Let's make TV amazing again.

edgeware

2018

INTERIM REPORT
JULY-SEPTEMBER 2018

JULY-SEPTEMBER 2018

SEK 54.5 MILLION
NET SALES

-8.6%
REDUCED NET SALES

SEK 3.0 MILLION
EBIT

JANUARY-SEPTEMBER 2018

SEK 152.9 MILLION
NET SALES

-9.3%
REDUCED NET SALES

SEK -23.7 MILLION
EBIT

2018

INTERIM REPORT JULY-SEPTEMBER

"A profitble Q3 with positive cash flow together with great interest in our new products are key milestones for profitable growth."

Karl Thedéen
CEO, Edgeware

THIRD QUARTER OF 2018:

- Net sales totalled SEK 54.5 million (59.6), down 8.6 percent.
- Gross profit amounted to SEK 39.0 million (45.1), corresponding to a gross margin of 71.7 percent (75.7).
- Operating income (EBIT) amounted to SEK 3.0 million (6.0), corresponding to an operating margin of 5.5 percent (10.1).
- Profit for the period amounted to SEK 3.3 million (4.0).
- Cash flow from operating activities of SEK 13.0 million (neg: 14.1).
- Earnings per share for the period before and after dilution SEK 0.1 per share (0.1).

JANUARY-SEPTEMBER 2018:

- Net sales totalled SEK 152.9 million (168.5), down 9.3 percent.
- Gross profit amounted to SEK 103.6 million (125.8), corresponding to a gross margin of 67.8 percent (74.7).
- Operating income (EBIT) amounted to negative SEK 23.7 million (pos: 6.1), corresponding to an operating margin of negative 15.5 percent (pos: 3.6).
- Loss for the period amounted to SEK 17.2 million (profit: 4.2).
- Cash flow from operating activities of negative SEK 8.8 million (neg: 18.6).
- Earnings per share for the period before and after dilution negative SEK 0.6 per share (pos: 0.1).

SIGNIFICANT EVENTS IN THE THIRD QUARTER

- Major order from Televisa in Latin America.
- Edgeware launched container-based TV delivery platforms for installation in the cloud.
- Large interest from broadcasters and OTT operators for Edgewares new products at the IBC Conference in Amsterdam.
- Edgeware registered its own subsidiary in Hong Kong.

SIGNIFICANT EVENTS AFTER THE THIRD QUARTER

- Important software deal with Com Hem was secured after the end of the quarter.

(SEK million unless otherwise indicated)	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	Q4 2017— Q3 2018	2017 Full-year
Net sales	54.5	59.6	152.9	168.5	221.3	236.8
Gross profit	39.0	45.1	103.6	125.8	154.1	176.3
Gross margin (%)	71.7%	75.7%	67.8%	74.7%	69.6%	74.4%
EBIT	3.0	6.0	-23.7	6.1	-17.9	11.8
EBIT margin (%)	5.5%	10.1%	-15.5%	3.6%	-8.1%	5.0%
Profit/Loss for the period	3.3	4.0	-17.2	4.2	-14.8	7.5
Cash flow from operating activities	13.0	-14.1	-8.8	-18.6	7.2	-2.7
No. of employees at the end of the period*	101	106	101	106	110	112
Earnings per share before dilution	0.1	0.1	-0.6	0.1	-0.5	0.2
Earnings per share after dilution	0.1	0.1	-0.6	0.1	-0.5	0.2

*Included in the number of employees at 30 September 2018 are 16 (17) employees hired through Business Sweden and 5 (10) consultants with employment-like agreements.

COMMENTS BY THE CEO

It is with great satisfaction that I can confirm we have now delivered a third quarter with positive earnings and cash flow — proof positive that our action program has had an effect and was an important step in the right direction. Net sales for the third quarter of the year were SEK 55 million, which is slightly lower than the strong third quarter of 2017. Our gross margin ended up at 72 percent, which is in the upper half of the 65–75 percent interval we have historically delivered.

The biggest talking point of the quarter was our strong growth in Latin America, where a major network expansion at Televisa in Mexico provided a large boost to sales in the region. We also received orders from two new customers in Latin America and Europe during the quarter. Sales in Asia were low but we still see the region as highly intresting and during the quarter we established an own entity in Hong Kong. All in all, it has been relatively stable in regards of our major customers. The first three quarters of the year they had roughly the same levels of sales that they had during the corresponding year-earlier period. During the quarter we also continued our work on increasing efficiency in our market activities and on establishing collaboration with various partners to thereby increase the influx of new opportunities.

At the IBC industry conference during the quarter, we announced our first container-based software solutions adapted for cloud architecture for OTT operators, broadcasters and traditional operators. To increase the clarity of our offering, we market our products under such headlines as *Amazing viewing experience*, *Deploy at scale* and *Capitalise your content*, three factors we know are critical for our customers. Thanks to our new software solutions such as Origin and others, we could for the first time also present solutions for customers who do not own their own networks — broadcasters, for example. Our demonstration of Ad Enabler, which is included in Origin and offers personalised advertisements, generated particularly strong interest. This was due in part to our being the first to offer support for Android clients in this critical application. The major interest that broadcasters and OTT operators showed in our new products

was for me a clear confirmation that we have expanded our addressable market entirely in line with our strategy. Going forward, we also see new opportunities through offering our software solutions as a service via public cloud service providers, or “Software as a Service” (SaaS). To meet the demand we are seeing for Origin and SaaS, we are now pursuing this as a project with the target of offering Origin as a cloud service during the first half of 2019. We see major operational and commercial advantages such as shorter sales cycles and repetitive incomes for a cloud-based business model of this type.

During the quarter, a large number of projects in which our software solutions were evaluated and tested were started up among customers in all regions. After the end of the quarter, we were also asked to demonstrate our container-based cloud solutions via Amazon Web Services at the Inter BEE conference in Tokyo in November. Last, but not least, in connection with today’s report, we have the great pleasure of announcing an important software deal with the Swedish service provider Com Hem.

We will continue to work on the actions necessary to return to profitable growth. We are expanding our business with new software-based products, cultivating new types of customers, increasing our activities outside of Europe and lowering our costs in certain areas in order to enable expansion where we see new business opportunities. I am still not satisfied with our financial results, but I see clear signs that our actions have yielded results and that we are thus on the right path.

