



Annual Report 2018



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About InCoax

InCoax develops innovative broadband connection solutions. With In:xtnd™ we are offering the world's leading telecom and broadband operators the next generation of smart and sustainable network solutions. Learn more about how we are "Saving the world from complicated" at www.incoax.com.

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This is InCoax

InCoax develops innovative broadband connection solutions at Gigabit speeds. The company provides the next generation of smart and sustainable network products and solutions to the world's leading suppliers of telecom and broadband services.

InCoax was established in 2009 and is now the first company in the world to create products and solutions for broadband access via coaxial networks based on MoCA Access™.

InCoax has driven the development of the MoCA Access™ 2.5 standard since 2016 and is now an active member and represented on the board of Multimedia over Coax Alliance (MoCA®). The company's new product generation, In:xtnd™, is based on this standard, which provides broadband at Gigabit speeds. MoCA Access™ is a standard mainly for apartment blocks and is based on the well-established, robust MoCA standard for home networks to which more than 270 million units have been delivered. With In:xtnd™, an operator can offer its customers the same performance as a fiber LAN solution at a much lower cost.

InCoax already has a broadband solution comprising a control unit and modem, which was primarily aimed at hospitality customers (such as hotels), but has now developed a new broadband solution in order to broaden its customer base. The newly developed

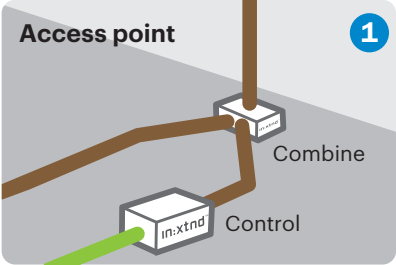
broadband solution, comprising both hardware and software, includes four main system components:

- In:xtnd™ Control.
- In:xtnd™ Access.
- In:xtnd™ Combine.
- In:xtnd™ Manage.

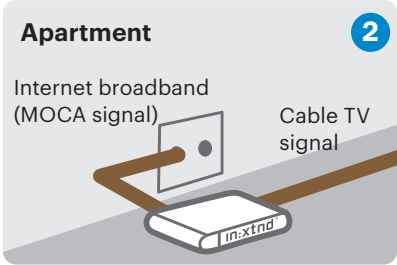
The company's operating activities are focused on Gävle and Malmö in Sweden, where around 30 employees, including consultants, are located.

InCoax targets three different customer groups:

- Cable TV operators
- Telecom and fiber operators
- Hospitality customers



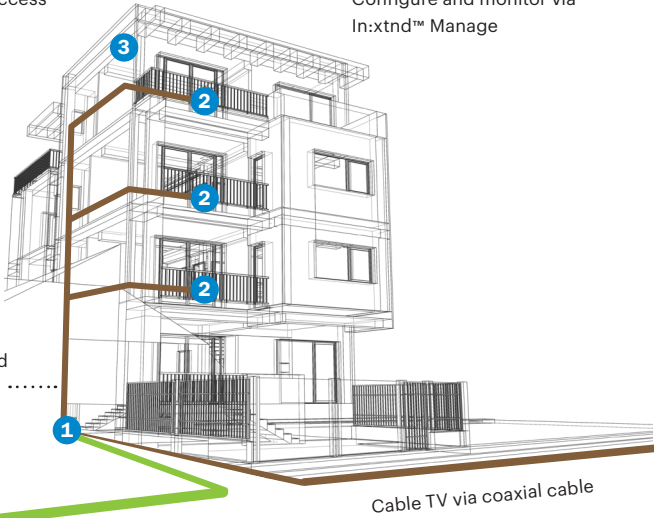
Connection of In:xtnd™ Control and In:xtnd™ Combine



Connect In:xtnd™ Access

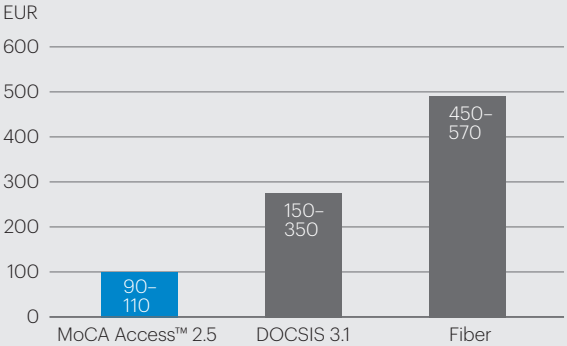


Configure and monitor via In:xtnd™ Manage



Fiber to building

Cost per installation, per apartment



Creating value by using free capacity in existing coaxial networks

- 20-40% of the cost of alternative technologies
- Easy installation and maintenance
- Short conversion time and rapid commissioning
- Minimal disruption and impact on residents
- Low environmental impact
- Upgradable, future-proof technology



2018 in figures

- Net sales amounted to SEK 1,486,816 (2,715,816), corresponding to a year-on-year reduction of 45%.
- The company posted an operating loss of SEK –49,115,341 (–27,793,723), a reduction driven primarily by increased material, personnel and consulting costs.
- The loss after tax was SEK –49,315,174 (–27,968,223), corresponding to earnings per share of SEK –5.29 (–5.37).
- Cash flow including financing activities for the year was SEK 4,379,126 (1,360,095).
- The Board of Directors proposes that no dividend be paid.

Key ratios

SEK	2018	2017
Net sales	1,486,816	2,715,816
Gross profit/loss	–2,657,321	669,953
Gross margin, %	Neg.	25
Operating loss (EBIT)	–49,115,341	–27,793,723
Operating margin (EBIT %)	Neg.	Neg.
Loss after financial items	–49,315,174	–27,968,223
Loss after tax	–49,315,174	–27,968,223
Earnings per share	–5.29	–5.37
Earnings per share after dilution	–4.77	–4.67
Equity ratio, %	64.3	11.6
Cash flow, including financing activities	4,379,126	1,360,095
Cash flow per share	0.47	0.26
Cash flow per share after dilution	0.42	0.23
Number of shares outstanding at the end of the period	9,321,442	5,211,352
Number of shares outstanding at the end of the period after dilution	10,328,730	5,990,253
Average number of shares outstanding during the period	7,126,094	4,836,622
Average number of shares outstanding during the period after dilution	7,975,385	5,481,462



Events during the year

January

- Became Board member of the MoCA Alliance.

May

- Jesper Cederholm appointed Product and Sourcing Manager.
- Entered into a letter of intent with Swiss cable operator.

June

- Launched In:xtnd™ product family at ANGA COM in Cologne.

July

- Jörgen Ekengren appointed Chief Operating Officer.

August

- Entered into partner agreement with the leading Swiss system integrator INFRA-COM.

September

- Pontus Bogren appointed Chief Financial Officer.
- Håkan Rusk appointed Chief Marketing Officer.
- Demonstration together with MaxLinear of InCoax's 10 Gbps In:xtnd™ at IBC in Amsterdam.

October

- InCoax recognised for its innovation work, with a nomination for the Diamond Technology Award for its solution for data communication via coaxial networks.
- Demonstration together with MaxLinear of InCoax's 10 Gbps In:xtnd™ at SCTE in Atlanta.
- Entered into an agreement with Pareto Securities AB, which acts as the company's liquidity guarantor.

November

- Recruited new Chief Financial Officer, Marie Svensson, starting January 1, 2019.
- Completed new share issue of SEK 25 million.

December

- The new issue in conjunction with the IPO was subscribed for SEK 15.3 million.
- Entered into a letter of intent regarding an agreement for a potential 100,000-200,000 apartments with a leading system integrator in the Middle East.
- Nasdaq approved InCoax for listing on First North.
- Approved patent in the US: System for providing data communication over a coaxial network.

Significant events after the end of the financial year

- Håkan Rusk was appointed Chief Sales and Marketing Officer.
- The Lightwave Innovation Review Program honored InCoax as a Lightwave Innovation Reviews High-Score Recipient for its new

- In:xtnd™ product family.
- Order received for an evaluation study from a company in the building materials industry in the US during February–April 2019, with an order value of USD

- 137,000 (SEK 1.26 million).
- Completed a directed share issue of SEK 38 million.
- Elected to the Board of Directors for Broadband Forum (BBF).



