

Let's make TV amazing again.

**edgeware**

**2018**

## YEAR-END REPORT JANUARY-DECEMBER 2018

OCTOBER-DECEMBER 2018

**SEK 79.0  
MILLION**  
NET SALES

**15.5%**  
INCREASED  
NET SALES

**SEK 14.6  
MILLION**  
EBIT  
18.4% EBIT MARGIN

JANUARY-DECEMBER 2018

**SEK 231.9  
MILLION**  
NET SALES

**-2.1%**  
REDUCED NET SALES

**SEK -9.1  
MILLION**  
EBIT  
-3.9% EBIT MARGIN

# 2018

## YEAR-END REPORT JANUARY-DECEMBER

"I am very pleased that we can report both growth and a healthy EBIT margin for the fourth quarter of the year"

Karl Thedéen,  
CEO, Edgeware

### FOURTH QUARTER OF 2018:

- Net sales totalled SEK 79.0 million (68.4), up 15.5 percent.
- Gross profit amounted to SEK 56.6 million (50.5), corresponding to a gross margin of 71.7 percent (73.8).
- Operating income (EBIT) amounted to SEK 14.6 million (5.8), corresponding to an operating margin of 18.4 percent (8.4).
- Profit for the period amounted to SEK 10.6 million (3.3).
- Cash flow from operating activities of SEK 20.7 million (16.0).
- Cash flow for the period of SEK 16.6 million (11.3).
- Earnings per share for the period before and after dilution SEK 0.4 per share (0.1).

### JANUARY-DECEMBER 2018

- Net sales totalled SEK 231.9 million (236.8), down 2.1 percent.
- Gross profit amounted to SEK 160.2 million (176.3), corresponding to a gross margin of 69.1 percent (74.4).
- Operating income (EBIT) amounted to negative SEK 9.1 million (pos: 11.8), corresponding to an operating margin of negative 3.9 percent (pos: 5.0).
- Loss for the period amounted to SEK 6.6 million (profit: 7.5).
- Cash flow from operating activities of SEK 11.6 million (neg: 2.7).
- Cash flow for the period of negative SEK 4.9 million (neg: 97.0) (neg SEK 75 million in 2017 pertained to investments in short-term interest fund).
- Earnings per share for the period before and after dilution negative SEK 0.2 per share (pos: 0.2).

### SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

- Strategic software transaction with Com Hem secured.
- Edgeware won a significant Ad Insertion order.
- Edgeware demonstrated cloud-native software with Amazon Web Services

### SIGNIFICANT EVENTS AFTER THE FOURTH QUARTER

- Edgeware acquired leading subtitling supplier Cavena Image Products AB.

(SEK million unless otherwise indicated)	2018 Q4	2017 Q4	2018 Full-year	2017 Full-year
Net sales	79.0	68.4	231.9	236.8
Gross profit	56.6	50.5	160.2	176.3
Gross margin (%)	71.7%	73.8%	69.1%	74.4%
EBIT	14.6	5.8	-9.1	11.8
EBIT margin (%)	18.4%	8.4%	-3.9%	5.0%
Profit/loss for the period	10.6	3.3	-6.6	7.5
Cash flow from operating activities				
Cash flow for the period	20.7	16.0	11.6	-2.7
No. of employees at the end of the period*	16.6	11.3	-4.9	-97.0
	99	112	99	112
Earnings per share before dilution	0.4	0.1	-0.2	0.2
Earnings per share after dilution	0.4	0.1	-0.2	0.2

\*Included in the number of employees at 31 December 2018 are 14 (17) employees hired through Business Sweden and 7 (10) consultants with employment-like agreements.

## COMMENTS BY THE CEO

I am very pleased that we can report net sales growth for the final quarter of the year. Revenue increased 16 percent to SEK 79 million compared with the year-earlier quarter, which is the company's second highest quarterly sales in its history. The gross margin almost reached 72 percent and, combined with the efficiency measures we have implemented, this has resulted in EBIT at a strong SEK 15 million. Cash flow was SEK 17 million and all in all it was a strong quarter and a very good end to a challenging year.

The sales increase in the quarter was mainly underpinned by the positive trend in EMEA, where many of our major customers contributed. Much of our revenue is related to CDNs, but this does not only involve expanded capacity but also investments to introduce new features. Our customers are also strengthening their service offering by supplementing IPTV services with an OTT offering and new functionality. An example is the order that we announced in December where one of our most important European customers upgraded its existing software and hardware platform with ad insertion (dynamic personalised advertising).

However, despite a strong second half of the year we were unable to fully compensate for the weak start to 2018. Net sales for the full-year ended at SEK 232 million and EBIT was a negative SEK 9 million. The total gross margin for 2018 was 69 percent, which is in the middle of our normal interval of 65–75 percent.

All in all, net sales from our major customers in 2018 were roughly at the same levels as in the preceding year. EMEA was stable and AMERICAS, specifically Latin America, reported healthy growth. We have a high concentration of customers in APAC, meaning that we are impacted by the investment requirements of individual customers, and even though we continue to regard the region as an emerging market that we are continuing to invest in, net sales declined during the year.

We continued to win new CDN expansion and replacement orders in 2018. The major order from Televisa that we announced in November is one such example and shows that CDN continues to have great potential. We also see a clear trend towards increased use of OTT and a rising interest in using online technology-based platforms (http) to distribute video services. Accordingly, it is gratifying that most of our major customers have started to make the necessary investments in our products to be able to take this step. This development also creates an opportunity for us to address new

customers, such as broadcasters and content owners. To strengthen our offering to these customers, we further developed the Origin offering

during the year and specifically our new “Ad Enabler” product has helped us initiate a dialogue with many new potential customers. The order from Com Hem is an example of the result of these efforts.

Another strategic investment area is Software as a Service (SaaS) for which we showed during the year that our Origin software can be operated via both Google and Amazon's cloud services. Working in close cooperation with some of our customers, we have commenced the development of a cloud service for Origin that we will launch in the first half of 2019.

At the start of 2019, we also announced the acquisition of Cavena, the market leader in subtitling, in line with the acquisition strategy that we unveiled in connection with our IPO. Cavena has successfully supplied solutions to broadcasters and content owners for more than 20 years and we already use its systems in some of our largest installations. The acquisition broadens and strengthens our offering to this important – and for Edgeware relatively new – customer group.

