

**2020**

**INTERIM REPORT  
JANUARY-SEPTEMBER 2020**

**JULY-SEPTEMBER 2020**

**SEK 37.9  
MILLION**  
NET SALES

**-12.0%**  
DECREASE IN  
NET SALES

**SEK 2.1  
MILLION**  
EBIT  
5.6% EBIT MARGIN

**JANUARY-SEPTEMBER 2020**

**SEK 117.9  
MILLION**  
NET SALES

**-7.1%**  
DECREASE IN  
NET SALES

**SEK -15.5  
MILLION**  
EBIT  
-13.2% EBIT MARGIN

# 2020

## INTERIM REPORT JANUARY-SEPTEMBER

### THIRD QUARTER OF 2020:

- Net sales totalled SEK 37.9 million (43.1), a decrease of 12.0 percent.
- Gross profit amounted to SEK 26.1 million (28.8), corresponding to a gross margin of 69.0 percent (66.9).
- Operating income (EBIT) amounted to SEK 2.1 million (neg: 3.6), corresponding to an operating margin of 5.6 percent (neg: 8.4).
- Operating income (EBIT) adjusted for restructuring costs and currency effects amounted to SEK 1.9 million (neg: 2.0).
- Profit for the period amounted to SEK 2.4 million (loss: 2.4).
- Cash flow from operating activities totalled negative SEK 11.9 million (pos: 5.9).
- Cash flow for the period was negative SEK 16.2 million (pos: 2.0).

### JANUARY-SEPTEMBER 2020:

- Net sales totalled SEK 117.9 million (126.9), a decrease of 7.1 percent.
- Gross profit amounted to SEK 80.9 million (85.6), corresponding to a gross margin of 68.6 percent (67.4).
- Operating income (EBIT) amounted to negative SEK 15.5 million (neg: 25.6), corresponding to an operating margin of negative 13.2 percent (neg: 20.3).
- Operating income (EBIT) adjusted for restructuring costs and currency effects amounted to negative SEK 12.5 million (neg: 22.2).
- Loss for the period amounted to SEK 16.2 million (loss: 18.4).
- Cash flow from operating activities totalled SEK 9.8 million (5.9).
- Cash flow for the period was SEK 70.7 million (neg: 18.6), which included the sale of the short-term interest fund of SEK 75.0 million.

### SIGNIFICANT EVENTS DURING THE THIRD QUARTER

- Edgware StreamPilot in live production at Norwegian TV 2 Sumo.
- A1 uses Edgware's StreamBuilder and OTT-CDN to offer multi-screen TV viewing.
- Edgware enables 5G optimisation using cloud-based elastic CDN technology.

(SEK million unless otherwise indicated)	2020	2019	2020	2019	2019
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full-year
Net sales	37.9	43.1	117.9	126.9	184.4
Gross profit	26.1	28.8	80.9	85.6	125.1
Gross margin (%)	69.0%	66.9%	68.6%	67.4%	67.8%
EBIT	2.1	-3.6	-15.5	-25.6	-25.2
EBIT margin (%)	5.6%	-8.4%	-13.2%	-20.3%	-13.7%
Result for the period	2.4	-2.4	-16.2	-18.4	-24.5
Cash flow from operating activities	-11.9	5.9	9.8	5.9	3.1
Cash flow for the period*	-16.2	2.0	70.7	-18.6	-26.2
No. of employees at the end of the period**	80	99	80	99	98
Cash and cash equivalents	136.5	74.6	136.5	74.6	66.4
Current investments	-	75.4	-	75.4	75.5

\*Cash flow for the period Jan-Dec 2019 included the purchase consideration for the company acquired in January 2019, Cavena Image Products AB. Cash flow for the second quarter of 2020 includes sale of the short-term interest fund of SEK 75 million.

\*\*Included in the number of employees at 30 September 2020 are 4 (8) consultants with employment-like agreements.

“By developing new products, a strong customer focus and continued efficiency measures, we returned to profitability during the quarter.”

Karl Thedéen,  
CEO, Edgware

## COMMENTS BY THE CEO

### Returning to profitability in third quarter

In the past two years, Edgeware has undergone major changes involving a focus on new products, partially new customer segments and reduced costs. As a result of these measures, we were able to demonstrate during the year that our new product offering has been well received by our customers and today, we are also reporting a positive EBIT of SEK 2 million for the third quarter.