“We have laid the foundation for commercialization in 2019”

Peter Carlsson, CEO

CEO's comments

Strong financial position and new product generation offer great potential moving forward!

Looking back, I would describe 2018 as a very eventful year, during which we successfully listed the company and launched our new product generation – In:xtnd™. We made several new recruitments with the aim of strengthening and developing the organization moving forward. We also continued to develop our patent portfolio and now have 11 approved and 22 ongoing applications in six patent families.

In 2018, we achieved net sales of SEK 1,486,816 (2,715,816), corresponding to a decrease of 45%. The most important factor underlying this decrease was the company's limited sales resources, which we focused on the launch and sale of the next product generation, In:xtnd™, resulting in a reduced order intake for older product generations. Our operating loss also widened year-on-year to SEK -49,115,341 (-27,793,723). The main reasons for this were costs related to the planned expansion of the organization and the completion of the next product generation, In:xtnd™. However, our financial position improved as a result of the completed IPO and our new share issues during the fourth quarter of 2018. We also continued to strengthen our financial

position through a new issue of SEK 38 million carried out in the first quarter of 2019.

Listing on First North

On December 21, 2018, Nasdaq approved our listing on First North. The IPO contributed SEK 15.3 million before issue costs, and InCoax gained 200 new shareholders. The first trading day on First North was January 3, 2019. Before the listing, we also carried out a new share issue for SEK 25 million in the fourth quarter of 2018, which together with the IPO has strengthened our financial position ahead of the commercialization of In:xtnd™.

Major global interest in new product generation – In:xtnd™

Our new product generation – In:xtnd™ – was launched in June 2018 at the major cable TV exhibition ANGA COM in Cologne, where considerable interest was shown in InCoax and our solution.

During the autumn, we also presented In:xtnd™ at three other exhibitions: the International Broadcasting Convention (IBC) in Amsterdam, the Broadband World Forum (BBWF) in Berlin and the Cable Tech Expo (SCTE) in Atlanta, where we also attracted a lot of attention. Our presence at these exhibitions during the autumn resulted in numerous dialogues with potential customers, of whom we have prioritised about 15, who are now testing and assessing our solutions. Our sales activities have been focused specifically on countries such as Germany and Switzerland, with many small and medium-sized cable TV operators, metropolitan network operators and system integrators.

During the autumn, we also presented In:xtnd™ to one of the largest broadband operators in the US market, with a positive outcome. In this market, our patented *system for providing data communication over a coaxial network* was also approved in the fourth quarter of 2018. In the same market, we received an order for an evaluation study in the first quarter of 2019 with an order value of USD 137,000 (SEK 1.26 million). At the end of 2018, we also entered into a letter of intent with a system integrator regarding an agreement for a potential 100,000–200,000 apartments, which is very exciting.

Significant and positive collaborations

During 2018, our work in the Broadband Forum was focused on how fiber access via coaxial cable can support the operator's need for fiber expansion in existing properties, and how the 5G network can be made available via fixed broadband.

The technology standardization concerning fiber access extension, including MoCA Access™ 2.5, is now being initiated, and will be ongoing in 2019. Some ten international operators are contributing to this work. One of the aims of the 5G network is to increase the

broadband speed in densely built-up areas. In 2017, driven by 14 global mobile operators, work commenced to create a standard whereby the 5G network would be made available via fixed broadband, in order to avoid an explosion in the number of new base stations.

InCoax contributed to this work in 2018, and the technical functions will be specified in 2019. MoCA Access™ 2.5 is ideal to use in areas where fixed and mobile networks converge (fixed mobile convergence).

Our role in the BBF was reinforced during the first quarter of 2019 when we were elected to its Board of Directors.

Several new recruitments and additional offices

In recent years, we have continued to strengthen our organization and management group. We have recruited key personnel with broad expertise in project management, product launch, sales and R&D.

In 2018, our recruitments included a Product and Sourcing Manager, a Chief Operating Officer (COO) and a Chief Marketing Officer (CMO), who has also taken over responsibility for sales in 2019. In the fourth quarter, we also appointed an acting Chief Financial Officer (CFO), but a new permanent CFO joined the management group at the beginning of 2019. Most of our management group are based at our new Malmö office, which was established in the fourth quarter of 2018.

We are currently in a very interesting position in the market, where our aim is to build a world-leading company. In 2018, we strengthened our positions and laid our foundation, while at the same time continuing to make rapid progress in a number of areas in order to achieve our financial targets: more than SEK 300 million in sales by 2020 and more than SEK 1,000 million by 2023, with a long-term EBIT margin target of 20%.

Gävle, April 2019

Peter Carlsson
CEO



Market and trends

A large share of countries in the world still lack high-speed broadband, making the broadband market highly attractive for InCoax.

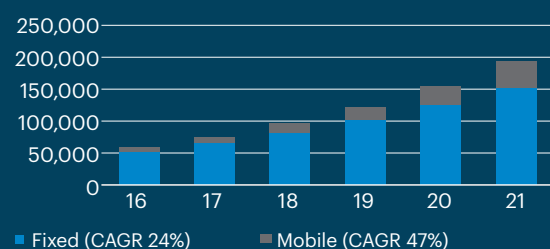
Market demand

Internet use has increased in recent years and is expected to continue to increase sharply in the future. A major reason for this is growing demand for faster internet speeds and quality when using TV, video on demand, tablets, smartphones, online games and so forth. Global IP traffic is expected to triple between 2016 and 2021 and to increase a full 127-fold between 2005 and 2021.¹ Overall, IP traffic is expected to grow at a compound annual growth rate (CAGR) of 24% between 2016 and 2021. Approximately 79% of the total IP traffic is expected to use fixed networks in 2021. Rapid expansion of the 5G network will, therefore, not replace fixed networks, but the 5G expansion will also accelerate the expansion of fixed networks, creating opportunities for players such as InCoax. The telecom industry is driving fixed mobile convergence, which strives to use fixed and mobile networks in a more integrated and effective manner, to provide more access points for customers and to reduce operating complexity in network systems.²

One factor that is impacting total internet use is that the number of devices connected to IP networks is

expected to grow to more than three times larger than the global population in 2021. There are expected to be 3.5 network devices per capita in 2021, compared with 2.3 network devices per capita in 2016. As a result of the increased number of devices, many modems/routers will need to be changed to provide good internet functionality on all connected devices. This means

Consumer Internet Traffic by network (petabyte/month), forecast 2016–2021



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

1) Cisco Visual Networking Index: Forecast and Methodology, 2016–2021, June 2017.
2) The Broadband Forum – 5G fixed mobile convergence, Marketing report, July 2018.

operators must take greater responsibility, not only for delivery of broadband to the home, but also for the home network. The best performance requires a combination of fixed broadband connections and wireless solutions.³

Another factor that is impacting total internet use is the growth of live streaming video on the internet. In 2021, live streaming video will account for 13% of video traffic on the internet, a 15-fold growth between 2016 and 2021. Virtual reality (VR) and augmented reality (AR) are expected to increase 20-fold between 2016 and 2021, corresponding to annual growth of 82%. Internet use for video on demand is expected to double by 2021.³

Market potential

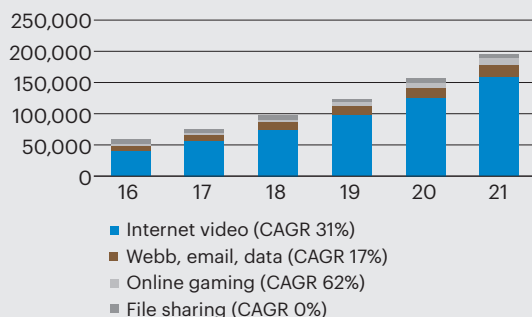
The EU's strategic goal that all households must have a broadband connection of at least 100 Megabit per second (Mbps) by 2025 will require extensive measures. The goal in Sweden is even higher, namely that 98% of households must have a broadband connection that is more than (1) Gbps by 2025.⁴ InCoax estimates that up to 500 million apartments in, for example, the EU, China and the US will need to be upgraded to meet the

strategic objectives set pertaining to internet speed. A number of these apartments already have coaxial cables installed, with the capacity to deliver internet speeds of up to 100 Gbps with future technological developments. This means Gigabit speeds can be delivered using existing coaxial cables, without the need to install fiber in the apartments.