We created a more efficient organisation during the year and lowered our ongoing cost level by more than 10 percent while retaining delivery and development capacity. Some additional changes were implemented at year-end, for example, we created a joint and stronger sales and field organisation. Overall, we advanced our positions in 2018 on the basis of new products, new types of business and efficiency enhancements.

Focus in 2019 will be mainly directed to cultivating new customers in existing and new markets and to innovation and product development in OTT for broadcasters and content providers. Much work remains to be done in a dynamic market but based on the strong end to 2018, I am very confident in the future and look forward to 2019.

**Karl Thedéen**  
CEO, Edgeware



## MARKET TRENDS FOURTH QUARTER 2018

The Cisco Visual Networking Index was updated this quarter, a report that is widely used within the industry as a reliable source of data. It predicted that Internet traffic is growing at such a level that in 2022 more IP traffic is predicted to cross global networks than in all prior 'internet years' combined up to the end of 2016. In other words, more traffic will be created in 2022 than in the first 32 years of the internet. Video continues to drive this growth, and consumer video will represent 82% of all consumer Internet traffic by 2022, up from 75% in 2017.

Edgeware's customers continue to implement new features on their services. For example, this quarter Televisa, Mexico's largest cable TV operator, will add more capacity and new time-shift features. The new time-shift capabilities will be deployed for more than five hundred thousand subscribers across 100

channels, enabling its viewers to pause and rewind up to three hours of TV. Also Com Hem, Sweden's largest cable TV operator, selected Edgeware's Ad Enabler software to prepare its TV content for internet delivery with support for personalized advertising experiences.

Edgeware's marketing activities in the quarter included presence at Content Delivery World – a major conference and exhibition in London. Edgeware's CMO spoke about how online TV has evolved to the point where the viewing experience not only competes with, but now goes beyond traditional broadcast TV – offering higher quality images, more convenience for the viewers and higher advertising returns for operators.

## FOURTH QUARTER: 1 OCTOBER 2018 – 31 DECEMBER 2018 AND 1 JANUARY 2018 – 31 DECEMBER 2018

### Net sales

#### Fourth quarter

The Group's net sales for the fourth quarter totalled SEK 79.0 million (68.4), corresponding to a year-on-year increase of 15.5 percent. The increase in comparable currencies was 9.6 percent. Net sales increased to SEK 71.5 million (54.7) in EMEA (Europe, the Middle East and Africa), decreased to SEK 3.8 million (6.0) in AMERICAS (North and South America) and decreased to SEK 3.7 million (7.7) in APAC (Asia and the Pacific region).

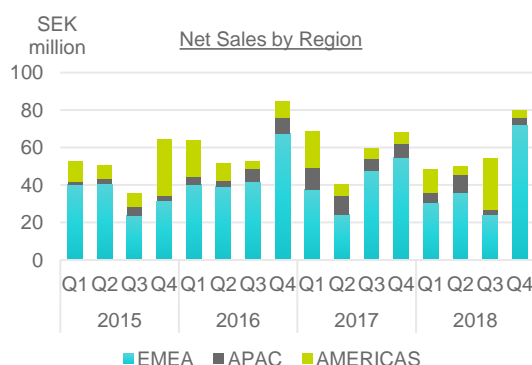
It was the strongest quarter for the EMEA region in the company's history, with revenue from most of the company's major customers. For example, one of the region's largest IPTV customers invested in the upgrade of hardware and software driven by the installation of the company's Ad Insertion solution. Edgware received a strategically important order from Com Hem, Sweden's largest cable TV operator, during the quarter for its Ad Enabler origin software.

APAC reported a general decline in investment levels from major customers in relation to the year-earlier period.

The quarter for AMERICAS was also weaker year-on-year with no revenue from the largest customer in the region. However, the preceding quarter (third quarter 2018) was the strongest quarter for the AMERICAS region in the company's history.

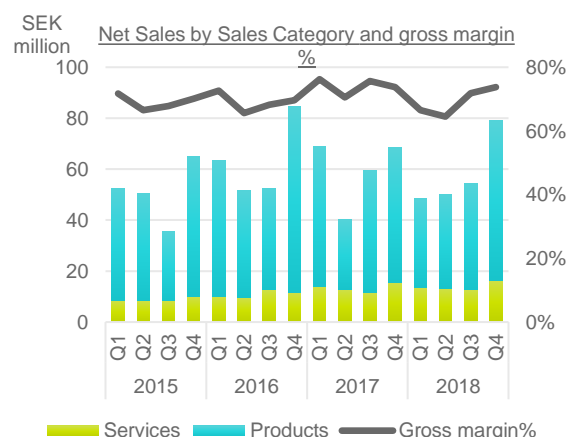
The EMEA region dominated the quarter, accounting for 90.6 percent (79.9) of the Group's total sales in the fourth quarter, AMERICAS for 4.8 percent (8.8) and APAC for 4.7 percent (11.2).

Edgware 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.



Of the Group's total net sales in the fourth quarter, the Products business stream (hardware, software

and licences) accounted for 79.2 percent (77.2), while the remaining 20.8 percent (22.8) was attributable to Services (maintenance, support and other services). Recurring support revenue from existing customers amounted to SEK 13.3 million (12.8), corresponding to 81.2 percent (82.2) of net sales from services.



#### Full-year 2018

Net sales for full-year 2018 totalled SEK 231.9 million (236.8), corresponding to a year-on-year decline of 2.1 percent. The decrease in comparable currencies was 6.2 percent.

Net sales in EMEA amounted to SEK 161.5 million (163.9), down 1.5 percent year-on-year. In APAC, sales declined to SEK 22.0 million (35.8) and in AMERICAS, sales increased to SEK 48.4 (37.1) compared with full-year 2017.

In APAC, interest from several potential customers remains sustained but the orders placed by the region's largest existing customers were not as large as orders in 2017, which was the company's strongest year for the APAC region.

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

Net sales from products amounted to SEK 175.9 million (182.8) and from services to SEK 55.9 million (54.0). Underlying service sales attributable to support contracts amounted to SEK 48.4 million (45.3), corresponding to an increase of 6.8 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 19.

### Results

#### Fourth quarter

Gross profit for the fourth quarter amounted to SEK 56.6 million (50.5), corresponding to a year-on-year increase of SEK 6.1 million. The quarter's total

product sales and service business were higher than last year.

