as a whole. Accordingly, the Group has not identified any business streams.

The Group's net sales are monitored by region – EMEA, APAC and AMERICAS – based on two operating sectors: Products and Services.

The outcomes by region and operating sector consist of the sum of invoices for products and services sold by various parts of the Group. These are not, however, reflected in separate income statements and balance sheets.

NOTE 6 EARNINGS PER SHARE

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

EARNINGS PER SHARE BEFORE DILUTION	2018 JAN-MAR Q1	2017 JAN-MAR Q1	2017 JAN-DEC FULL-YEAR
Profit/Loss for the period attributable to owners of the parent, SEK million	-9.2	10.3	7.5
Average number of outstanding ordinary shares, before dilution	30,043,008	30,043,008	30,043,008
Earnings per share before dilution, SEK	**-0.3**	**0.3**	**0.2**

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

EARNINGS PER SHARE AFTER DILUTION	2018 JAN-MAR Q1	2017 JAN-MAR Q1	2017 JAN-DEC FULL-YEAR
Profit/Loss for the period attributable to owners of the parent, SEK million	-9.2	10.3	7.5
Average number of outstanding ordinary shares, before dilution	30,043,008	30,043,008	30,043,008
Warrants	-	-	1,482
Weighted average number of ordinary shares outstanding, after dilution	30 043 008	34,043,008	30,044,490
Earnings per share after dilution, SEK	**-0,3**	**0.3**	**0.2**

There was no dilution effect for the period due to the loss for the period.

CONDENSED PARENT COMPANY INCOME STATEMENT

(AMOUNTS IN SEK MILLION)	2018 JAN-MAR Q1	2017 JAN-MAR Q1	2017 JAN-DEC FULL-YEAR
Net sales	47.6	68.5	234.0
Cost of goods sold	-15.5	-15.7	-58.0
Gross profit	**32.1**	**52.8**	**176.0**
Selling expenses	-16.9	-18.3	-64.8
Administrative expenses	-10.8	-9.6	-42.5
Research and development expenses	-15.2	-14.1	-54.7
Other operating income/expenses	2.0	0.3	0.3
EBIT	**-8.8**	**11.1**	**14.3**
Financial income and expenses			
Financial income	1.2	0.1	1.6
Financial expense	-0.8	-0.4	-1.9
Profit/Loss after financial items	**-8.4**	**10.8**	**14.0**
Tax on profit for the period	1.8	-2.4	-3.9
Profit/Loss for the period	**-6.6**	**8.4**	**10.1**

CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(AMOUNTS IN SEK MILLION)	2018 JAN-MAR Q1	2017 JAN-MAR Q1	2017 JAN-DEC FULL-YEAR
Profit/Loss for the period	-6.6	8.4	10.1
Other comprehensive income:	**-**	**-**	**-**
Comprehensive income for the period	**-6.6**	**8.4**	**10.1**

PARENT COMPANY BALANCE SHEET

(AMOUNTS IN SEK MILLION)	31 MAR 2018	31 MAR 2017	31 DEC 2017
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure on development work	19.9	16.5	19.9
Other intangible assets	0.4	-	0.2
Trademarks	0.8	-	0.8
Property, plant and equipment			
Equipment	3.9	4.5	4.2
Financial non-current assets			
Deferred tax assets	12.6	9.3	10.8
Other non-current assets	6.3	3.6	5.0
Total non-current assets	**43.9**	**33.9**	**40.9**
Current assets			
Inventories	15.5	8.2	12.3
Trade accounts receivable	34.0	62.4	69.5
Current receivables	19.4	9.8	11.6
Receivables from Group companies	10.7	3.8	8.8
Total current assets	**79.6**	**84.2**	**102.2**
Current investments	75.2	-	75.1
Cash and bank balances	99.2	194.0	97.2
Total current assets	**254.0**	**278.2**	**274.5**
TOTAL ASSETS	**297.9**	**312.1**	**315.4**
Equity			
Restricted equity			
Share capital	1.5	1.5	1.5
Reserve for development expenses	17.7	10.5	16.9
Total restricted equity	**19.2**	**12.0**	**18.4**
Unrestricted equity			
Share premium reserve	234.3	231.4	234.3
Retained earnings including net profit of the year	-3.9	-6.3	-12.7
Profit for the period	-6.6	8.4	10.1
	223.8	**233.5**	**231.7**
Total equity	**243.0**	**245.5**	**250.1**
Current liabilities			
Trade accounts payable	11.1	14.1	18.7
Current tax liabilities	0.2	0.8	0.5
Other current liabilities	1.7	1.5	0.3
Accrued expenses and deferred income	41.6	49.7	45.5
Other provisions	0.3	0.5	0.3
Total current liabilities	**54.9**	**66.6**	**65.3**
TOTAL EQUITY AND LIABILITIES	**297.9**	**312.1**	**315.4**

The Board of Directors and the Chief Executive Officer hereby confirm that this report provides a true and fair overview of the operations, financial position and results of the parent company and the Group and describes material risks and factors of uncertainty faced by the parent company and the companies in the Group.

Stockholm, 3 May 2018

Michael Ruffolo Chairman of the Board	Karl Thedéen CEO and Board member
Jason Pinto Board member	Staffan Helgesson Board member
Sigrun Hjelmquist Board member	Kent Sander Board member

This report has not been reviewed by Edgeware's auditor.

FINANCIAL CALENDAR

- Interim report January-June 2018, Q2 2018, 27 July 2018.
- Interim report January-September 2018, Q3 2018, 9 November 2018.

ABOUT EDGEWARE

Edgeware offers operators and content providers the tools to deliver modern TV services over the Internet on a large scale and a low cost. Edgeware's unique technology provides an outstanding viewing experience and gives customers control over their content. Edgeware has experienced rapid growth in recent years, reaching net sales of SEK 237 million in 2017.

Edgeware has its head office in Stockholm, Sweden, and has employees in 15 countries across Europe, Asia and North and Latin America.

For more information, visit https://corporate.edgeware.tv

Edgeware – Let's make TV amazing again!

CONTACT INFORMATION

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This information is information that Edgeware AB is obliged to make public pursuant to the EU Market Abuse Regulation Act. The information was submitted for publication, through the agency of the contact persons set out above, at 7:30 a.m. on 4 May 2018.

Information about Edgeware, press releases, press photos, etc. are available in Edgeware's newsroom at Cision and on https://corporate.edgeware.tv/

Edgeware AB
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