In order to provide Gigabit speeds in coaxial cables, fiber networks must be present in roads and streets. Such networks are present to varying degrees in countries and cities worldwide, but work to extend these networks is ongoing in a number of locations. Due to the very high cost of extending fiber-to-the-home (FTTH), mainly for apartment buildings, there exists significant potential in some of the major economies of the EU, such as the UK, Germany, Italy and Poland, to cut costs through the use of existing coaxial cables and InCoax's new product generation, In:xtnd™.

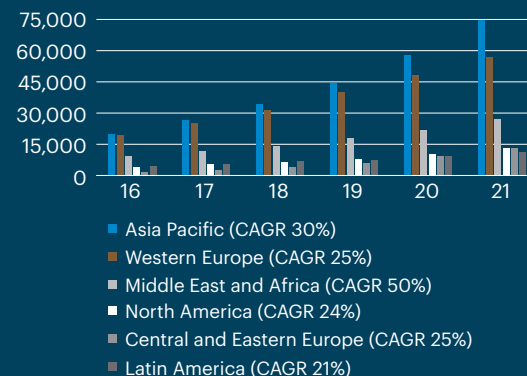
Taking into account the number of households that will require access to the internet with Gigabit speeds, InCoax estimates that the market will be valued at EUR 10–60 billion per year, depending on the type of technology used.

Consumer Internet Traffic by segment (petabyte/month), forecast 2016–2021



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

Consumer Internet Traffic by geography (petabyte/month), forecast 2016–2021



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

3) Cisco Visual Networking Index: Forecast and Methodology, 2016–2021, June 2017.

4) Government Offices of Sweden – A Completely Connected Sweden by 2025 – a Broadband Strategy.

Given the low level of expansion for FTTH in a number of the EU's major economies, InCoax sees substantial future potential for its products, primarily in the UK, Germany, Switzerland and the Netherlands, but also in other markets, including the US.

Competitive position

A number of different technologies/platforms providing broadband access are available in the market today, which can be summarized according to four main varieties:

- Telephone cable (ADSL/VDSL, G.fast)
- Fiber/CAT cable
- Coaxial cable with DOCSIS
- Coaxial cable with MoCA Access™ 2.5

The four technologies/platforms differ with respect to connectivity, symmetry⁵, installation cost, contract term to an operator and so forth. Competition is thus intense and as a market participant it is important to remain at the forefront of technological developments, patents, qualitative solutions and services.

With InCoax's new products, In:xtnd™, based on MoCA Access™ 2.5, operators can offer the end user:

- The same type of service as fiber or Ethernet cables (CAT6) but at a much lower cost.
- Gigabit speeds and a network where the solution can coexist with the current cable TV.
- High broadband speeds per apartment compared with DOCSIS and with symmetrical upload/download traffic speeds, which is increasingly important with interactive TV, games and VR/AR.
- Significantly faster broadband speeds than ADSL/VDSL at a lower cost. Moreover, ADSL/VDSL does not offer symmetrical upload/download speeds.
- Faster and cheaper service compared with G.fast, which does not offer symmetrical upload/download speeds.

	MoCA Access™ 2.5/In:xtnd™	Fiber	CAT6	DOCSIS 3.0	DOCSIS 3.1	ADSL/VDSL	G.fast
Practical speed/apartment	1/1 Gbps	1/1 Gbps	1/1 Gbps	400/100 Mbps	1/0.5 Gbps	24–30/ 1–3 Mbps	100–300/ 10–50 Mbps
Max speed per connection	2.5/10 Gbps	10 Gbps	1 Gbps	500 Mbps	7 Gbps	8–50 Mbps	100–500 Mbps
Symmetrical upload/download	Yes	No	No	No	No	No	No
Cable infrastructure in building	CATV (Coax)	FTTH	CAT6	CATV (Coax)	CATV (Coax)	UTP	UTP
Cost/connection to apartment, EUR	90–110	450–570 (FTTH/P2P)	300–370	130–150	150–350	150–200	180–200
Additional cost for cables inside apartment	No	Yes	Yes	No	No	Yes	Yes

Source: Multimedia over Coax Alliance (MoCA) – Broadband Access Technology Comparison.

⁵) Refers to same speed upstream and downstream.

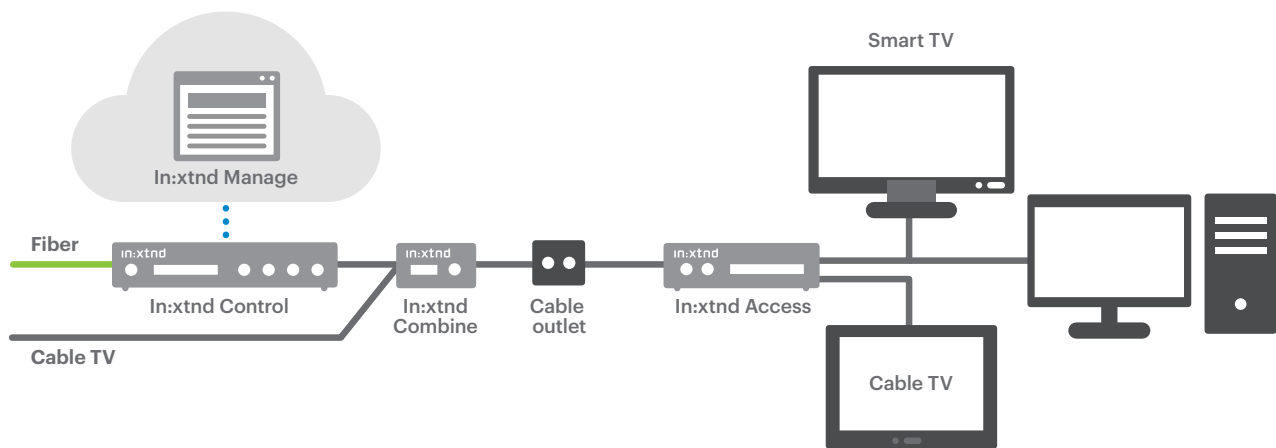


Operations

InCoax creates value by using free capacity in existing coaxial networks.
The solution creates value for the customer in the form of greater cost efficiency, easy deployment and a fast and stable network.

InCoax operates in the market for broadband access, via the coaxial network into buildings, apartments and individual rooms. The company uses free capacity in existing coaxial networks to provide high-speed broadband access, IPTV, VoIP, IoT and web TV without needing to install new cables. The company's technology works for all coaxial cable networks used to distribute TV signals.

The InCoax model for value creation is based on meeting rigorous customer demands for quality and service with equipment and solutions that are cost-efficient, easy to install and offer a fast and stable broadband connection. The company's new product generation, In:xtnd™, provides the conditions for customers to reach internet speeds of up to 2.5 Gbps.



Products

In 2018, InCoax launched its fourth product generation, In:xtnd™, which is based on MoCA Access™ 2.5. In so doing, InCoax has enhanced its product portfolio and can now provide customers with the conditions to reach internet speeds of up to 2.5 Gbps. This means that customers which use InCoax products are able to offer their end consumers the same services and quality as a purely fiber solution, at a considerably lower fixed cost.

InCoax already had a broadband solution comprising a control unit and modem, which was primarily aimed at hospitality customers, but the new product generation has broadened the customer base. The newly developed broadband solution, comprising both hardware and software, includes four main system components:

- In:xtnd™ Control.
- In:xtnd™ Access.
- In:xtnd™ Combine.
- In:xtnd™ Manage.

In order to provide Gigabit speeds in coaxial cables, fiber network must be installed in the roads outside the apartment building.