Karl Thedéen
CEO, Edgeware

MARKET TRENDS THIRD QUARTER 2018

Internet TV and video traffic continue to dominate Internet traffic. This quarter's Global Internet Phenomena Report from Sandvine reported that video makes up 58 percent of the total volume of downstream traffic on the Internet. Netflix alone represents 15 percent of all Internet traffic globally. By contrast web browsing, the next largest category, is now only 17.8 percent, followed by gaming with 8 percent and social media with 5 percent.

Edgeware's customers continue to expand both their features and their content. Telia Finland, for example, began delivering coverage this quarter of SM-liiga, the Finnish Hockey League, over its internet TV service, which is delivered using Edgeware TV CDN technology.

Nokia has become the latest of Edgeware's competitors to announce it is spinning out its video business to concentrate on its core markets – following similar announcements earlier in the year from Ericsson and Cisco – in an attempt to let the new spun-out business compete as a more specialised video business.

And this quarter has been a busy time for marketing in Edgeware, including an exhibition at IBC, the largest European trade show for the broadcasting industry, in Amsterdam. At the show we announced our new 'cloud-native' software architecture, which has been optimized for private and public cloud services such as Google Cloud Platform and Amazon Web Services. A live demonstration of our new origin software, providing personalised ad insertion from the cloud, also drew a great deal of attention. And we brought home this year's CSI award for Best Content Protection Technology for our forensic watermarking solution.

Net sales

Third quarter

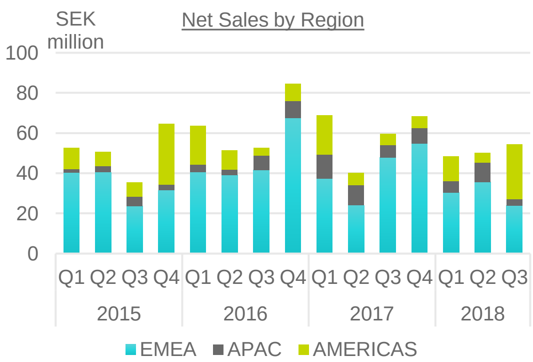
The Group's net sales for the third quarter amounted to SEK 54.5 million (59.6), corresponding to a year-on-year decline of 8.6 percent. The decrease in comparable currencies was 14.5 percent. Net sales decreased to SEK 24.0 million (47.8) in EMEA (Europe, the Middle East and Africa), increased to SEK 27.4 million (5.6) in AMERICAS (North and South America) and decreased to SEK 3.1 million (6.2) in APAC (Asia and the Pacific region).

APAC had a slightly more subdued quarter in relation to the year-earlier period, with a lower order intake from our larger customers.

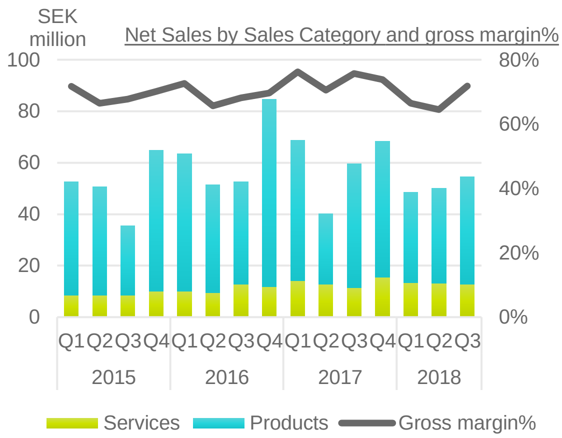
The very strong trend in AMERICAS for the third quarter is attributable to the region's largest customer having begun a major upgrade of its network, which will provide them with expanded functionality and stability. The entire revenue for hardware and software was recognised in third quarter.

EMEA developed in line with the company's expectations after a very strong second quarter, though the extremely large orders that built the corresponding quarter of the preceding year were absent.

The EMEA region accounted for 44.0 percent (80.2) of the Group's total sales in the third quarter, AMERICAS for 50.3 percent (10.4) and APAC for 5.7 percent (9.4).



Of the Group's total net sales in the third quarter, the Products business stream (hardware, software and licenses) accounted for 76.5 percent (80.7), while the remaining 23.5 percent (19.3) was attributable to Services (maintenance, support and other services). Recurring support revenue from existing customers amounted to SEK 11.8 million (10.9), corresponding to 92.2 percent (94.8) of net sales from services.



Nine months

Net sales in the first nine months totalled SEK 152.9 million (168.5), down 9.3 percent compared with the first nine months of 2017. The decrease in comparable currencies was 12.7 percent.

Net sales in EMEA amounted to SEK 90.0 million (109.2), down 17.6 percent year-on-year. In APAC, sales declined to SEK 18.3 million (28.1) and in AMERICAS, sales increased to SEK 44.6 (31.2) compared with the first nine months of 2017.

The decline in EMEA is mainly attributable to a lower level of investment by the region's two largest customers. At the same time, several of our ten largest customers increased their investments. Edgeware had, and still has, a high customer concentration in all its regions. The investment level from a few major customers has historically significantly impacted an individual quarter, and moving forward will continue to do so.

In APAC, interest from several potential customers remains great but the orders placed by the region's largest existing customers have not been as big as in previous years.

The increase in AMERICAS is primarily driven by the region's largest customer, who continues to modernise its network and to add new functionality in its TV distribution.

Net sales from products amounted to SEK 113.4 million (130.1) and from services to SEK 39.5 million (38.4). Underlying service sales attributable to support contracts amounted to SEK 35.1 million (32.5), corresponding to an increase of 8.0 percent year-on-year. For details regarding allocation of net sales per sales category, region and point in time for revenue recognition, see the section under alternative performance measures on page 22.

Results

Third quarter

Gross profit in the third quarter amounted to SEK 39.0 million (45.1), corresponding to a year-on-year decline of SEK 6.1 million. The gross margin was 71.7 percent (75.7). Gross profit and gross margin were negatively impacted by an anticipated bad debt loss that impacted earnings by SEK 1.3 million. Excluding this loss, the underlying gross margin amounts to 74.1 percent for the third quarter 2018.

The proportion of capacity licenses in relation to total product sales was lower than in the year-earlier quarter, and total sales of products in relation to total sales was also lower. At the same time, the margin on the company's service business was better than the preceding year, which is an effect of fewer employees in the service function. The amortization of capitalized development expenses in 2018 also increased from SEK 2.3 million to SEK 3.0 million. In all, this resulted in a slightly lower total gross margin than the year-earlier period.