However, our sales continue to be negatively affected by the corona pandemic, which has resulted in fewer major sports events and heightened caution in relation to new investments in all markets. Sales for the third quarter totalled SEK 38 million, compared with SEK 43 million for the year-earlier quarter but I am pleased to report a recurring revenue of SEK 16 million for the quarter corresponding to an increase of 8 percent of our recurring revenue compared to last year. Our sales in EMEA remained unchanged at SEK 29 million. Above all, a number of modernisation projects contributed to the quarter's sales and it was pleasing to see that various sports events have now begun to be held in Europe again, albeit still far from the level in the preceding year. In APAC, where we conduct business development and foresee business opportunities over time, sales declined to SEK 4 million, partly due to the continued impact of the corona pandemic. In Americas, we are highly dependent on a single customer, which results in strong fluctuations between the quarters. For the third quarter, sales in the region amounted to SEK 5 million.

The gross margin for the quarter was nearly 70 percent due to favourable underlying product margins and an improved service margin. We also reduced our operating expenses, adjusted for non-recurring effects, by 13 percent compared with the year-earlier quarter. Cash flow was negative SEK 16 million and our net cash amounted to SEK 136 million at the end of the quarter.

Our new products continued to gain new ground. During the quarter, we added new channels and new traffic to the SaaS-based StreamPilot solution that we delivered to Norwegian TV2 Sumo. A1 Telekom Austria Groups has implemented StreamBuilder and our OTT-CDN solution to be able to offer multi-screen OTT-TV viewing over its new A1 Xplore TV content and streaming platform. In addition, we launched cloud-based elastic CDN and StreamPilot solutions that mobile providers can use to deliver quality-optimised video streaming services on their 5G networks.

During the quarter, Edgeware also conducted a market survey in collaboration with a leading industry analyst, Dan Rayburn. A key conclusion was that there is a large need for the ability to monitor the CDN networks and video quality for end-users in real time, both in individual and multiple CDN networks. This is precisely what is enabled by our StreamPilot product, which increasing numbers of potential customers are showing an interest in. We are now also conducting several tests together with a number of these.

To summarise, our market remains negatively affected by the corona pandemic, but an expansion of the CDN networks' capacity is continuing and investments are being made to modernise the networks. Our new products have received a positive market response and overall, it is highly satisfying to see that our change efforts resulted in a positive EBIT for the third quarter.

**Karl Thedéen**  
CEO, Edgeware



## Corona pandemic effects

In conjunction with the corona pandemic and all of the restrictions introduced relating to travel, physical meetings, closed offices and home working in Edgeware's regions, physical customer meetings have become more difficult to conduct. On the other hand, the adaption to working from home has gone well and the organisation is working with the same capacity as when working from the office. Following the summer vacation period, there was some return to working at the office in Stockholm, with an arrangement that allows different teams to be present in the office at different times to avoid crowding, but nonetheless with the possibility of holding physical internal meetings. Attendance in the office has been changed to times that avoid rush-hour traffic on public transport to and from the office.

The other major impact experienced by Edgeware is that customers, for most of 2020, have not distributed live sport. This means that the need is reduced for expanding existing capacity and investing in new products from Edgeware. Expected new capacity investments by Edgeware's customers ahead of the European Football Championships and the summer Olympics were also absent as these events were cancelled. During the third quarter, some sports events were restarted, although without spectators, which generated a certain positive effect for some customers' investments.

Furthermore, several customers have indicated more restrained investment budgets in general, which has negatively impacted and will continue to negatively impact Edgeware's order intake for the remainder of the year. The paradox is that TV viewing is increasing in number of hours, but the occasions with very high loads have disappeared.

Edgeware invests approximately 30 percent of sales in research and development. Currently, two new product concepts, StreamPilot and StreamBuilder, are being developed, which will give customers the possibilities to manage personalised advertising and control several CDN networks to achieve higher quality and delivery reliability. Products in the industry in which Edgeware operates must always be developed in close cooperation with customers. The market is currently cautious and the customers want to make few changes in their networks for managing TV/Video. This reduces the possibilities to start up and gain help in testing new product concepts, which entails that the pace of the roll-out of new products and the corresponding revenue streams will decline. At the same time, we have customers such as TV2 in Norway, which have worked closely with Edgeware to develop StreamPilot for a large part of 2020.

Overall, Edgeware has already seen a significant impact of the corona pandemic during the first nine months of the year, but the effect will probably continue to be apparent for the remainder of the

year. Edgeware's main market, Europe, has already been severely impacted by the corona pandemic and has now entered the second wave. Latin America, where our largest customer in Americas is located, is also severely affected by the pandemic, with consequences for the economies in those countries.

Edgeware has applied for and been granted support for furloughing from the Swedish Agency for Economic and Regional Growth for the period June to August. The reduction in working hours during this period is 20 percent. Since vacation leave and other absences do not qualify for support measures, the grant for this period was limited. The amount of support for the period June to August was SEK 1.0 million.