The incoming signal from the fiber network is received by an In:xtnd™ Control that prioritizes and steers the traffic. The signal then moves via a diplexer using the existing coaxial network to the antenna sockets in the apartments, where an In:xtnd™ Access modem is connected. Using our new generation of In:xtnd™, the broadband connection can operate with speeds of up to 2.5 Gbps downlink and 2.0 Gbps uplink. The products are designed to only need quick and easy installation to provide fiber capacity in apartments with a minimum of disruption to end users.

In:xtnd™ Control

In:xtnd™ Control is a broadband with four channels, over Coax Access Node, with a capacity of 2.5 Gbps per RF-port. The total capacity is 10 Gbps with the possibility to support up to 124 In:xtnd™ Access modems. Communication between components uses the MoCA Access 2.5 standard.




In:xtnd™ Access

In:xtnd™ Access is a reliable Coax to Ethernet modem that supports 2x1 Gbps. In:xtnd™ Access can be connected to any antenna socket in the subscriber's home, through simple self installation. The signal that passes through the RF/VHF output supports all existing TV standards.



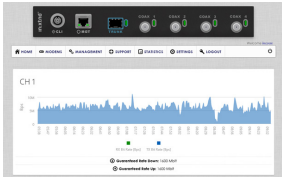
In:xtnd™ Combine

In:xtnd™ Combine is a high-performance frequency combiner. The component is designed to be used for connecting one or two MoCA Access™ channels from an In:xtnd™ Control with FM/VHF in an individual coaxial cable – combines FM/VHF and broadband access in an individual coaxial cable.



In:xtnd™ Manage

In:xtnd™ Manage is a cloud-based advanced element manager with functions for In:xtnd™ Control's distribution and monitoring of the condition of the coaxial network. The software includes relevant functions for service deliveries and network management.



Customers

InCoax works proactively with its offering of a cost-efficient, easy and quick broadband connection in close contact with customers. The company targets three different customer groups:

- Cable TV operators
- Telecom and fiber operators
- Hospitality customers (partners who carry out the installations, for example, in hotels, prisons and hospitals)

Cable TV operators already provide services over coaxial networks, but their existing technological platforms cannot provide service with high capacity or symmetrical upload and download. An upgrade to the forthcoming cable TV standard DOCSIS 3.1, which makes this possible, will be very costly for these operators. MoCA Access™ 2.5 is a standard that can be used in parallel with other technologies, such as DOCSIS, which is a major benefit for InCoax's new In:xtnd™ product generation. Cable TV operators can, therefore, choose to retain their existing DOCSIS 3.0 solution and instead of upgrading to DOCSIS 3.1 use In:xtnd™ in parallel with this to provide customers with the same service as fiber, but at a much lower price.

Telecom operators mainly use a building's existing telephone cables to provide a broadband connection. However, telephone cables have limitations, such as speed. The new InCoax In:xtnd™ product generation offers the potential to tackle these limitations without the need to install fiber to the home. For the same reasons, fiber operators regard In:xtnd™ as an easy and cost-efficient solution to reach inside apartments.

Hospitality is an interesting area for InCoax. The company works proactively with partners that install InCoax products for customers, particularly at hotel chains. Media consumption has changed and become increas-

ingly on demand. Mobile devices have been part of everyday life for travelers for a long time, many of whom use laptops, PCs, smartphones and tablets. As more people use their mobile devices for entertainment or video calls, the burden on existing access points, which are often installed in hotel corridors, is too great and sufficient connectivity to the handheld devices cannot be achieved. The use of free capacity in existing coaxial cables, which is the basis of InCoax's product solution, provides a cost-efficient and attractive solution to solve this problem. It is particularly attractive to hotels to avoid interruptions in operations for major refurbishment and cable installation.

Customer project status in 2019

The list of customers who are actively conducting field tests and evaluating the new product generation, In:xtnd™, is steadily growing and we are receiving highly positive feedback from these customers.

Due to a technical problem found in our own tests at the end of 2018, certain of these field tests have been delayed by one to two months.

Following the launch of the product at the end of the first quarter of 2019, the number of requests for new evaluations is increasing from customers across Europe.

InCoax received an order for an evaluation study from a company in the building materials industry in the US during February–April 2019, with an order value of USD 137,000 (SEK 1.26 million).

Industry associations

In order to break through with new telecom technology, it is important that the technology supports the industry's standards. For several years, InCoax has therefore been engaged in MoCA® and led the working group that created the standard for Access, which is the new product generation on which MoCA® Access™ 2.5 is based.

In the first quarter of 2018, InCoax moved from Contributor to Promoter member status, and thereby gained a Board post in MoCA®. InCoax is the Board's only European member, and the only one that is solely active in the Access market. Like MoCA®, InCoax has joined the BBF, whose duties include defining standards for telecom operators. The aim is to influence how MoCA® Access™ can be integrated into the teleoperators' networks and systems, in order to facilitate the upcoming application of MoCA®. Early in 2019, InCoax was elected to the Board of Directors of the BBF. InCoax also participates in Small Cell Forum, which focuses on the backhaul solutions that will be necessary with 5G, entailing opportunities for the technology.

Multimedia over Coax Alliance

Multimedia over Coax Alliance (MoCA®) is an international standardization consortium that develops technology and publishes specifications for coaxial-cable based networks. MoCA® has more than 225 certified products and 27 members. MoCA® Access™, which is a further development of the in-home technology to provide a connection to the home, is a solution that can be used in many market segments where network access could be offered, including:

- Broadband operators installing fiber deep into networks or to buildings (FTTB), and who wish to use existing cables without diminishing performance.
- Cable TV operators that already have coaxial networks available and wish to offer symmetrical broadband services and higher guaranteed capacity than today's cable TV DOCSIS.

- Internet providers building fiber-based networks where the optical signal ends in the basement and who wish to use existing coaxial cables to reach every unit or flat in the property.
- Mobile operators using 4G/5G/Wi-Fi in residential areas and that need a connection between the core network and the local access network, without installing new cables.
- Commercial operators that design and install networks in hotels, restaurants, offices and other buildings where coaxial cables are already installed and in new buildings.
- MoCA Access™ 2.5, which is the latest standard solution, creates the conditions for speeds of up to 2.5 Gbit/s to be achieved in an existing coaxial network.

Broadband Forum (BBF)

The BBF is a consortium of around 200 leading operators within telecommunication, equipment, computers, networks and service providers. The BBF's work ensures that service providers can enter the market with new services rapidly and effectively, with the help of standardized platforms and methods to ensure a good financial basis and scalability.

Small Cell Forum

Small Cell Forum works to facilitate the large-scale introduction of small base stations and is tasked with increasing the rate of delivery of integrated, heterogeneous networks. Small Cell Forum promotes the adoption of industry-wide standards, the introduction of positive legislation, and the creation of shared architecture and operational compatibility. Small Cell Forum markets the potential of small base stations to the entire industry through communication with journalists, analysts, supervisory authorities, interest groups and standardization bodies.



"Digitization and changing consumption needs require cost-efficient broadband access solutions at Gigabit speeds. We developed In:xtnd™ for this very purpose."

Håkan Rusk

Why InCoax?

Håkan Rusk, Chief Sales and Marketing Officer, explains why InCoax's solution has an important role to play.

Why is InCoax and your offering interesting right now?

We can see that internet use is steadily growing and that demand for fast and symmetrical broadband is on the rise. At InCoax, we are pioneers and visionaries and we understand that our In:xtnd™ solution has an important role to play. Fiber networks are being installed in roads with increasing speed, but these are often not fully used due to the cost of connecting buildings and apartments. Our customers want to provide end users with an easy, cost-efficient and reliable solution. In:xtnd™ checks all of these boxes.

Which are your main markets, and why?

We have chosen to focus our marketing and sales activities in Europe, to countries such as Germany and Switzerland. The reason for this is the presence in these markets of many small and mid-sized cable TV operators, metropolitan network operators and knowledgeable system integrators, in combination with the low utilization of developed fiber networks. Most houses in these countries already have coaxial networks, which through the use of In:xtnd™ can easily and quickly be connected to broadband at a relatively low cost. However, we are not ruling out sales activities in a number of other markets.