Operating expenses amounted to SEK 36.1 million (39.1), down SEK 3.0 million year-on-year.

The year-on-year cost decrease was primarily due to fewer employees in the Group and a higher level of capitalisation in R&D, since several product projects went from research to development, as well as to fewer customer-specific development projects — which cannot be capitalised — compared with the year-earlier period.

Development expenses of SEK 5.7 million (3.6) were capitalised in the third quarter, accounting for 38.2 percent (23.5) of the company's total R&D expenses. At the same time, amortisation of previously capitalised development expenses rose to SEK 3.0 million (2.3). 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 a positive impact of SEK 2.7 million (1.3) on EBIT.

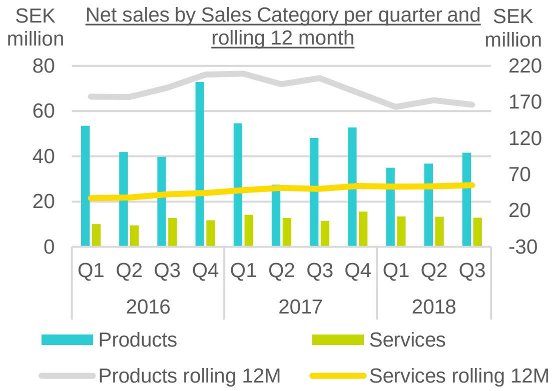
R&D, MSEK	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017
Total R&D expenses	-15,0	-15,2	-52,6	-51,4
Capitalised development expenses	5,7	3,6	11,7	10,4
Amortisation of capitalised development expenses	-3,0	-2,3	-8,5	-6,2
R&D expenses according to income statement	-9,3	-11,6	-40,8	-41,0

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 6.7 million (9.0).

EBIT for the quarter amounted to SEK 3.0 million (6.0), corresponding to a year-on-year decline of SEK 3.0 million.

EBIT corresponds to an operating margin of 5.5 percent (10.1). Net financial items for the period amounted to loss of SEK 0.2 million (loss: 0.2) and mainly comprised FX effects on cash and cash equivalents and a revaluation of inter-company transactions.

Earnings for the period totalled SEK 3.3 million (4.0), corresponding to a year-on-year decrease of SEK 0.7 million.



Nine months

Gross profit for the first nine months amounted to SEK 103.6 million (125.8), a year-on-year decline of SEK 22.2 million. The gross margin was 67.8 percent (74.7).

The lower gross margin for the first three quarters is attributable to an anticipated bad debt loss and a lower proportion of capacity and memory licences in the product mix. The service business also had a somewhat lower margin compared with the year-earlier period.

Operating expenses amounted to SEK 127.3 million (119.8), up SEK 7.5 million year-on-year. The increase in operating expenses derives from a higher average number of employees in the Group and restructuring expenses mainly attributable to the sales and delivery organisation during the first two quarters.

During the first nine months, development expenses of SEK 11.7 million (10.4) were capitalised, accounting for 22.3 percent (20.2) of the company's total R&D expenses. At the same time, amortisation of previously capitalised development expenses rose to SEK 8.5 million (6.2). 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 a positive impact of SEK 3.2 million (4.2) on EBIT.

EBIT for the first nine months amounted to negative SEK 23.7 million (pos: 6.1), a year-on-year decline of SEK 29.8 million. Adjusted for restructuring expenses in the first and second quarters, EBIT was negative SEK 19.0 million (pos: 6.0).

Net financial items amounted to income of SEK 1.2 million (expense: 0.4) and mainly comprised FX effects on cash and cash equivalents and a revaluation of inter-company transactions.

Loss for the period totalled SEK 17.2 million (profit: 4.2), corresponding to a year-on-year decrease of SEK 21.4 million. Earnings for the period were impacted by a higher tax expense of SEK 0.3 million stemming from the restatement of the deferred tax asset due to the adopted future amendment to the corporate tax rate in Sweden. New loss carryforwards were also capitalised during the period.

Financial position

The comparison figures under financial position pertain to December 2017. The equity/assets ratio was 77.8 percent (78.5) on 30 September 2018 and equity amounted to SEK 228.0 million (244.7).

Total assets on 30 September 2018 amounted to SEK 291.9 million (311.7). At the end of the period, inventories totalled SEK 17.5 million (12.9) and capitalised development expenses amounted to SEK 23.1 million (19.9). The increase in inventories is attributable to somewhat lower-than-expected hardware deliveries in the third quarter of 2018.

The Group's cash and cash equivalents amounted to SEK 76.6 million (97.7) at the end of the period. 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 13.0 million (neg: 14.1). Even though cash flow from EBIT decreased slightly year-on-year, working capital also decreased significantly through increased payments by customers and increased current liabilities.

Cash flow from investing activities amounted to negative SEK 6.1 million (neg: 5.4) during the third quarter and was primarily attributable to salaries and other direct costs for capitalised development work as well as investments in tangible and intangible non-current assets.

Cash flow for the nine-month period amounted to negative SEK 21.6 million (neg: 108.3). The negative cash flow is due to lower sales in combination with lower gross margins, which created a loss at an operating level and increased trade accounts receivable, with the resulting higher tied-up working capital. In 2017, the company invested SEK 75 million in a short-term interest fund, which further explains the difference between the years.

Parent company

The parent company's net sales in the third quarter amounted to SEK 53.9 million (58.6) and loss for the period amounted to SEK 2.2 million (profit: 6.2). The parent company paid commissions to its subsidiary in the US for business in Latin America. This is a part of the company's transfer pricing setup, and the transaction will be eliminated in the Group.

The parent company's net sales in the first nine months totalled SEK 151.3 million (166.4) and loss for the period amounted to SEK 21.5 million (profit: 4.1).

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 101 (106). Compared with the end of the preceding quarter, the number of employees decreased by 11. Included in the number of employees at 30 September are 16 (17) employees hired through Business Sweden and 5 (10) consultants with employment-like agreements. Added to this are two outsourced development teams in Vietnam and other consultants, a total of about 20 persons.

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, technical development and financial risks.

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

Edgeware's share

During the third quarter, Edgeware's share price varied between SEK 13.0 and SEK 16.4. The closing price on the last day of trading in September 2018 was SEK 13.5. Edgeware's market capitalisation on 30 September 2018 was SEK 406 million. The number of Edgeware shareholders on 30 September 2018 was 3,343. Foreign shareholders accounted for some 37 percent of the voting rights. As per 30 September 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 4.