The gross margin was 71.7 percent (73.8). The gross margin is partly affected by the mix between hardware, software and licenses, as well as the proportion of fixed costs, such as depreciation of capitalized development costs and personnel costs for service employees. The proportion of software and capacity licenses in relation to total product sales was lower during the quarter than the corresponding quarter last year. At the same time, the margin on the company's service business was better than the previous year, which refers to both higher service revenues and fewer employees in the service function. Depreciation of capitalized development fees increased from SEK 2.3 million to SEK 2.9 million in 2018, which instead reduced the gross margin. Overall, this results in a somewhat lower total gross margin than in the same quarter last year.

Operating expenses amounted to SEK 42.1 million (44.7), down SEK 2.6 million year-on-year. The underlying costs declined in all functions compared with the preceding year.

The year-on-year cost reduction was mainly due to fewer employees in the Group and lower costs for social security contributions in connection with the company receiving a retroactive reduction of SEK 3.0 million in social security contributions for research and development related to 2015-2018. However, operating expenses were adversely impacted by FX effects at a cost of SEK 1.2 million primarily attributable to MXN. In the year-earlier period, FX effects resulted in an exchange rate profit of SEK 1.5 million. Accordingly, the difference in FX effects between the years is SEK 2.7 million. The activity level in R&D during the quarter was lower than previously in 2018, partly driven by fewer working hours over the Christmas and New Year holidays.

Development expenses of SEK 2.5 million (3.3) were capitalised in the fourth quarter, accounting for 16.9 percent (17.8) of the company's total R&D expenses. At the same time, amortisation of previously capitalised development expenses rose to SEK 2.9 million (2.3). This amortisation is a component of the company's cost of goods sold and thus impacts Edgware's gross profit.

On the whole, the net of the period's capitalised expenses after amortisation for the period had a negative impact of SEK 0.4 million (1.0) on EBIT.

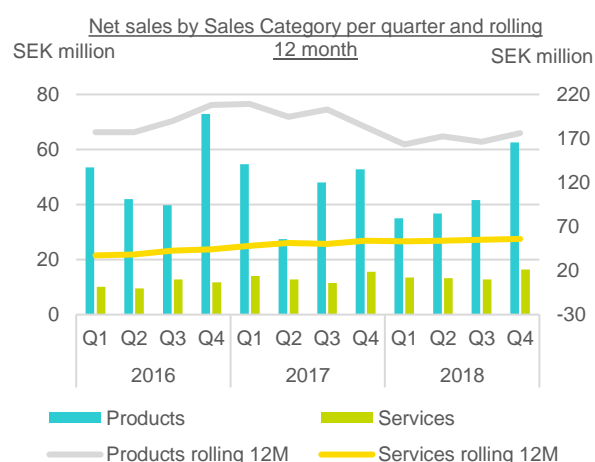
R&D, MSEK	Q4 2018	Q4 2017	Q1-Q4 2018	Q1-Q4 2017
Total R&D expenses	-15,1	-18,3	-67,3	-69,8
Capitalised development expenses	2,5	3,3	13,9	13,7
Amortisation of capitalised development expenses	-2,9	-2,3	-11,1	-8,5
R&D expenses according to income statement	-12,5	-15,1	-53,4	-56,1

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 18.1 million (9.0).

Operating profit (EBIT) for the quarter was SEK 14.6 million (5.8), up SEK 8.8 million year-on-year.

EBIT corresponds to an operating margin of 18.4 percent (8.4). Net financial items for the period amounted to an expense of SEK 0.4 million (0.0) and mainly comprised FX effects on cash and cash equivalents and a revaluation of inter-company transactions.

Profit for the period totalled SEK 10.6 million (3.3), corresponding to a year-on-year increase of SEK 7.3 million.



## Full-year 2018

Gross profit for full-year 2018 amounted to SEK 160.2 million (176.3), corresponding to a year-on-year decrease of SEK 16.1 million. The gross margin was 69.1 percent (74.4).

The lower gross margin for the full-year was partly attributable to a provision for an anticipated bad debt loss of total SEK 3.4 million 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. The lower service margin was due to the service organisation at the start of 2018 being larger than at the start of 2017. The service organisation was reduced in the second half of 2018 and thus the service margin has increased.

Operating expenses amounted to SEK 169.4 million (164.5), up SEK 4.9 million compared with full-year 2017. 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.

In full-year 2018, development expenses of SEK 13.9 million (13.7) were capitalised, accounting for 20.7 percent (19.3) of the company's total R&D expenses. At the same time, amortisation of previously capitalised development expenses rose to

SEK 11.1 million (8.5). This amortisation is a component of the company's cost of goods sold and thus impacts Edgware's gross profit for the full year. On the whole, the net of the period's capitalised expenses after amortisation for the period had a positive impact of SEK 2.8 million (5.2) on EBIT.

EBIT for 2018 amounted to negative SEK 9.1 million (pos: 11.8), corresponding to a year-on-year decrease of SEK 20.9 million. Adjusted for restructuring expenses in the first and second quarters, EBIT was negative SEK 4.4 million (pos: 11.8).

Net financial items amounted to income of SEK 0.8 million (expense: 0.4) and mainly comprised FX effects on cash and cash equivalents and a revaluation of inter-company transactions.

Loss for full-year 2018 totalled SEK 6.6 million (profit: 7.5), corresponding to a year-on-year decrease of SEK 14.1 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 of SEK 9.5 million were also capitalised during the period.

## Financial position

The comparison figures under financial position pertain to December 2017. The equity/assets ratio was 74.4 percent (78.5) on 31 December 2018 and equity amounted to SEK 238.1 million (244.7).

Total assets on 31 December 2018 amounted to SEK 319.9 million (311.7). At the end of the period, inventories totalled SEK 12.2 million (12.9) and capitalised development expenses amounted to SEK 22.7 million (19.9).

The Group's cash and cash equivalents amounted to SEK 93.1 million (97.7) at the end of the period. Current investments are short-term interest fund investments and amounted to SEK 74.9 million (75.1). The asset is measured according to level 1 of the fair value hierarchy.

## Liquidity and cash flows

Cash flow from operating activities in the fourth quarter amounted to SEK 20.7 million (16.0). The positive cash flow was generated by both the positive EBIT and also the positive change in operating capital. All parts of operating capital performed positively during the quarter, except for trade accounts receivable that despite large customer payments increased more due to a higher share of invoicing at the end of the quarter.