What advantages does In:xtnd™ have compared with competitor offerings?

Our solution has a number of advantages. The most important is that we offer the same type of capacity as fiber but at a much lower cost. In:xtnd™ can also coexist with the present cable TV and satellite TV. In addition, we can provide higher broadband speeds in each apartment compared with other cable technologies and significantly faster broad-

band speeds compared with traditional access via the telephone network, such as ADSL/VDSL or G.fast. From a sustainability perspective, and a customer perspective, it is also a great plus to use existing coaxial cables and avoid disruptions that require end users to install new cables.

What type of feedback do you receive at trade fairs and when talking with potential customers?

Since the first presentation of In:xtnd™ at ANGA COM in Cologne in summer 2018, we have also presented our solution at a number of other exhibitions, including IBC, SCTE, BBWF, Fiberdays and Gigabit Access. There has been substantial interest and we have received many inquiries about testing and evaluating In:xtnd™. Potential customers say they appreciate the innovative solution, the use of the existing network without requiring a major disturbance and that our solution is easy and attractively priced.

How are you involved in the development of the broadband offering of the future?

We were recently elected to the BBF's Board of Directors and have also had a seat on the Board of MoCA® since the beginning of 2018. These types of forums are important if we are to influence the establishment of standards and to remain at the forefront of technological development. It also makes us a knowledgeable and good partner. Our active presence in these forums enables us to develop and deliver products that are based equally on market demand and technological development. One example of this is the work we are doing at MoCA® to define the next generation's standard for 10 Gbps.



Goals and strategy

InCoax's vision is clear: the company aims to lead the development of high-speed broadband access over coaxial networks and create long-term, sustainable value for its customers. Together with its mission, goal,

company strategy and values, InCoax has created a clear framework and priorities for its work in both the short and long term.

Vision

To lead the development of high-speed broadband access over coaxial networks enabling the Gigabit future.

Mission

We commit to providing leading solutions for high-speed broadband access over coaxial networks for our customers and consumers.

Goal

The recognized global technology leader and obvious market choice in solutions for high-speed broadband access over coaxial networks based on MoCA Access™.

Financial goals and ambitions

In connection with the company's listing on First North in January 2019, the InCoax Network's Board of Directors adopted new financial goals and formulated forward-looking ambitions.

Sales

The goal is net sales exceeding SEK 300 million for the 2020 financial year, with the ambition of net sales exceeding SEK 1,000 million in the 2023 financial year.

EBIT margin

A long-term EBIT margin target of 20%.





Share and shareholders

Ownership structure

The number of shareholders at 31 December 2018 was 350. The largest shareholder was BLL Invest AB, with 15.7% of the shares and votes in InCoax. The company's ten largest shareholders together hold shares equivalent to 65.8%.

Shares and share capital

InCoax's share capital at the end of the year amounted to SEK 2,330,360.50, distributed between 9,321,442 shares of the same type, each with a quota value of SEK 0.25. Shares in the company are denominated in SEK. Shares in the company were issued in accordance with Swedish law. All shares issued are fully paid and freely

transferable. According to InCoax's Articles of Association, adopted by an extraordinary general meeting on November 20, 2018, the share capital must not be less than SEK 1,825,000 and not exceed SEK 7,300,000, distributed between no fewer than 7,300,000 shares and no more than 29,200,000 shares.

Dividend

The InCoax Board of Directors is of the opinion that focus going forward should primarily be on promoting growth and there is no prospect of a dividend in the near future. The Board of Directors has therefore proposed that no dividend be paid for the year.

Ownership structure on December 31, 2018

Name	Number of shares	Holding, %
BLL Invest AB	1,463,216	15.7
Charles Tooby	1,279,914	13.7
Saugatuck Invest AB	1,056,995	11.3
Richard Tooby	579,598	6.2
Norrandspojkarna AB	415,682	4.5
Lars Axelsson	394,612	4.2
GetITsafe Security Partner Norden AB	288,132	3.1
Jonas Pålsson	225,000	2.4
Peter Carlsson	214,375	2.3
Almi Invest Norra Mellansverige AB	211,740	2.3
Other shareholders (approximately 340)	3,192,178	34.2
Total	9,321,442	100.0

Directors' report

The Board of Directors and the CEO of InCoax Networks AB 556794-1363, with its registered office in GÄVLE, hereby submit the 2018 Annual Report. The annual report is prepared in SEK.

Information about the operations

The company, which was registered on November 23, 2009, develops and sells products for broadband access via coaxial cable.

Market/Sales

Sales are mainly conducted to operators and the hospitality segment in EU. The company conducted comprehensive marketing activities in 2018 targeting the operator segment for the new In:xtnd™ product generation.

Comments on the financial performance in 2018

Income

The company's net sales amounted to SEK 1,486,816 (2,715,816), where the company chose to focus on completing and launching the next product generation, In:xtnd™, resulting in a reduced order intake for older product generations.

Earnings

The company posted an operating loss for the year of SEK -49,115,341 (-27,793,723), a weaker result than in the preceding year. The loss after tax for the year was SEK -49,315,174 (-27,968,223). This increased year-on-year loss is attributable to the fact that the company is in an intensive product development phase and is expanding its operations to include various new jobs.

Expenses

The company's increased expenses in 2018 are predominantly due to higher material, personnel and consulting costs to complete the new In:xtnd™ product generation and strengthen the organization prior to the commercialization phase.

Cash flow

Cash flow was affected positively by the new share issue carried out during the year. Cash flow from operating activities for the full year amounted to SEK -52,215,892. Cash flow from financing activities for the year amounted to SEK 57,627,286 (28,815,931). Cash flow including financing activities for the year totaled SEK 4,379,126 (1,360,095).

Equity

SEK	Share capital	Share capital under reg.	Share premium reserve under reg.	Retained earnings	Profit/loss for the year
At the beginning of the year	1,302,838			21,012,277	-27,968,223
New issue	836,006	191,517	15,129,804	64,387,241	
Warrants				607,975	
Transfer of earnings for the preceding year				-27,968,223	27,968,223
Loss for the year					-49,315,174
At the end of the year	2,138,844	191,517	15,129,804	58,039,270	-49,315,174

Organization/Personnel

In 2018, the company continued its efforts to strengthen its organization through the recruitment of key employees with broad expertise in project management, product launch, sales and R&D. In 2018, the company's recruitments included a Product and Sourcing Manager, a Chief Operating Officer (COO) and a Chief Marketing Officer (CMO). In the fourth quarter, the company also appointed an acting Chief Financial Officer (CFO), but early in 2019 a new permanent CFO joined the company's new Malmö office, where most of the management group and commercial functions are located.

At the end of the year, InCoax's operating organization comprised 30 (21) people, of whom 19 (14) were employees and 11 (7) contracted consultants.

Investments

The company's investments totaled SEK 1,032,268 (119,418), mainly in test equipment.

Significant events during the financial year

During the year, the company successfully prepared for its IPO, after a decision by an extraordinary general meeting on November 20, 2018 to publicly list the company resulted in Nasdaq's approval of the company's listing on First North on December 21, 2018. The share issue, which was approximately 63.8% subscribed, contributed SEK 15.3 million and InCoax gained 200 new shareholders. The first trading day on First North was January 3, 2019.

Share

In 2018, the company conducted nine new share issues, after which its share capital increased by SEK 939,284.75 (401,194.25) and the premium reserve

by SEK 74,203,495.25 (22,466,878). On December 31, the company's share capital amounted to SEK 2,138,844 (1,302,838.25), distributed between 8,555,376 (5,211,353) shares outstanding of the same class. The share issue carried out in December was not registered with the Swedish Companies Registration Office at the end of the accounting period. This issue will increase the company's share capital by SEK 191,516.5 and the premium reserve by SEK 15,129,803.5.

Convertible debt instruments

Convertible debt instruments of SEK 2,911,222 were repaid. During the year, the company issued a convertible debt instrument of SEK 3,245,786. On December 31, convertible debt instruments outstanding amounted to SEK 3,245,786.