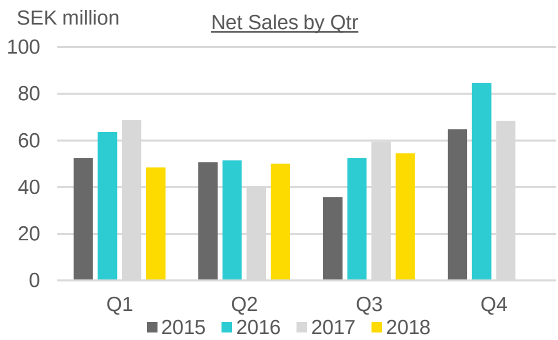
Significant events during and after the quarter

- Major order from Televisa in Latin America.
- Important software deal with Com Hem was secured after the end of the quarter.
- Edgeware launched container-based TV delivery platforms for installation in the cloud.
- Large interest from broadcasters and OTT operators for Edgewares new products at the IBC Conference in Amsterdam.
- Edgeware registered its own subsidiary in Hong Kong.
- CFO Steeve Fuhr will leave the company in January 2019.

Seasonal variations and outlook

Edgeware is powered by the underlying market to transform traditional television distribution into interactive television delivered over the Internet to a large number of clients such as mobiles, iPads and Smart TV. Therefore, there is still a great need for investment and equipment that contributes to this transformation and there is currently no indication that this development is stalled. However, the distribution of revenues over quarter and year is mainly driven by the larger customers' purchasing patterns that can vary considerably between the periods.

Edgeware experiences some seasonally variations of revenue over the quarters. Like many other companies in our industry, revenue tend to be strongest in the fourth quarter. In addition, operating expenses are seasonally lower during the third quarter in connection with holiday withdrawal effects. The policy not to leave any forecast remains.



Financial objectives

Edgeware has the following long-term financial objectives:

- To achieve long-term organic annual sales growth of more than 10 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 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	Q4 2017– Q3 2018	2017 FULL-YEAR
Net sales	54.5	59.6	152.9	168.5	221.3	236.8
Cost of goods sold	-15.5	-14.5	-49.3	-42.7	-67.2	-60.5
Gross profit	**39.0**	**45.1**	**103.6**	**125.8**	**154.1**	**176.3**
Selling expenses	-16.8	-15.9	-52.2	-46.8	-69.9	-64.5
Administrative expenses	-9.5	-10.9	-32.4	-30.8	-45.9	-44.2
Research and development expenses	-9.3	-11.6	-40.8	-41.0	-55.8	-56.1
Other operating income/expenses	-0.4	-0.7	-1.9	-1.1	-0.4	0.3
EBIT	**3.0**	**6.0**	**-23.7**	**6.1**	**-17.9**	**11.8**
Financial items						
Financial income	0.5	0.4	2.7	0.8	3.4	1.5
Financial expenses	-0.7	-0.6	-1.5	-1.2	-2.3	-1.9
Pre-tax profit	**2.8**	**5.8**	**-22.5**	**5.7**	**-16.8**	**11.4**
Tax	0.5	-1.8	5.3	-1.5	2.9	-3.9
Profit/Loss for the period	**3.3**	**4.0**	**-17.2**	**4.2**	**-13.9**	**7.5**
Attributable to:						
Owners of the parent	3.3	4.0	-17.2	4.2	-13.9	7.5
Earnings per share before dilution, SEK Note 7	0.1	0.1	-0.6	0.1	-0.5	0.2
Earnings per share after dilution, SEK Note 7	0.1	0.1	-0.6	0.1	-0.5	0.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PROFIT/LOSS FOR THE PERIOD	3.3	4.0	-17.2	4.2	-13.9	7.5
Other comprehensive income Items that can be reversed to profit or loss: Exchange-rate differences when translating foreign operations	0.3	1.1	-0.6	-0.6	0.2	0.2
Other comprehensive income, net after tax	0.3	1.1	**-0.6**	**-0.6**	0.2	0.2
Comprehensive income for the period	**3.6**	**5.1**	**-17.8**	**3.6**	**-13.7**	**7.7**
Attributable to: Owners of the parent	3.6	5.1	-17.8	3.6	-13.7	7.7

CONSOLIDATED BALANCE SHEET

(AMOUNTS IN SEK MILLION)	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure on development work	23.1	19.0	19.9
Trademarks	0.8	0.8	0.8
Other intangible assets	0.7	-	0.2
Property, plant and equipment			
Equipment	2.9	4.0	4.2
Financial non-current assets			
Other non-current assets	5.2	4.8	5.0
Deferred tax assets	**16.2**	**13.1**	**10.8**
Total non-current assets	**48.9**	**41.7**	**40.9**
Current assets			
Inventories	17.5	9.1	12.9
Trade accounts receivable	57.5	64.3	72.8
Other receivables	0.7	0.9	1.8
Prepaid expenses and accrued income	15.5	19.5	10.5
Current investments	75.2	75.2	75.1
Cash and cash equivalents	76.6	85.5	97.7
Total current assets	**243.0**	**254.5**	**270.8**
TOTAL ASSETS	**291.9**	**296.2**	**311.7**
EQUITY AND LIABILITIES			
Equity			
Share capital	1.5	1.5	1.5
Other paid-in capital	235.8	234.3	234.3
Translation reserve	-3.1	-3.3	-2.5
Retained earnings including profit for the period	-6.3	8.1	11.4
Equity attributable to owners of the parent	**228.0**	**240.6**	**244.7**
Total equity	**228.0**	**240.6**	**244.7**
Current liabilities			
Trade accounts payable	15.5	15.3	18.9
Current tax liabilities	0.5	0.5	0.5
Other current liabilities	1.7	0.2	0.3
Accrued expenses and deferred income	45.9	39.3	47.0
Other provisions	0.3	0.3	0.3
Total current liabilities	**63.9**	**55.6**	**67.0**
TOTAL EQUITY AND LIABILITIES	**291.9**	**296.2**	**311.7**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(AMOUNTS IN SEK MILLION)	30 Sep 2018	30 Sep 2017
Opening balance, equity 1 Jan 2018 (1 Jan 2017)	**244.7**	**234.1**
Profit/Loss for the period	-17.2	4.2
Other comprehensive income	-0.6	-0.6
Effect of amended impairment model upon transition to IFRS 9 at 1 Jan 2018.	-0.5	-
Total comprehensive income	**-18.3**	**3.6**
Transactions with owners:		
Paid-in premiums, warrants	1.6	
Tax on issuance costs	-	2.9
Total transactions with owners	**1.6**	**2.9**
Closing balance, equity	**228.0**	**240.6**