Cash flow from investing activities amounted to negative SEK 3.2 million (neg: 4.7) during the fourth 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 full-year amounted to negative SEK 4.9 million (neg: 97.0). The negative cash flow was mainly attributable to operating losses due to higher operating expenses at the start of 2018 and the net between capitalisation of development work and amortisation of development work as well as investments in tangible and intangible non-current assets. In 2017, the company invested SEK 75.0 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 fourth quarter totalled SEK 78.7 million (67.5) and profit for the period amounted to SEK 11.0 million (6.0). 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 for full-year 2018 totalled SEK 230.0 million (234.0) and loss for the period was SEK 10.5 million (profit: 10.1).

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 99 (112). Compared with the end of the preceding year, the number of employees decreased by 13. Included in the number of employees at 31 December are 14 (17) employees hired through Business Sweden and 7 (10) consultants with employment-like agreements. Added to this are two outsourced development teams in Vietnam and other consultants, a total of about 14 persons.

Some changes were made to Executive Management during the quarter, and from 1 January 2019 Executive Management comprises: Karl Thedéen CEO, Richard Berg General Counsel, Luis Beute VP Sales & Field Operations, Johan Bolin Chief Product & Technology Officer, Richard Brandon Chief Marketing Officer (CMO), Anders Westin VP R&D and Annika Norin CFO (new).

## Risks and uncertainties

Edgware'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.

## Edgware's share

During the fourth quarter, the share price varied between SEK 11.2 and SEK 13.8. The closing price on the last day of trading in December 2018 was SEK 13.2. Edgware's market capitalisation on 31 December 2018 was SEK 398 million. The number of Edgware shareholders on 31 December 2018 was 3,214. Foreign shareholders accounted for some 28 percent of the voting rights. As per 31 December 2018, Edgware's share capital amounted to SEK 1,502,150.40, represented by 30,048,008 shares, of which Class C shares accounted for 100 percent. Refer also to Note 4.

## Significant events during and after the fourth quarter 2018

- Strategic software transaction with Com Hem secured.
- Edgware won a significant Ad Insertion order.
- Edgware demonstrated cloud-native tv software with Amazon Web Services
- Annika Norin took office as CFO on 1 January 2019.
- Edgware announced, January 2019, of acquisition of Cavena Image Products AB for SEK 8.0 million on cash free and debt free basis. Cavena Image Products AB is leading subtitling supplier.

## Seasonal variations and outlook

Edgware's sales are impacted by the underlying market to transform traditional television distribution into interactive television delivered over the Internet to a large number of different clients, such as mobiles, iPads and Smart TVs. 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 slowing down. However, the distribution of revenue over quarters and the year is mainly driven by the larger customers' purchasing patterns that can vary considerably between the periods.

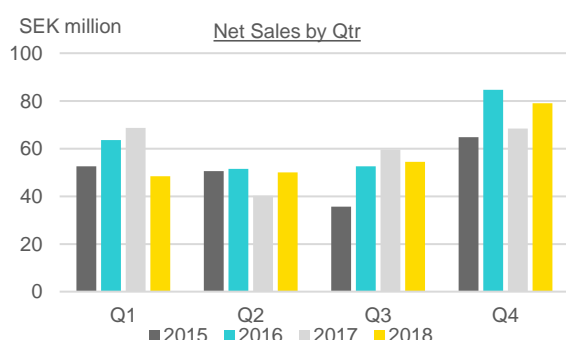
Edgware experiences some seasonal variations of revenue over the quarters. Like many other companies in our industry, revenue tends to be strongest in the fourth quarter. In addition, operating expenses are seasonally lower during the third quarter in connection with holiday withdrawal effects. The policy of not issuing a forecast stands firm.

## Financial objectives

Edgware has the following long-term financial objectives:

- Edgware's target is to achieve long-term organic annual sales growth of more than 10 percent.
- Edgware's target is to achieve a long-term EBIT margin of more than 15 percent.
- Edgware'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 Edgware'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.edgware.tv/>



## CONSOLIDATED INCOME STATEMENT

(AMOUNTS IN SEK MILLION)	2018 Q4	2017 Q4	2018 FULL-YEAR	2017 FULL-YEAR
Net sales	79.0	68.4	231.9	236.8
Cost of goods sold	-22.4	-17.9	-71.7	-60.5
<b>Gross profit</b>	<b>56.6</b>	<b>50.5</b>	<b>160.2</b>	<b>176.3</b>
Selling expenses	-16.6	-17.7	-68.8	-64.5
Administrative expenses	-11.7	-13.4	-44.1	-44.2
Research and development expenses	-12.5	-15.1	-53.4	-56.1
Other operating income/expenses	-1.2	1.5	-3.1	0.3
<b>EBIT</b>	<b>14.6</b>	<b>5.8</b>	<b>-9.1</b>	<b>11.8</b>
<b>Financial items</b>				
Financial income	0.3	0.7	3.2	1.5
Financial expenses	-0.7	-0.7	-2.4	-1.9
<b>Pre-tax profit</b>	<b>14.2</b>	<b>5.8</b>	<b>-8.3</b>	<b>11.4</b>
Tax	-3.6	-2.5	1.7	-3.9
<b>Profit/Loss for the period</b>	<b>10.6</b>	<b>3.3</b>	<b>-6.6</b>	<b>7.5</b>
<b>Attributable to:</b>				
Owners of the parent	10.6	3.3	-6.6	7.5
Earnings per share before dilution, SEK Note 7	0.4	0.1	-0.2	0.2
Earnings per share after dilution, SEK Note 7	0.4	0.1	-0.2	0.2

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>10.6</b>	<b>3.3</b>	<b>-6.6</b>	<b>7.5</b>
<b>Other comprehensive income</b>				
Items that can be reversed to profit or loss:				
Exchange-rate differences when translating foreign operations	-0.5	0.8	-1.1	0.2
<b>Other comprehensive income, net after tax</b>	<b>-0.5</b>	<b>0.8</b>	<b>-1.1</b>	<b>0.2</b>
<b>Comprehensive income for the period</b>	<b>10.1</b>	<b>4.1</b>	<b>-7.7</b>	<b>7.7</b>
<b>Attributable to:</b>				
Owners of the parent	10.1	4.1	-7.7	7.7