Other significant events during the financial year

The company's employees were invited to subscribe for warrants, of whom nine subscribed for a total of 207,000 warrants. On December 31, 832,313 warrants were outstanding.

Expected future developments and significant risks and uncertainties

Expected future outlook

The new MoCA Access™ standard, which supports up to 2.5 Gbps, was launched in June 2018. InCoax led the preparation of the standard and is the leading player in this field of technology. Efforts to establish InCoax technology and products, which were ongoing in previous years, continued in 2018, and are expected to yield results in 2019 through the In:xtnd™ product generation, which was developed during the year. Altogether, sales are expected to increase sharply in 2019 compared with 2018.

Significant risks and uncertainties

The company has identified a number of different risks and uncertainties, such as: the risk of being unable to meet a sudden increase in demand for our technology, competing technologies, supplier dependence, dependence on key individuals and employees, financing and capital requirements, and currencies and prices of key components.

The company continuously engages in preventive measures to minimize these risks and uncertainties as far as possible.

Research and development

In 2018, research and development work continued with greater intensity and included the submission of patent applications. A new product generation was developed, In:xtnd™, which supports the new MoCA Access™ standard and can provide much higher bandwidth compared with earlier products. Alongside the development of these products, work is continuing to obtain CE/FCC labels for the products. The company is also reviewing opportunities to extend the existing solution to include additional products in order to provide a more complete solution for customers and to gain new customer segments.

Multi-year summary

SEK	2018	2017	2016	2015	2014
Net sales	1,486,816	2,715,816	1,819,716	2,173,646	1,305,250
Gross profit/loss	-2,657,321	669,953	-279,762	-1,169,097	476,716
Gross margin, %	Neg.	25%	Neg.	Neg.	37%
Operating loss	-49,115,341	-27,793,723	-15,419,642	-10,297,186	-4,622,450
Operating margin (EBIT), %	Neg.	Neg.	Neg.	Neg.	Neg.
Loss after financial items	-49,315,174	-27,968,223	-15,720,953	-10,565,054	-4,724,627
Loss after tax	-49,315,174	-27,968,223	-15,720,953	-14,290,265	-999,416
Total assets	40,734,440	12,085,048	16,255,265	6,375,670	12,117,846
Equity ratio, %	64.3%	11.6%	64.3%	Neg.	68.3%

Proposed distribution of profit

SEK	2018
The amount at the disposal of the Board of Directors	
Retained earnings	14,818
Capital provided during the year	73,154,255
Loss for the year	-49,315,174
Total	23,853,899
To be carried forward	
Total	23,853,899

For information about the company's profit/loss and position in general, refer to the following income statement and balance sheet with accompanying notes.

Income statement

SEK	Note	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
<i>Operating income</i>			
Net sales		1,486,816	2,715,816
Other operating income		134,447	114,046
		1,621,264	2,829,862
<i>Operating expenses</i>			
Goods for resale		-4,278,585	-2,159,910
Other external costs	1	-25,514,280	-15,029,025
Personnel costs	2	-19,273,676	-11,962,852
Depreciation, amortization and impairment of tangible and intangible assets		-1,670,064	-1,471,799
Operating loss		-49,115,341	-27,793,723
<i>Profit from financial items</i>			
Interest income and similar profit/loss items		-	26
Interest expenses and similar profit/loss items		-199,833	-174,526
Loss after financial items		-49,315,174	-27,968,223
Loss before tax		-49,315,174	-27,968,223
Loss for the year		-49,315,174	-27,968,223

Balance sheet

SEK	Note	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
ASSETS			
Equity subscribed for, not paid in		15,321,320	250,000
<i>Non-current assets</i>			
Intangible assets			
Capitalized expenditure for development work and similar activities	3	–	1,225,309
		–	1,225,309
<i>Tangible assets</i>			
Machinery and other technical equipment	4	1,304,526	717,013
Total non-current assets		1,304,526	1,942,322
<i>Current assets</i>			
Inventories, etc.			
Finished products and goods for resale		10,301,659	3,339,180
Advances to suppliers		3,114,224	1,207,341
		13,415,884	4,546,521
<i>Current receivables</i>			
Trade receivables		69,225	520,581
Other receivables		2,539,509	1,088,528
Prepaid expenses and accrued income		352,579	384,825
		2,961,313	1,993,933
Cash and bank balances		7,731,397	3,352,272
Total current assets		24,108,594	9,892,726
TOTAL ASSETS		40,734,440	12,085,048

Equity and liabilities

SEK	Note	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
Equity			
<i>Restricted equity</i>			
Share capital (8,555,376 shares)		2,138,844	1,302,838
Unregistered share capital (766,066 shares)		191,517	88,238
		2,330,361	1,391,076
<i>Unrestricted equity</i>			
Share premium reserve under registration		15,129,804	6,970,763
Retained profit or loss		58,039,270	21,012,278
Profit/loss for the year		–49,315,174	–27,968,223
		23,853,899	14,818
Total equity		26,184,260	1,405,893
<i>Non-current liabilities</i>	5		
Convertible debt instruments		3,245,786	2,911,222
Other non-current liabilities		–	834,900
		3,245,786	3,746,122
<i>Current liabilities</i>			
Overdraft facility	6	–	1,729,499
Trade payables		5,881,346	2,324,912
Other current liabilities		1,886,181	538,608
Accrued expenses and deferred income		3,536,867	2,340,013
Total current liabilities		11,304,394	6,933,032
Total liabilities		14,550,180	10,679,154
TOTAL EQUITY AND LIABILITIES		40,734,440	12,085,048

Cash flow statement

SEK	Note	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
<i>Operating activities</i>			
Loss before financial items		-49,115,341	-27,793,723
Interest received		-	26
Interest paid		-199,833	-174,526
Adjustment for non-cash items			
Depreciation, amortization and impairment		1,670,064	1,471,799
Cash flow from operating activities before changes in working capital		-47,645,110	-26,496,424
<i>Cash flow from changes in working capital</i>			
Increase/decrease in inventories		-8,869,363	-2,248,802
Increase/decrease in receivables		-1,010,734	-1,000,465
Increase/decrease in current liabilities		5,309,315	2,409,272
Cash flow from operating activities		-52,215,892	-27,336,418
Acquisition of tangible assets		-1,032,268	-119,418
Cash flow from investing activities		-1,032,268	-119,418
<i>Financing activities</i>			
New issue		59,022,220	26,516,059
Borrowings		334,564	2,567,844
Repayment of loans		-1,729,499	-267,972
Cash flow from financing activities		57,627,286	28,815,931
Cash flow for the year		4,379,126	1,360,095
Cash and cash equivalents at the beginning of the year		3,352,272	1,992,177
Cash and cash equivalents at the end of the year		7,731,397	3,352,272

Supplementary disclosures

Accounting and valuation principles

General accounting principles

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general recommendation, BFNAR 2012:1 Annual reports and consolidated financial statements (K3).

Foreign currency

Items in foreign currency

Monetary items in foreign currency are translated at the closing day rate. Non-monetary items are not translated but instead recognized at the rate on the acquisition date.

Valuation principles, etc.

Receivables are recognized at the amount at which they are expected to accrue.

Other assets and liabilities are recognized at cost, unless otherwise indicated below.

Revenue recognition

Revenue is recognized at the fair value of the amount that has been received or will be received and recognized to the extent that it is probable that the financial benefits will accrue to the company and if the revenue can be reliably calculated.

Intangible assets

The company recognizes internal accumulated intangible assets in accordance with the expensing development model. This entails that any expenditure pertaining to the preparation of an internal accumulated intangible asset is not capitalized but expensed directly.

Non-current assets

Intangible and tangible assets are recognized at cost, less accumulated depreciation, amortization and any impairment.