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 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	Q4 2017–Q3 2018	2017 FULL-YEAR
Operating activities						
EBIT	3.0	6.0	-23.7	6.1	-17.9	11.8
Adjustments for non-cash items:						
Amortisation of intangible non-current assets	3.0	2.3	8.5	6.2	10.8	8.5
Depreciation of property, plant and equipment	0.7	0.7	2.1	2.5	3.0	3.4
Other non-cash items	0.8	1.0	1.1	-0.6	0.8	-0.9
Cash flow from operating activities before changes in working capital	**7.5**	**10.0**	**-12.0**	**14.2**	**-3.3**	**22.8**
Cash flow from changes in working capital						
Decrease/Increase in inventories	-0.3	1.1	-4.5	-3.0	-8.3	-6.7
Decrease/Increase in trade accounts receivable	7.1	-11.3	14.8	2.2	6.4	-6.3
Decrease/Increase in other current receivables	-3.4	-8.6	-4.0	-12.2	4.1	-4.0
Decrease/Increase in trade accounts payable	-1.6	1.0	-3.3	-1.6	0.2	2.0
Decrease/Increase in other current liabilities	3.7	-6.3	0.2	-18.2	8.1	-10.5
Cash flow from working capital	**5.5**	**-24.1**	3.2	**-32.8**	**10.5**	**-25.5**
Cash flow from operating activities	**13.0**	**-14.1**	**-8.8**	**-18.6**	**7.2**	**-2.7**
Investing activities						
Acquisition of intangible non-current assets	-5.8	-3.6	-12.2	-11.2	-15.7	-14.7
Acquisition of property, plant and equipment	-0.2	-0.5	-0.8	-2.3	-1.9	-3.1
Investments in other financial non-current assets	-	-1.4	-	-1.3	-0.1	-1.5
Investments in current assets	-	-	-	-75.2	-	-75.0
Cash flow from investing activities	**-6.0**	**-5.5**	**-13.0**	**-90.0**	**-17.7**	**-94.3**
Cash flow from financing activities	**-**	**-**	**0.2**	**-**	**0.2**	**-**
Cash flow for the period	**7.0**	**-19.6**	**-21.6**	**-108.6**	**-10.3**	**-97.0**
Cash and cash equivalents at the beginning of the period	**69.3**	**105.6**	**97.7**	**194.6**	**85.7**	**194.6**
Exchange-rate differences in cash and cash equivalents	**0.3**	**-0.5**	**0.5**	**-0.5**	**1.2**	**0.1**
Cash and cash equivalents at the end of the period	**76.6**	**85.5**	**76.6**	**85.5**	**76.6**	**97.7**

edgeware

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 apart from what is described below regarding IFRS 9 and IFRS 15.

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 has no 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.

2. 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 or 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, trade accounts receivable, other current receivables, trade accounts payable and other current liabilities, the carrying amount is a good approximation of the fair value when the duration is short. Current investments amounted to SEK 75.2 million (75.2) and measured at fair value in accordance with level 1.

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. Currency future contracts are measured at fair value through profit or loss. Hedge accounting is not applied. At the end of September 2018, the outstanding currency future contracts in MXN were measured at SEK 0.0 million (0) and in EUR at SEK 0 million (0). 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.

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.

3. 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.

4. 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).

5. Transactions with related parties

On 4 May 2018, a long-term incentive programme was launched, with a duration of 3.53 years, for the CEO and approximately 25 other employees of Edgeware and comprising a maximum of 699,100 warrants. Transfers were effected at market value, calculated according to Black and Scholes, and each warrant confers entitlement to subscription of one new share. The subscription price corresponds to 130 percent of the volume-weighted average price ("VWAP") for the company's share during the period 4 May up to and including 18 May 2018, corresponding to ten trading days prior to the valuation date and a exercise price of SEK 19.00.

6. Segment information

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

The Group's regions and the business areas utilise the same sales, development and administrative resources, so 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 7 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 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	Q4 2017– Q3 2018	2017 FULL-YEAR
Profit/Loss for the period attributable to owners of the parent, SEK	3,310,736	4,038,855	-17,194,598	4,202,923	-13,927,991	7,469,531
Average number of outstanding ordinary shares, before dilution	30,043,008	30,043,008	30,043,008	30,043,008	30,043,008	30,043,008
Earnings per share before dilution, SEK	**0.1**	**0.1**	**-0.6**	**0.1**	**-0.5**	**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 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	OCT 2017– Q3 2018	2017 FULL-YEAR
Profit/Loss for the period attributable to owners of the parent, SEK	3,310,736	4,038,855	-17,194,598	4,202,923	-13,927,991	7,469,531
Average number of outstanding ordinary shares, before dilution	30,043,008	30,043,008	30,043,008	30,043,008	30,043,008	30,043,008
Warrants	-	8,916	-	7,438	-	1,482
Weighted average number of ordinary shares outstanding, after dilution	30,043,008	30,051,924	30,043,008	30,050,446	30,043,008	30,044,490
Earnings per share after dilution, SEK	**0.1**	**0.1**	**-0.6**	**0.1**	**-0.5**	**0.2**

CONDENSED PARENT COMPANY INCOME STATEMENT

(AMOUNTS IN SEK MILLION)	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	Q4 2017– Q3 2018	2017 FULL-YEAR
Net sales	53.9	58.6	151.3	166.4	218.8	234.0
Cost of goods sold	-14.6	-14.0	-47.4	-40.9	-64.3	-58.0
Gross profit	**39.3**	**44.6**	**103.9**	**125.5**	**154.5**	**176.0**
Selling expenses	-23.6	-14.2	-59.7	-48.7	-75.7	-64.8
Administrative expenses	-9.0	-10.4	-30.7	-29.7	-43.8	-42.5
Research and development expenses	-8.9	-11.3	-39.8	-40.0	-54.5	-54.7
Other operating income/expenses	-0.4	-0.6	-1.9	-1.1	-0.4	0.3
EBIT	**-2.6**	**8.1**	**-28.2**	**6.0**	**-19.9**	**14.3**
Financial income and expenses						
Financial income	0.4	0.4	2.7	0.7	3.6	1.6
Financial expenses	-0.5	-0.6	-1.3	-1.1	-2.1	-1.9
Profit/Loss after financial items	**-2.7**	**7.9**	**-26.8**	**5.6**	**-18.4**	**14.0**
Tax on profit for the period	0.5	-1.7	5.3	-1.5	2.9	-3.9
Profit/Loss for the period	**-2.2**	**6.2**	**-21.5**	**4.1**	**-15.5**	**10.1**

CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(AMOUNTS IN SEK MILLION)	2018 Q3	2017 Q3	2018 Q1-Q3	2017 Q1-Q3	OCT 2017– Q3 2018	2017 FULL-YEAR
Profit/Loss for the period	-2.2	6.2	-21.5	4.1	-15.5	10.1
Other comprehensive income:	-	-	-	-	-	-
Comprehensive income for the period	**-2.2**	**6.2**	**-21.5**	**4.1**	**-15.5**	**10.1**

PARENT COMPANY BALANCE SHEET

(AMOUNTS IN SEK MILLION)	30 SEP 2018	30 SEP 2017	31 DEC 2017
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure on development work	23.1	19.0	19.9
Trademarks	0.8	0.8	0.8
Other intangible assets	0.7	-	0.2
Property, plant and equipment			
Equipment	2.9	4.0	4.2
Financial non-current assets			
Deferred tax assets	16.2	13.1	10.8
Other non-current assets	5.2	4.8	5.0
Total non-current assets	**48.9**	**41.7**	**40.9**
Current assets			
Inventories	16.8	9.1	12.3
Trade accounts receivable	54.7	59.3	69.5
Current receivables	16.1	19.9	11.6
Receivables from Group companies	12.9	8.0	8.8
Total current assets	**100.5**	**96.3**	**102.2**
Current investments	75.2	75.2	75.1
Cash and bank balances	75.9	84.9	97.2
Total current assets	**251.6**	**256.4**	**274.5**
TOTAL ASSETS	**300.5**	**298.1**	**315.4**
Equity			
Restricted equity			
Share capital	1.5	1.5	1.5
Reserve for development expenses	22.5	15.0	16.9
Total restricted equity	**24.0**	**16.5**	**18.4**
Unrestricted equity			
Share premium reserve	235.9	234.3	234.3
Retained earnings	-8.7	-10.8	-12.7
Profit/Loss for the period	-21.5	4.1	10.1
	205.7	**227.6**	**231.7**
Total equity	**229.7**	**244.1**	**250.1**
Current liabilities			
Trade accounts payable	15.5	15.2	18.7
Current tax liabilities	0.5	0.5	0.5
Liabilities to Group companies	8.4	-	-
Other current liabilities	1.6	0.2	0.3
Accrued expenses and deferred income	44.5	37.8	45.5
Other provisions	0.3	0.3	0.3
Total current liabilities	**70.8**	**54.0**	**65.3**
TOTAL EQUITY AND LIABILITIES	**300.5**	**298.1**	**315.4**

KEY FINANCIAL FIGURES

	2018 Q1	2018 Q2	2018 Q3	2017 Q1	2017 Q2	2017 Q3	2017 Q4	KV4 2017- Q3 2018	2017 FULL-YEAR
Net sales by region									
EMEA	30.3	35.6	24.0	37.4	24.0	47.8	54.7	144.7	163.9
AMERICAS	12.4	4.8	27.4	19.4	6.2	5.6	6.0	50.6	37.1
APAC	5.7	9.6	3.1	11.9	10.0	6.2	7.7	26.0	35.8
Net sales	**48.4**	**50.0**	**54.5**	**68.7**	**40.2**	**59.6**	**68.4**	**221.3**	**236.8**
Net sales by sales category									
Products	35.0	36.7	41.7	54.6	27.4	48.1	52.8	166.2	182.9
Services	13.4	13.3	12.8	14.1	12.8	11.5	15.6	55.1	53.9
Of which: Support	*11.7*	*11.6*	*11.8*	*10.1*	*11.5*	*10.9*	*12.8*	*47.9*	*45.3*
Of which: Professional Services	*1.7*	*1.7*	*1.0*	*4.0*	*1.3*	*0.6*	*2.8*	*7.2*	*8.6*
Net sales	**48.4**	**50.0**	**54.5**	**68.7**	**40.2**	**59.6**	**68.4**	**221.3**	**236.8**
Gross profit	32.3	32.3	39.0	52.4	28.4	45.1	50.5	154.1	176.3
Gross margin, %	66.7%	64.5%	71.7%	76.2%	70.5%	75.7%	73.8%	69.6%	74.4%
Operating expenses	-43.8	-47.5	-36.1	-39.4	-41.3	-39.1	-44.7	-172.0	-164.5
Operating expenses/Net sales, %	-90.4%	-94.9%	-66.3%	-57.3%	-102.6%	-65.6%	-65.4%	-77.7%	-69.5%
EBIT **)	-11.5	-15.2	3.0	13.0	-12.9	6.0	5.8	-17.9	11.8
EBIT margin, % **)	-23.7%	-30.4%	5.5%	18.9%	-32.1%	10.1%	8.4%	-8.1%	5.0%
EBITDA **)	-8.1	-11.7	6.7	15.7	-9.9	9.0	9.0	-4.1	23.7
EBITDA margin (%) **)	-16.7%	-23.4%	12.3%	22.8%	-24.6%	15.1%	13.0%	-1.9%	10.0%
Profit/Loss for the period after tax	-9.3	-11.2	3.3	10.3	-10.2	4.0	3.3	-13.9	7.5
Net margin, profit/loss for the period after tax, %	-19.1%	-22.5%	6.0%	15.0%	-25.2%	6.8%	4.8%	-6.7%	3.2%
Total assets	290.4	286.3	291.9	311.9	296.9	296.2	311.7	295.1	311.7
Equity assignable to the parent company's shareholders	234.6	224.3	228.0	244.4	236.0	240.6	244.7	232.9	244.7
Equity/assets ratio, % **)	80.8%	78.4%	78.1%	78.4%	79.5%	81.2%	78.5%	78.9%	78.5%
Return on equity (ROE) **)	-3.9%	-4.9%	1.5%	4.3%	-4.2%	1.7%	1.3%	-6.3%	3.1%
Equity per share, before dilution	7.8	7.5	7.6	8.1	7.9	8.0	8.1	7.7	8.1
Equity per share, after dilution	7.8	7.5	7.6	8.1	7.9	8.0	8.1	7.7	8.1
Earnings per share before dilution (Note 7)	-0.3	-0.4	0.1	0.3	-0.3	0.1	0.1	-0.6	0.2
Earnings per share after dilution (Note 7)	-0.3	-0.4	0.1	0.3	-0.3	0.1	0.1	-0.6	0.2
Return on operating capital (ROOC) **)	-5.2%	-7.7%	1.9%	4.7%	-6.2%	3.2%	3.2%	-1.9%	4.8%
Return on capital employed (ROCE) **)	-4.3%	-6.2%	1.5%	5.5%	-5.3%	2.7%	2.7%	-7.3%	5.6%
Cash flow from operating activities	6.7	-28.6	13.0	4.7	-9.1	-14.1	16.0	7.2	-2.7
Cash flow for the period	2.1	-30.7	7.0	0.1	-89.0	-19.5	11.3	-10.3	-97.0
No. of employees at the end of the period*	115	112	101	100	104	106	112	110	112
Of whom, women	14	14	13	12	12	9	10	13	10