## CONSOLIDATED BALANCE SHEET

	31 Dec 2018	31 Dec 2017
(AMOUNTS IN SEK MILLION)		
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Capitalised expenditure on development work	22.7	19.9
Trademarks	0.8	0.8
Other intangible assets	0.8	0.2
<b>Property, plant and equipment</b>		
Equipment	2.9	4.2
<b>Financial non-current assets</b>		
Other long-term receivables	1.9	5.0
<b>Deferred tax assets</b>	<b>12.6</b>	<b>10.8</b>
<b>Total non-current assets</b>	<b>41.7</b>	<b>40.9</b>
<b>Current assets</b>		
Inventories	12.2	12.9
Trade accounts receivable	83.3	72.8
Other receivables	0.2	1.8
Prepaid expenses and accrued income	14.5	10.5
Current investments	74.9	75.1
Cash and cash equivalents	93.1	97.7
<b>Total current assets</b>	<b>278.2</b>	<b>270.8</b>
<b>TOTAL ASSETS</b>	<b>319.9</b>	<b>311.7</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1.5	1.5
Other paid-in capital	235.9	234.3
Translation reserve	-3.4	-2.5
Retained earnings including profit for the period	4.1	11.4
<b>Equity attributable to owners of the parent</b>	<b>238.1</b>	<b>244.7</b>
<b>Total equity</b>	<b>238.1</b>	<b>244.7</b>
<b>Current liabilities</b>		
Trade accounts payable	19.4	18.9
Current tax liabilities	0.6	0.5
Other liabilities	4.3	0.3
Accrued expenses and deferred income	57.1	47.0
Other provisions	0.4	0.3
<b>Total current liabilities</b>	<b>81.8</b>	<b>67.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>319.9</b>	<b>311.7</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(AMOUNTS IN SEK MILLION)	31 Dec 2018	31 Dec 2017
<b>Opening balance, equity 1 Jan 2019 (1 Jan 2018)</b>	<b>244.7</b>	<b>234.1</b>
Profit/loss for the period	-6.6	7.5
Other comprehensive income	-1.1	0.2
Effect of amended impairment model upon transition to IFRS 9 at 1 Jan 2018.	-0.5	-
<b>Total comprehensive income</b>	<b>-8.2</b>	<b>7.7</b>
<b>Transactions with owners:</b>		
Paid-in premiums warrants	1.6	-
Tax on issuance costs	-	2.9
<b>Total transactions with owners</b>	<b>1.6</b>	<b>2.9</b>
<b>Closing balance, equity</b>	<b>238.1</b>	<b>244.7</b>

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.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2018	2017	2018	2017
(AMOUNTS IN SEK MILLION)	Q4	Q4	FULL-YEAR	FULL-YEAR
<b>Operating activities</b>				
EBIT	14.6	5.8	-9.1	11.8
Adjustments for non-cash items:				
Depreciation of intangible non-current assets	2.9	2.3	11.1	8.5
Depreciation of property, plant and equipment	0.6	0.8	2.7	3.4
Other non-cash items	0.3	-0.2	1.3	-0.9
<b>Cash flow from operating activities before changes in operating capital</b>	<b>18.4</b>	<b>8.7</b>	<b>6.0</b>	<b>22.8</b>
<b>Cash flow from changes in operating capital</b>				
Decrease/Increase in inventories	5.3	-3.8	0.7	-6.7
Decrease/Increase in trade accounts receivable	-25.8	-8.5	-11.0	-6.3
Decrease/Increase in other current receivables	5.7	8.1	1.7	-4.0
Decrease/Increase in trade accounts payable	3.8	3.6	0.5	2.0
Decrease/Increase in other current liabilities	13.3	7.9	13.7	-10.5
<b>Cash flow from operating capital</b>	<b>2.3</b>	<b>7.3</b>	<b>5.6</b>	<b>-25.5</b>
<b>Cash flow from operating activities</b>	<b>20.7</b>	<b>16.0</b>	<b>11.6</b>	<b>-2.7</b>
<b>Investing activities</b>				
Acquisition of intangible non-current assets	-2.6	-3.5	-14.5	-14.7
Acquisition of property, plant and equipment	-0.6	-1.0	-1.4	-3.1
Investments in other financial non-current assets	-	-0.2	-	-1.5
Investments in current assets	-	-	-	-75.0
<b>Cash flow from investing activities</b>	<b>-3.2</b>	<b>-4.7</b>	<b>-15.9</b>	<b>-94.3</b>
<b>Cash flow from financing activities</b>	<b>-0.9</b>	<b>-</b>	<b>-0.6</b>	<b>-</b>
<b>Cash flow for the period</b>	<b>16.6</b>	<b>11.3</b>	<b>-4.9</b>	<b>-97.0</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>76.6</b>	<b>85.7</b>	<b>97.7</b>	<b>194.6</b>
<b>Exchange-rate differences in cash and cash equivalents</b>	<b>-0.1</b>	<b>0.7</b>	<b>0.3</b>	<b>0.1</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>93.1</b>	<b>97.7</b>	<b>93.1</b>	<b>97.7</b>

## 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, Edgware identified material revenue flows and contracts in Edgware AB and Edgware 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 Edgware 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. Edgware 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". Edgware has chosen not to recalculate

the figures for the comparison year. Edgware 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 Edgware'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, Edgware 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 Edgware 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 74.9 million (75.1) and measured at fair value in accordance with level 1.

Edgware 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 0.1 million (0) and in EUR at SEK 0.0 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 future accounting policies

##### IFRS 16 Leases

This new standard is to be applied as of 1 January 2019. Edgware has commenced preparations to transition to the new standard on 1 January 2019. The assessment is that the new standard will impact Edgware, 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.

As part of this process carried out by the finance and IT departments, all of the company's agreements of a lease nature were reviewed. The following agreements can be classified under IFRS 16's exemption rules: short-term leases (a lease term of less than 12 months) and leases of a low value (less than USD 5,000). These were excluded from the IFRS 16 calculations.

Due to the method it has chosen, Edgware will recognise an asset corresponding to the present-value calculated value of the use of the premises over the remaining term of the lease, taking into account potential extensions when such are deemed probable. The present-value calculation uses the company's incremental borrowing rate. A corresponding liability will be recognised for future lease costs that are calculated at present value using the incremental borrowing rate. IFRS 16 will not impact the company's equity. According to the first calculations, the company will capitalise an

asset of SEK 12 million and a corresponding liability at the start of the 2019 financial year.