Depreciation and amortization take place on a straight-line basis over the expected useful life, taking into account any significant residual value. The following rates of depreciation and amortization are applied:

- Machinery and other technical facilities – 5 years
- Capitalized expenditure for development work – 5 years

Leases

The company recognizes all leases, both finance and operating, as operating leases. Operating leases are recognized as an expense on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost and net realizable value at the end of the reporting period. Net realizable value refers to the expected selling price of the good less selling costs. The valuation method chosen means inventory obsolescence has been taken into account.

Income tax

Total taxes comprise current tax and deferred tax. Taxes are recognized in the income statement except when an underlying transaction is recognized directly against equity, in which case the related tax effect is also recognized in equity.

Current tax is income tax relating to the current financial year and the portion of income tax not yet recognized from previous financial years. Current tax is calculated using the tax rate prevailing at the end of the reporting period.

Deferred tax is income tax pertaining to future financial years arising from previous events. Deferred tax is recognized according to the balance sheet method. According to this method, deferred tax liabilities and deferred tax assets for temporary differences between the recognised and taxable values of assets and liabilities are recognized as are other taxable deductions or deficits.

Deferred tax assets are recognized net against deferred tax liabilities only if they can be paid in a net amount. Deferred tax is calculated using the tax rate applicable at the end of the reporting period. The effects of changes to applicable tax rates are recognized in the period when the change was legislated. Deferred tax assets are recognized as financial assets and deferred tax as a provision.

Deferred tax assets pertaining to loss carryforwards or other forward-looking taxable deductions are recog-

nized to the extent that it is probable that the deduction can be set off against a future taxable surplus.

Due to the correlation between accounting and taxation, the deferred tax liability attributable to untaxed provisions is not recognized separately.

Taxable deficits amounted to SEK -119,722,025. The company has elected not to recognize deferred tax on loss carryforwards.

Remuneration of employees

Remuneration of employees pertains to all forms of remuneration that the company offers to its employees. Short-term remuneration includes salaries, paid holidays, paid leave, healthcare and bonuses. Short-term remuneration is recognized as a cost and liability when there is a legal or informal obligation to disburse remuneration as a result of an earlier event and a reliable estimation of the amount can be made.

Pensions

The company's pension plans for remuneration after termination of employment consist solely of defined contribution pension plans. For defined contribution plans, the company pays fixed contributions to a separate legal entity. When the contribution is paid, the company has no further obligations. Defined contribution plans are recognized as a cost as the pension is earned.

Notes

Note 1 Operating leases – lessee

Leasing costs for leases during the year amounted to SEK 1,205,724 (558,870 SEK) and pertained to rent for premises (SEK 884,042), machinery leases (SEK 247,543) and company cars (SEK 74,140).

Future minimum lease payments relating to non-cancellable operating leases

SEK	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
Within 1 year	1,191,100	411,398
Between 1–5 years	3,511,829	2,795,233
>5 years	561,000	622,875
Total	5,263,929	3,829,506

Future lease payments pertain to leases for premises and company cars.

Note 3 Capitalized expenditure for development work and similar activities

SEK	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
Accumulated cost		
At the beginning of the year	6,126,540	6,126,540
At the end of the year	6,126,540	6,126,540
Accumulated amortization		
At the beginning of the year	–4,901,232	–3,675,924
At the end of the year	–1,225,308	–1,225,308
Carrying amount at the end of the year	–	1,225,308

Note 2 Employees and personnel costs

Average number of employees

	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
Men	15	13
Women	2	1
Total	17	14

Salaries and other remuneration as well as social security costs, including pension costs

SEK	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
Salaries and other remuneration	12,649,781	8,108,781
Social security costs	6,405,453	3,754,695
(of which, pension costs)	2,330,082	1,322,822

Remuneration in the event of termination of employment

In the event of the CEO's employment being terminated, a mutual six-month (6) notice period will apply. If employment is terminated by the company, the CEO – in addition to the termination payment – has the right to receive severance pay corresponding to six (6) times the fixed monthly salary upon termination of employment. For other senior executives, a mutual period of notice is applied of between four (4) and six (6) months. However, CTO Thomas Svensson has a notice period of six (6) months if notice is given by the employee and a notice period of twelve (12) months if notice is issued by the company.

Note 4 Equipment, tools, fixtures and fittings

SEK	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
<i>Accumulated cost</i>		
At the beginning of the year	1,232,461	1,113,043
New purchases	1,032,268	119,418
At the end of the year	2,264,729	1,232,461
<i>Accumulated depreciation</i>		
Depreciation for the year	-515,448	-268,957
At the end of the year	-960,204	-515,448
Carrying amount at the end of the year	1,304,526	717,013

Note 6 Overdraft facility

SEK	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
Granted credit ceiling	–	2,500,000
Utilised credit facilities amount to	–	1,729,498

Note 5 Non-current liabilities

SEK	Jan 1, 2018– Dec 31, 2018	Jan 1, 2017– Dec 31, 2017
<i>Liabilities that fall due for payment more than one year from the end of the reporting period</i>		
Convertible debt instruments	3,245,786	2,911,222
Other liabilities	–	834,900
Total	3,245,786	3,746,122

On February 16, 2018, a resolution was approved to issue a convertible debt instrument of SEK 3,245,786.25 to Norrlandsfonden, which was paid by through a set-off of existing debt instruments of SEK 2,791,222 and a cash payment of SEK 454,564.25. The repayment date was set at April 30, 2020 and the conversion rate at SEK 18.55 per share.

Note 7 Significant events after the end of the financial year

The company has registered its new share issues with the Swedish Companies Registration Office and its share capital thus amounts to SEK 2,330,360.50. The company conducted a directed share issue in March 2019, which contributed an additional SEK 38,000,000 to the company.

Signatures of the Board of Directors and auditor

Gävle, April 16, 2019

Richard Tooby
Chairman of the Board

Peter Carlsson
CEO

Anders Nilsson

Pär Thuresson

Patrik Widlund

My auditor's report was submitted April 17, 2019

Mikael Larsson
Authorized Public Accountant

Auditor's report

To the Annual General Meeting of InCoax Networks AB, Corp. Reg. No. 556794-1363

Report on the annual accounts

Opinions

I have audited the annual accounts of InCoax Networks AB for the year 2018. The annual accounts of the company are included on pages 19–31 of this document.

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of InCoax Networks AB as of December 31, 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory directors' report is consistent with the other parts of the annual accounts.

I therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

I conducted my audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of InCoax Networks AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the CEO are also responsible for such internal control as they deter-

mine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility

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

As part of an audit in accordance with ISA, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to my audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements **Opinions**

In addition to my audit of the annual accounts, I have also audited the administration of the Board of Directors and the CEO of InCoax Networks AB for 2018 and the proposed appropriations of the company's profit or loss.

I recommend to the general meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory directors' report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for Opinions

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of InCoax Networks AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the CEO

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes, among other things, continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other matters, take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

My objective concerning the audit of the administration, and thereby my opinion about discharge from

liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

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

My objective concerning the audit of the proposed appropriation of the company's profit or loss, and thereby my opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to a liability to the company, or that the proposed appropriation of the company's profit or loss is not in accordance with the Companies Act.

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

Sundsvall, April 17, 2019

Mikael Larsson
Authorized Public Accountant, KPMG

Board of Directors



Richard Tooby

MBA. Born 1969.

Chairman of the Board since 2016, Board member since 2016.

Board member of RT Advisory Services AB.

Shareholding: 579,598



Anders Nilsson

Master of Engineering. Born 1951.

Board member since 2017.

Chairman of the Board of NP3 Properties AB and Board member of Lime Technologies AB, Eurocon Consulting AB and Softronic AB as well as Chairman of the Board/Board member of a number of unlisted companies.

Shareholding: 84,821



Pär Thuresson

Master of Engineering. Born 1964.

Board member since 2018.

Senior Vice President R&D for GN Hearing A/S and deputy Board member of ManyNames AB.

Shareholding: 5,000



Patrik Widlund

Business economics. Born 1962.

Board member since 2014.

CMO of Svea Ekonomi AB and CEO of Widlund Management AB. Chairman of the Board of Kraftpojkarna Holding AB and Glomo AB as well as Board member of companies including Payson AB.