***) Employees:** Included in the number of employees at 30 September 16 (17) employees hired through Business Sweden and 5 (10) consultants with employment-like agreements.
**) Financial measures not defined according to IFRS. Definitions of these measurements are presented on pages 19-21.

ALTERNATIVE PERFORMANCE MEASURES

Definitions

EMEA Europe, Middle Europe 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.
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 average 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 The company's costs that are not directly related to the company's goods or services.
Operating expenses/Net sales % Operating expenses in relation to net sales whereby operating expenses correspond to the company'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.
Operating capital All the company's current assets minus current liabilities.
Return on operating capital (ROOC) EBIT in relation to average operating capital.
Capital employed The company's total assets.
Return on capital employed (ROCE) EBIT plus financial income in relation to average capital employed.

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, they should not be regarded as a substitute for the measures defined according to IFRS. The tables below present a reconciliation of certain financial measures not defined according to IFRS.

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.

EBIT margin, %

The company has chosen to report the key performance measure EBIT margin, since it shows the company's profit in relation to net sales unaffected by financing costs.

(AMOUNTS IN SEK MILLION)	2018 Q1	2018 Q2	2018 Q3	2017 Q1	2017 Q2	2017 Q3	2017 Q4	KV4 2017-Q3 2018	2017 FULL-YEAR
Net sales	48.4	50.0	54.5	68.7	40.2	59.5	68.4	221.3	236.8
EBIT	-11.5	-15.2	3.0	13.0	-12.9	6.0	5.8	-17.9	11.8
EBIT margin, %	**-23.7%**	**-30.4%**	**5.5%**	**18.9%**	**-32.1%**	**10.1%**	**8.4%**	**-8.1%**	**5.0%**

Net margin, %

The company has chosen to report the key performance measure Net margin, since it shows how much net profit the company generates in relation to net sales.

(AMOUNTS IN SEK MILLION)	2018 Q1	2018 Q2	2018 Q3	2017 Q1	2017 Q2	2017 Q3	2017 Q4	KV4 2017-Q3 2018	2017 FULL-YEAR
Net sales	48.4	50.0	54.5	68.7	40.2	59.5	68.4	221.3	236.8
Profit/Loss for the period after tax	-9.3	-11.2	3.3	10.3	-10.2	4.0	3.3	-13.9	7.5
Net sales, %	**-19.1%**	**-22.5%**	**6.0%**	**15.0%**	**-25.2%**	**6.8%**	**4.8%**	**-6.3%**	**3.2%**

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.

(AMOUNTS IN SEK MILLION)	2018 Q1	2018 Q2	2018 Q3	2017 Q1	2017 Q2	2017 Q3	2017 Q4	KV4 2017-Q3 2018	2017 FULL-YEAR
EBIT	-11.5	-15.2	3.0	13.0	-12.9	6.0	5.8	-17.9	11.8
Amortisation of capitalised development expenses	-2.7	-2.8	-3.0	-1.9	-2.1	-2.3	-2.3	-10.8	-8.5
Other depreciation/amortisation	-0.7	-0.7	-0.7	-0.8	-0.9	-0.7	-0.9	-3.0	-3.4
EBITDA	**-8.1**	**-11.7**	**6.7**	**15.7**	**-9.9**	**9.0**	**9.0**	**-4.1**	**23.7**
EBITDA margin (%)	**-16.7%**	**-23.4%**	**12.3%**	**22.8%**	**-24.6%**	**15.1%**	**13.0%**	**-1.9%**	**10.0%**

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 Q1	2018 Q2	2018 Q3	2017 Q1	2017 Q2	2017 Q3	2017 Q4	KV4 2017- Q3 2018	2017 FULL-YEAR
Total assets	**290.4**	286.3	291.9	311.9	296.9	296.2	311.7	295.1	311.7
Equity	**234.6**	224.3	228.0	244.4	236.0	240.6	244.7	232.7	244.7
Equity/assets ratio (%)	**80.8%**	**78.4%**	**78.1%**	**78.4%**	**79.5%**	**81.2%**	**78.5%**	**78.9%**	**78.5%**

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.

(AMOUNTS IN SEK MILLION)	2018 Q1	2018 Q2	2018 Q3	2017 Q1	2017 Q2	2017 Q3	2017 Q4	KV4 2017- Q3 2018	2017 FULL-YEAR
Equity	234.6	224.3	228.0	244.4	236.0	240.6	244.7	232.9	244.7
Average adjusted equity	239.7	229.4	226.2	239.3	240.2	238.3	242.6	234.4	239.4
Profit/Loss for the period	-9.2	-11.2	3.3	10.3	-10.2	4.0	3.3	-13.9	7.5
Return on equity (ROE) (%)	**-3.9%**	**-4.9%**	**1.5%**	**4.3%**	**-4.2%**	**1.7%**	**1.3%**	**-6.3%**	**3.1%**

Return on operating capital (ROOC), %

The company has chosen to report the key performance measure Return on working capital (ROOC), since it shows how much operating capital is tied up in operation and how efficiently the tied-up operating capital is being used.