### 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 Edgware's annual report 2017.

### 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 Edgware 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 an exercise price of SEK 19.00. Subscription warrants of a total of SEK 1,595,280.00 in current year was booked against equity.

### 6. Segment information

Operating segments are reported in compliance with the internal reports submitted to the chief operating 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 Q4	2017 Q4	2018 FULL-YEAR	2017 FULL-YEAR
Profit/Loss for the period attributable to owners of the parent, SEK	10,582,946	3,310,736	-6,611,650	7,469,531
Average number of outstanding ordinary shares, before dilution	30,043,008	30,043,008	30,043,008	30,043,008
<b>Earnings per share before dilution, SEK</b>	<b>0.4</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.2</b>

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 Q4	2017 Q4	2018 FULL-YEAR	2017 FULL-YEAR
Profit/Loss for the period attributable to owners of the parent, SEK	10,582,946	3,310,736	-6,611,650	7,469,531
Average number of outstanding ordinary shares, before dilution	30,043,008	30,043,008	30,043,008	30,043,008
Warrants	-	-	-	1,482
Weighted average number of ordinary shares outstanding, after dilution	30,043,008	30,043,008	30,043,008	30,044,490
<b>Earnings per share after dilution, SEK</b>	<b>0.4</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.2</b>

## CONDENSED PARENT COMPANY INCOME STATEMENT

(AMOUNTS IN SEK MILLION)	2018 Q4	2017 Q4	2018 FULL-YEAR	2017 FULL-YEAR
Net sales	78.7	67.5	230.0	234.0
Cost of goods sold	-21.6	-16.9	-69.0	-58.0
<b>Gross profit</b>	<b>57.1</b>	<b>50.6</b>	<b>161.0</b>	<b>176.0</b>
Selling expenses	-17.9	-16.1	-77.5	-64.8
Administrative expenses	-11.2	-12.9	-41.9	-42.5
Research and development expenses	-12.2	-14.8	-52.0	-54.7
Other operating income/expenses	-0.9	1.5	-2.9	0.3
<b>EBIT</b>	<b>14.9</b>	<b>8.3</b>	<b>-13.3</b>	<b>14.3</b>
<b>Financial income and expenses</b>				
Financial income	0.4	0.8	3.2	1.6
Financial expenses	-0.6	-0.7	-2.0	-1.9
<b>Profit/Loss after financial items</b>	<b>14.6</b>	<b>8.4</b>	<b>-12.1</b>	<b>14.0</b>
Tax on profit for the period	-3.6	-2.4	1.7	-3.9
<b>Profit/Loss for the period</b>	<b>11.1</b>	<b>6.0</b>	<b>-10.4</b>	<b>10.1</b>

## CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(AMOUNTS IN SEK MILLION)	2018 Q4	2017 Q4	2018 FULL-YEAR	2017 FULL-YEAR
Profit/loss for the period	11.1	6.0	-10.4	10.1
<b>Other comprehensive income:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the period</b>	<b>11.1</b>	<b>6.0</b>	<b>-10.4</b>	<b>10.1</b>

# PARENT COMPANY BALANCE SHEET

(AMOUNTS IN SEK MILLION)	31 DEC 2018	31 DEC 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Capitalised expenditure on development work	22.7	19.9
Trademarks	0.8	0.8
Other intangible assets	0.8	0.2
<b>Property, plant and equipment</b>		
Equipment	2.9	4.2
<b>Financial non-current assets</b>		
Deferred tax assets	12.6	10.8
Other long-term receivables	1.4	5.0
<b>Total non-current assets</b>	<b>41.2</b>	<b>40.9</b>
<b>Current assets</b>		
Inventories	11.5	12.3
Trade accounts receivable	83.2	69.5
Current receivables	14.8	11.6
Receivables from Group companies	4.4	8.8
<b>Total current assets</b>	<b>113.9</b>	<b>102.2</b>
<b>Current investments</b>	<b>75.0</b>	<b>75.1</b>
<b>Cash and bank balances</b>	<b>91.2</b>	<b>97.2</b>
<b>Total current assets</b>	<b>280.1</b>	<b>274.5</b>
<b>TOTAL ASSETS</b>	<b>321.3</b>	<b>315.4</b>
<b>Equity</b>		
<b>Restricted equity</b>		
Share capital	1.5	1.5
Reserve for development expenses	22.4	16.9
<b>Total restricted equity</b>	<b>23.9</b>	<b>18.4</b>
<b>Unrestricted equity</b>		
Share premium reserve	235.9	234.3
Retained earnings	-8.1	-12.7
Profit/loss for the period	-10.4	10.1
	<b>217.4</b>	<b>231.7</b>
<b>Total equity</b>	<b>241.3</b>	<b>250.1</b>
<b>Provisions</b>		
Other provision	0.3	0.3
<b>Total provision</b>	<b>0.3</b>	<b>0.3</b>
<b>Current liabilities</b>		
Trade accounts payable	19.2	18.7
Current tax liabilities	0.6	0.5
Other current liabilities	4.0	0.3
Accrued expenses and deferred income	55.9	45.5
<b>Total current liabilities</b>	<b>79.7</b>	<b>65.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>321.3</b>	<b>315.4</b>