Shareholding: 15,000 through companies.

Management group



Peter Carlsson

CEO

Employed since 2017.
Master of Engineering, MBA. Born 1969.

2013–2017: Boliden Bergsöe AB – President and CEO.

2010–2012: Sony Ericsson – Vice President Sourcing and Partner Management and Head of Operations Strategy and Planning.

2019–current: Multimedia over Coax Alliance – Vice President.

2019–current: Aikido Malmö Meiseikai – Vice President.

2018–current: Multimedia over Coax Alliance – Board member.

Shareholding: 214,375
Warrants: 131,313



Jesper Cederholm

Product and Sourcing Manager

Employed since 2018.
Master of Engineering. Born 1985.

2014–2018: Duni AB – Business Developer.
2008–2013: Sony Mobile – Strategic and Project Sourcing of Electronics.

2018–current: ViSes AB – Board member.

Shareholding: 5,000
Warrants: 40,000



Jörgen Ekengren

Chief Operating Officer (COO)

Employed since 2018.
Bachelor of Science in Engineering. Born 1963.

2013–2018: Sony Mobile Communications Taiwan – Director ODM/EMS Business Operations and Deputy Head of Global Manufacturing.

1995–2013: Ericsson Radio Systems/Ericsson Mobile Communications/Sony Ericsson/Sony Mobile – General Manager and Director positions in Operations and Sourcing.

Shareholding: 25,000
Warrants: 50,000



Håkan Rusk

*Chief Sales and Marketing Officer (CSMO)**

Employed since 2018.
Master of Engineering. Born 1966.

2018–2019: InCoax Networks AB – Chief Marketing Officer (CMO).

2013–2018: Fingerprint Cards AB – Director Sales Management.

2002–2013: ST-Ericsson AB – Senior Product Marketing Manager.

2007–2011: Ericsson K.K Tokyo – General Manager Operator Relations.

2012–current: Tenant-owner association Påskalyckans vänner – Chairman of the Board.

Warrants: 40,000

* Until 2019, Bo Emanuelsson was Chief Sales Officer (CSO) for InCoax Networks AB.



Marie Svensson

*Chief Financial Officer (CFO)**

Employed since 2019.
MBA. Born 1964.

2014–2018: Sol Voltaics AB – CFO.

2011–2014: GLO AB – Deputy CEO.

2008–2014: GLO Incentive AB – Agent for Service of Process.

1990–2015: MEGA KONSULT – Operating sole proprietorship.

2014–current: Sol Voltaics Incentive AB – Board member.

2015–current: Lemniscus Consulting AB – Deputy director.

Warrants: 50,000

* Jessika Nilsson, Pontus Bogren and Emil Bendroth acted as Chief Financial Officer (CFO) in 2018 for InCoax Networks AB.



Thomas Svensson

Chief Technology Officer (CTO)

Employed since 2011.
Technical college graduate. Born 1955.

2011–2017: InCoax Networks AB – Chief Executive Officer (CEO).

1981–2017: TEDAKO – Operating sole proprietorship. 2000–2005: Service Factory AB – Founder and Head of Marketing/Sales and Product Management.

1995–2000: Telia AB – Vice President Network Services and Head of Router Net and Internet Division.

1976–1995: Telia AB – Various senior positions.

2009–current: getITsafe Security Partner Norden AB – Chairman of the Board.

Shareholding: 33,000
Warrants: 80,000

Definitions

Financial

Total assets The company's combined assets.

Gross margin Gross profit/loss as a ratio of net sales.

Gross profit/loss Net sales less cost of goods sold.

Net sales Main revenue from operations, invoiced costs, subsidiary income and income adjustments.

Profit/loss after financial items Profit/loss after financial income and expenses, but before extraordinary income and expenses.

Profit/loss after tax Profit/loss after financial items, including tax costs.

Operating margin (EBIT) Operating profit/loss as a ratio of net sales.

Operating profit/loss Profit/loss before net financial items and tax.

Equity ratio (%) Adjusted equity (equity and untaxed reserves less deferred tax) as a percentage of total assets.

Technical

CAT cable CAT cable is a twisted-pair signal cable, comprising twisted conductors. The conductors are twisted to counteract disturbance, primarily cross-talk. Cat6 cable is primarily used in data communication. The two main disadvantages of twisted-pair cable are its high power loss, referred to as dampening per meter, which means that no more than a score or maximum of 100 meters of this cable can be laid without needing a repeater station.

Chip-set A chip-set is a set of integrated chips designed to work together on the motherboard.

Fiber Optical fiber contains a special type of mineral glass fiber for the transfer of light signals over long distances at very high capacity, such as for data and telecommunication.

Hospitality Customer segment that includes hotels, holiday parks, hospitals, prisons, cruise ships and accommodation platforms.

Coaxial cable Coaxial cable is a two-pole electrical cable comprising a metallic conductor, the center conductor, surrounded by insulating material, the dielectric, which in turn is enclosed by a conductive casing, the screen. Coaxial cables can transfer signals at high frequencies with low dampening, meaning they can transfer data traffic at high capacity.

Symmetrical products Symmetrical products can handle communication at the same data speed in both directions.

Financial calendar

Interim report Jan–Mar 2019	May 17, 2019
2019 Annual General Meeting	May 17, 2019
Interim report Jan–Jun 2019	August 22, 2019
Interim report Jan–Sep 2019	November 7, 2019

Annual Report 2018

This publication constitutes the annual accounts of InCoax Networks AB, Corporate Registration Number SE 556794 1363.

The annual report can be obtained through the channels below.

This annual report is also available in Swedish.

Financial reports

Further operational information is available from InCoax Networks AB's website: www.incoax.com

For questions concerning the report, please contact:

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or
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marie.svensson@incoax.com

Financial statements in digital form can be ordered by e-mailing info@incoax.com or phoning +46 26 420 90 42.

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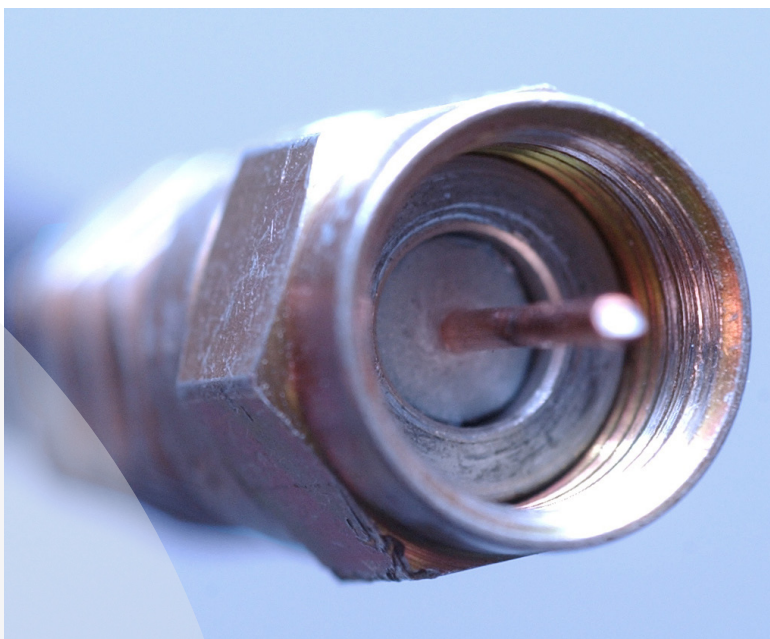
www.incoax.com

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About InCoax Networks AB

InCoax Networks AB (publ.) is innovating the future of broadband access. In:xtnd™ provides the next generation of smart and sustainable networking products and solutions to the world's leading telecom and broadband service providers. InCoax Networks AB (publ.) was founded in 2009, with its headquarters located in Gävle and offices in Malmö, Sweden.

Since 3 January 2019, the company's share (INCOAX) has been admitted to trading on Nasdaq First North Stockholm, with Augment Partners AB, tel. +46 8 505 651 72 and info@augment.se, as its Certified Adviser. Pareto Securities AB is the company's liquidity provider.



INCOAX