(AMOUNTS IN SEK MILLION)	2018 Q1	2018 Q2	2018 Q3	2017 Q1	2017 Q2	2017 Q3	2017 Q4	KV4 2017- Q3 2018	2017 FULL-YEAR
Current receivables	146.5	169.8	166.4	83.4	150.1	169.0	173.1	169.9	173.1
Cash and cash equivalents	99.9	69.3	76.6	194.5	105.6	85.5	97.7	85.9	97.7
Current liabilities	-55.5	-61.6	-63.9	-67.0	-60.6	-55.3	-66.7	-62.1	-66.7
Operating capital	**191.1**	**177.5**	**179.1**	**210.9**	**195.0**	**199.2**	**204.1**	**187.7**	**204.1**
Average operating capital	**197.5**	**184.2**	**178.4**	**280.8**	**203.0**	**197.1**	**201.6**	**190.3**	**277.4**
EBIT	-11.5	-15.2	3.0	13.0	-12.9	6.0	5.8	-17.9	11.8
Return on operating capital (ROOC), %	**-5.2%**	**-7.7%**	**1.9%**	**4.7%**	**-6.2%**	**3.2%**	**3.2%**	**-1.9%**	**4.8%**

Return on capital employed (ROCE), %

The company has chosen to report the key performance measure Return on capital employed (ROCE), since it shows the return on the total capital tied up in the operations.

(AMOUNTS IN SEK MILLION)	2018 Q1	2018 Q2	2018 Q3	2017 Q1	2017 Q2	2017 Q3	2017 Q4	KV4 2017- Q3 2018	2017 FULL-YEAR
EBIT	-11.5	-15.2	3.0	13.0	-12.9	6.0	5.8	-17.9	11.8
Financial income	1.2	1.1	0.5	0.1	0.2	0.4	0.7	0.9	1.5
EBIT plus financial income	**-10.3**	**-14.1**	**3.5**	**13.1**	**-12.7**	**6.4**	**6.5**	**-3.6**	**13.3**
Total assets	290.4	286.3	291.9	311.9	269.9	269.2	311.7	295.1	311.7
Average total assets	**239.7**	**229.5**	**289.1**	**239.3**	**240.2**	**239.3**	**242.6**	**295.1**	**239.4**
Return on capital employed (ROCE), %	**-4.3%**	**-6.2%**	**1.5%**	**5.5%**	**-5.3%**	**2.7%**	**2.7%**	**-7.3%**	**5.6%**

Operating expenses, and operating expenses in relation to net sales, %

The company has chosen to report the key performance measure Operating expenses, since it shows the expenses that are not directly related to the company's goods or services. The company has chosen to report Operating expenses in relation to net sales in order to show how large a share of the costs are not directly related to goods or services.

(AMOUNTS IN SEK MILLION)	2018 Q1	2018 Q2	2018 Q3	2017 Q1	2017 Q2	2017 Q3	2017 Q4	KV4 2017-Q3 2018	2017 FULL-YEAR
Selling expenses	-18.9	-16.5	-16.8	-15.9	-15.0	-15.9	-17.7	-69.9	-64.5
Administrative expenses	-11.4	-11.5	-9.5	-9.3	-10.7	-10.9	-13.4	-45.9	-44.2
Research and development expenses	-15.5	-16.0	-9.3	-14.5	-14.9	-11.6	-15.1	-55.8	-56.1
Other operating income/expenses	2.0	-3.5	-0.4	0.3	-0.7	-0.7	1.5	-0.4	0.3
Operating expenses	**-43.8**	**-47.5**	**-36.1**	**-39.4**	**-41.3**	**-39.1**	**-44.7**	**-172.0**	**-164.5**
Net sales	48.4	50.0	54.5	68.7	40.2	59.5	68.4	221.3	236.8
Operating expenses/Net sales, %	**-90.4%**	**-94.9%**	**-66.3%**	**-57.3%**	**-102.6%**	**-65.6%**	**-65.4%**	**-77.8%**	**-69.5%**

Breakdown of net sales in accordance with IFRS 15

The table below shows net sales broken down by region, sales category and point in time for revenue recognition in accordance with IFRS 15.

SEK MILLION	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	Full year 2017
Net sales by sales category					
Products	41.6	48.05	113.4	130.12	182.92
Services	12.8	11.50	39.6	38.37	53.93
Of which support	11.8	10.86	35.1	32.50	45.29
Of which professional services	1.0	0.64	4.5	5.87	8.64
Sum net sales	**54.5**	**59.55**	**152.9**	**168.50**	**236.85**
Net sales by region					
EMEA	24.0	47.79	90.0	109.20	163.89
AMERICAS	27.4	5.53	44.6	31.17	37.15
APAC	3.1	6.22	18.3	28.13	35.81
Sum net sales	**54.5**	**59.55**	**152.9**	**168.50**	**236.85**
Net sales by time					
At a point in time	42.7	48.69	117.8	135.99	191.56
Over time	11.8	10.86	35.1	32.50	45.29
Sum net sales	**54.5**	**59.55**	**152.9**	**168.50**	**236.85**

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 uncertainties faced by the parent company and the companies in the Group.

Stockholm, 8 November 2018

Michael Ruffolo Chairman of the Board	Karl Thedéen CEO
Sigrun Hjelmquist Board member	Kent Sander Board member
Arnd Benninghoff Board member	Jonas Hasselberg Board member
Tuija Soanjärvi Board member	

Review Report

Introduction

We have reviewed the interim report for Edgeware AB (publ) for the period January 1 - September 30, 2018. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, November 8, 2018

Deloitte AB

Andreas Frountzos
Authorized Public Accountant

FINANCIAL CALENDAR

- Year-end Report, January-December 2018, 1 February 2019.
- Annual Report 2018, 11 March 2019.
- AGM 2019, 11 April 2019.

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 its head office in Stockholm, Sweden, and has employees and more than 200 customers 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 inside information that Edgeware AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 7:30 a.m. on 9 November 2018.

At 10:00 a.m. on 9 November 2018, the company will hold a web-broadcast teleconference, during which CEO Karl Thedéen will present the report together with CFO Steeve Fuhr.

Anyone wishing to participate in the teleconference in conjunction with the presentation should call one of the numbers below:

SE: +46856642662

UK: +442030089802

US: +18557532235

It is also possible to follow and listen to the presentation on the following web link:https://tv.streamfabriken.com/edgeware-q3-2018

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

Edgeware AB
Corporate ID number 556691-7554