# KEY FINANCIAL FIGURES

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Q1	Q2	Q3	Q4	FULL-YEAR	Q1	Q2	Q3	Q4	FULL-YEAR
<b>Net sales by region</b>										
EMEA	30.3	35.6	24.0	71.5	161.5	37.4	24.0	47.8	54.7	163.9
AMERICAS	12.4	4.8	27.4	3.8	48.4	19.4	6.2	5.6	6.0	37.1
APAC	5.7	9.6	3.1	3.7	22.0	11.9	10.0	6.2	7.7	35.8
<b>Net sales</b>	<b>48.4</b>	<b>50.0</b>	<b>54.5</b>	<b>79.0</b>	<b>231.9</b>	<b>68.7</b>	<b>40.2</b>	<b>59.6</b>	<b>68.4</b>	<b>236.8</b>
<b>Net sales by sales category</b>										
Products	35.0	36.7	41.7	62.6	175.9	54.6	27.4	48.1	52.8	182.9
Services	13.4	13.3	12.8	16.4	55.9	14.1	12.8	11.5	15.6	53.9
Of which: Support	11.7	11.6	11.8	13.3	48.4	10.1	11.5	10.9	12.8	45.3
Of which: Professional Services	1.7	1.7	1.0	3.1	7.5	4.0	1.3	0.6	2.8	8.6
<b>Net sales</b>	<b>48.4</b>	<b>50.0</b>	<b>54.5</b>	<b>79.0</b>	<b>231.9</b>	<b>68.7</b>	<b>40.2</b>	<b>59.6</b>	<b>68.4</b>	<b>236.8</b>
Gross profit	32.3	32.3	39.0	56.6	160.2	52.4	28.4	45.1	50.5	176.3
Gross margin, %	66.7%	64.5%	71.7%	71.7%	69.1%	76.2%	70.5%	75.7%	73.8%	74.4%
Operating expenses **)	-43.8	-47.5	-36.1	-42.1	-169.4	-39.4	-41.3	-39.1	-44.7	-164.5
Operating expenses/Net sales, %	-90.4%	-94.9%	-66.3%	-53.2%	-73.0%	-57.3%	-102.6%	-65.6%	-65.4%	-69.5%
EBIT **)	-11.5	-15.2	3.0	14.6	-9.1	13.0	-12.9	6.0	5.8	11.8
EBIT margin, % **)	-23.7%	-30.4%	5.5%	18.4%	-3.9%	18.9%	-32.1%	10.1%	8.4%	5.0%
EBITDA **)	-8.1	-11.7	6.4	18.1	4.7	15.7	-9.9	9.0	9.0	23.7
EBITDA margin (%) **)	-16.7%	-23.4%	11.7%	22.9%	2.0%	22.8%	-24.6%	15.1%	13.0%	10.0%
Profit/Loss for the period after tax	-9.3	-11.2	3.3	10.6	-6.6	10.3	-10.2	4.0	3.3	7.5
Net margin, profit/loss for the period after tax, %	-19.1%	-22.5%	6.0%	13.4%	-2.8%	15.0%	-25.2%	6.8%	4.8%	3.2%
Total assets	290.4	286.3	291.9	319.9	319.9	311.9	296.9	296.2	311.7	311.7
Equity assignable to the parent company's shareholders	234.6	224.3	228.0	238.1	238.1	244.4	236.0	240.6	244.7	244.7
Equity/assets ratio, % **)	80.8%	78.4%	78.1%	74.4%	74.4%	78.4%	79.5%	81.2%	78.5%	78.5%
Return on equity (ROE) **)	-3.9%	-4.9%	1.5%	4.6%	-2.7%	4.3%	-4.2%	1.7%	1.3%	3.1%
Equity per share, before dilution	7.8	7.5	7.6	7.9	7.9	8.1	7.9	8.0	8.1	8.1
Equity per share, after dilution	7.8	7.5	7.6	7.9	7.9	8.1	7.9	8.0	8.1	8.1
Earnings per share before dilution (Note 7)	-0.3	-0.4	0.1	0.4	-0.2	0.3	-0.3	0.1	0.1	0.2
Earnings per share after dilution (Note 7)	-0.3	-0.4	0.1	0.4	-0.2	0.3	-0.3	0.1	0.1	0.2
Return on operating capital (ROOC) **)	-5.2%	-7.7%	1.9%	8.0%	-3.0%	4.7%	-6.2%	3.2%	3.2%	4.8%
Return on capital employed (ROCE) **)	-4.3%	-6.2%	1.5%	6.4%	-2.5%	5.5%	-5.3%	2.7%	2.7%	5.6%
Cash flow from operating activities	6.7	-28.6	13.0	20.7	11.6	4.7	-9.1	-14.1	16.0	-2.7
Cash flow for the period	2.1	-30.7	7.0	16.6	-4.9	0.1	-89.0	-19.5	11.3	-97.0
No. of employees at the end of the period*	115	112	101	99	99	100	104	106	112	112
Of whom, women	14	14	13	13	13	12	12	9	10	10

\*) **Employees:** Included in the number of employ. December are employees hired through Business Sweden 14 (17) and consultants with employment-like agreements 7 (10).

\*\*) Financial measures not defined according to IFRS. Definitions of these measurements are presented on pages 19-20.

## ALTERNATIVE PERFORMANCE

### 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.

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
(AMOUNTS IN SEK MILLION)	Q1	Q2	Q3	Q4	FULL-YEAR	Q1	Q2	Q3	Q4	FULL-YEAR
Net sales	48.4	50.0	54.5	79.0	231.9	68.7	40.2	59.5	68.4	236.8
EBIT	-11.5	-15.2	3.0	14.6	-9.1	13.0	-12.9	6.0	5.8	11.8
EBIT margin, %	-23.7%	-30.4%	5.5%	18.4%	-3.9%	18.9%	-32.1%	10.1%	8.4%	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.

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
(AMOUNTS IN SEK MILLION)	Q1	Q2	Q3	Q4	FULL-YEAR	Q1	Q2	Q3	Q4	FULL-YEAR
Net sales	48.4	50.0	54.5	79.0	231.9	68.7	40.2	59.5	68.4	236.8
Profit/Loss for the period after tax	-9.3	-11.2	3.3	10.6	-6.6	10.3	-10.2	4.0	3.3	7.5
Net sales, %	-19.1%	-22.5%	6.0%	13.4%	-2.8%	15.0%	-25.2%	6.8%	4.8%	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.

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
(AMOUNTS IN SEK MILLION)	Q1	Q2	Q3	Q4	FULL-YEAR	Q1	Q2	Q3	Q4	FULL-YEAR
EBIT	-11.5	-15.2	3.0	14.6	-9.1	13.0	-12.9	6.0	5.8	11.8
Amortisation of capitalised development expenses	-2.7	-2.8	-2.7	-2.9	-11.1	-1.9	-2.1	-2.3	-2.3	-8.5
Other depreciation/amortisation	-0.7	-0.7	-0.7	-0.6	-2.7	-0.8	-0.9	-0.7	-0.9	-3.4
EBITDA	-8.1	-11.7	6.4	18.1	4.7	15.7	-9.9	9.0	9.0	23.7
EBITDA margin (%)	-16.7%	-23.4%	11.7%	22.9%	2.0%	22.8%	-24.6%	15.1%	13.0%	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	2018 Q4	2018 FULL-YEAR	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FULL-YEAR
Total assets	290.4	286.3	291.9	319.9	319.9	311.9	296.9	296.2	311.7	311.7
Equity	234.6	224.3	228.0	238.1	238.1	244.4	236.0	240.6	244.7	244.7
Equity/assets ratio (%)	80.8%	78.4%	78.1%	74.4%	74.4%	78.4%	79.5%	81.2%	78.5%	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	2018 Q4	2018 FULL-YEAR	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FULL-YEAR
Equity	234.6	224.3	228.0	238.1	238.1	244.4	236.0	240.6	244.7	244.7
Average adjusted equity	239.7	229.4	226.2	233.0	241.4	239.3	240.2	238.3	242.6	239.4
Profit/loss for the period	-9.2	-11.2	3.3	10.6	-6.6	10.3	-10.2	4.0	3.3	7.5
Return on equity (ROE) (%)	-3.9%	-4.9%	1.5%	4.6%	-2.7%	4.3%	-4.2%	1.7%	1.3%	3.1%

### Return on operating capital (ROOC), %

The company has chosen to report the key performance measure Return on operating 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	2018 Q4	2018 FULL-YEAR	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FULL-YEAR
Current receivables	146.5	169.8	166.4	185.1	185.1	83.4	150.1	169.0	173.1	173.1
Cash and cash equivalents	99.9	69.3	76.6	93.1	93.1	194.5	105.6	85.5	97.7	97.7
Current liabilities	-55.5	-61.6	-63.9	-81.5	-81.5	-67.0	-60.6	-55.3	-66.7	-66.7
Operating capital	191.1	177.5	179.1	196.7	196.7	210.9	195.0	199.2	204.1	204.1
Average operating capital	197.5	184.2	178.4	188.0	188.0	280.8	203.0	197.1	201.6	277.4
EBIT	-11.5	-15.2	3.0	14.6	-9.1	13.0	-12.9	6.0	5.8	11.8
Return on operating capital (ROOC), %	-5.2%	-7.7%	1.9%	8.0%	-3.0%	4.7%	-6.2%	3.2%	3.2%	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	2018 Q4	2018 FULL-YEAR	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FULL-YEAR
EBIT	-11.5	-15.2	3.0	14.6	-9.1	13.0	-12.9	6.0	5.8	11.8
Financial income	1.2	1.1	0.5	0.4	3.2	0.1	0.2	0.4	0.7	1.5
EBIT plus financial income	-10.3	-14.1	3.5	15.0	-6.0	13.1	-12.7	6.4	6.5	13.3
Total assets	290.4	286.3	291.9	319.9	319.9	311.9	269.9	269.2	311.7	311.7
Average total assets	239.7	229.5	289.1	305.9	315.8	239.3	240.2	239.3	242.6	239.4
Return on capital employed (ROCE), %	-4.3%	-6.2%	1.5%	6.4%	-2.5%	5.5%	-5.3%	2.7%	2.7%	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	2018 Q4	2018 FULL-YEAR	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FULL-YEAR
Selling expenses	-18.9	-16.5	-16.8	-16.6	-68.8	-15.9	-15.0	-15.9	-17.7	-64.5
Administrative expenses	-11.4	-11.5	-9.5	-11.7	-44.1	-9.3	-10.7	-10.9	-13.4	-44.2
Research and development expenses	-15.5	-16.0	-9.3	-12.5	-53.4	-14.5	-14.9	-11.6	-15.1	-56.1
Other operating income/expenses	2.0	-3.5	-0.4	-1.2	-3.1	0.3	-0.7	-0.7	1.5	0.3
<b>Operating expenses</b>	<b>-43.8</b>	<b>-47.5</b>	<b>-36.1</b>	<b>-42.1</b>	<b>-169.4</b>	<b>-39.4</b>	<b>-41.3</b>	<b>-39.1</b>	<b>-44.7</b>	<b>-164.5</b>
Net sales	48.4	50.0	54.5	79.0	231.9	68.7	40.2	59.5	68.4	236.8
<b>Operating expenses/net sales, %</b>	<b>-90.4%</b>	<b>-94.9%</b>	<b>-66.3%</b>	<b>-53.2%</b>	<b>-73.0%</b>	<b>-57.3%</b>	<b>-102.6%</b>	<b>-65.6%</b>	<b>-65.4%</b>	<b>-69.5%</b>

### 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.

#### Revenue split according to IFRS 15

MSEK	Q4 2018	Q4 2017	Full year 2018	Full year 2017
<b>Net sales by sales category</b>				
Products	62.6	52.8	175.9	182.9
Services	16.4	15.6	55.9	53.9
Of which support	13.3	12.8	48.4	45.3
Of which professional services	3.1	2.8	7.5	8.6
<b>Sum net sales</b>	<b>79.0</b>	<b>68.4</b>	<b>231.9</b>	<b>236.8</b>
<b>Net sales by region</b>				
EMEA	71.5	54.7	161.5	163.9
AMERICAS	3.8	6.0	48.4	37.1
APAC	3.7	7.7	22.0	35.8
<b>Sum net sales</b>	<b>79.0</b>	<b>68.4</b>	<b>231.9</b>	<b>236.8</b>
<b>Net sales by time</b>				
At a point in time	65.7	55.6	183.5	191.6
Over time	13.3	12.8	48.4	45.3
<b>Sum net sales</b>	<b>79.0</b>	<b>68.4</b>	<b>231.9</b>	<b>236.8</b>

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

Stockholm, 31 January 2019

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

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

## **FINANCIAL CALENDAR**

- Annual Report 2018, 11 March 2019.
- 2019 AGM, 11 April 2019.
- Interim report January-March 2019, Q1 2019, 25 April 2019.
- Interim report April -June 2019, Q2 2019, 19 July 2019.
- Interim report July-September 2019, Q3 2019, 24 October 2019.

## **ABOUT EDGEWARE**

Edgware offers operators and content providers the tools to deliver modern TV services over the Internet on a large scale and a low cost. Edgware's unique technology provides an outstanding viewing experience and gives customers control over their content. Edgware has its head office in Stockholm, Sweden, and has employees and more than 200 customers across Europe, Asia and North and Latin America.

For more information, visit <https://corporate.edgware.tv>

**Edgware – 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 1 February 2019.

At 10:00 a.m. on 1 February 2019, the company will hold a web-broadcast teleconference, during which CEO Karl Thedéen will present the report together with CFO Annika Norin.

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

SE: +46850558350

UK: +443333009031

US: +16467224957

It is also possible to follow and listen to the presentation on the following web link:

<https://tv.streamfabriken.com/edgeware-q4-2018>

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

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