No additional impairment requirement has been identified in relation to the effects of the corona pandemic. Impairment testing of intangible non-current assets is conducted as usual each quarter and no further impairment of these is deemed necessary due to corona. In terms of the trade accounts receivable outstanding and assessed risk of future credit losses, the provision for future credit losses did not increase significantly in the third quarter of 2020. Although the general credit risk increased as a result of the corona pandemic, Edgeware's historically largest customer group, telco operators, are not considered to belong to the group that has been significantly impacted by the corona pandemic to date. Traditional telco operators, which form a large part of the company's customer base, have also generally been less affected by the pandemic since the television business has become even more important in their offerings in a world where social distancing is currently the new norm. Nor has Edgeware noticed any change in payment patterns among its customers. The development of credit risks will continue to be monitored closely and there may be a need to adjust the provision for future credit losses at a later stage if the credit risk for Edgeware's receivables increases. Edgeware has a strong balance sheet with a high equity/assets ratio of 77.2 percent and healthy liquidity, with cash and cash equivalents that amount to SEK 136.5 million, which corresponds to 53.9 percent of total assets.

## Net sales

### Third quarter

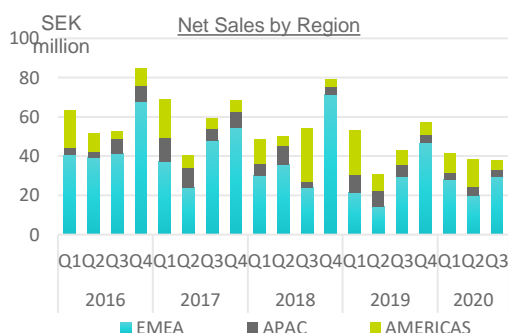
The Group's net sales for the third quarter totalled SEK 37.9 million (43.1), corresponding to a year-on-year decrease of 12.0 percent. The decrease in comparable currencies was 8.1 percent.

Net sales in EMEA (Europe, the Middle East and Africa) were in line with the preceding year at SEK 29.3 million (29.4). Net sales for AMERICAS declined to SEK 4.9 million (7.2) and in APAC (Asian and Pacific region), net sales declined to SEK 3.7 million (6.5) compared with the third quarter of 2019.

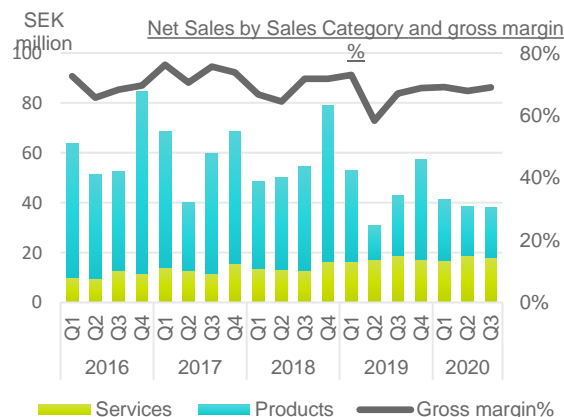
In the EMEA region, medium-sized product and license investments were registered from some of the region's customers. The restart of sports events also generated investments in the EMEA region. The APAC region continued to be impacted by the corona pandemic during the third quarter. Our operations and sales in the APAC region were also on low levels in the third quarter and the region's sales were mainly derived from ongoing support contracts. Product sales fell from SEK 2.4 million in the third quarter of 2019 to SEK 0.4 million in the third quarter of 2020, a decrease of 82.7 percent. Total sales for the quarter for the APAC region were SEK 3.7 million (6.5), down 43.2 percent. Sales declined for the AMERICAS region by 32.0 percent to SEK 4.9 million (7.2) compared with the corresponding quarter in 2019. The customer concentration is high in the region and in the third quarter of the year, there was an absence of investments from the region's largest customer.

Service business for the company declined by 5.3 percent compared with the third quarter of 2019. The service business includes both the recurring support business and professional services. The company's support business grew 6.1 percent in the third quarter compared with 2019, while professional services declined 43.8 percent.

Edgware has 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. Historically, Edgware has also had a large customer concentration and dependence on major telco operators in Western Europe, the EMEA region. This becomes clear in the company's sales performance, since growth in the Western European CDN market is limited.



Of total net sales in the third quarter, the Products business stream (hardware, software and licenses) accounted for 52.4 percent (55.8), while the remaining 47.6 percent (44.2) was attributable to Services (maintenance, support and other services). Recurring revenue from the support business and software licenses from existing customers amounted to SEK 15.8 million (14.7). The Support business corresponded to 86.5 percent (77.3) of the total Services' net sales, while the remainder was Professional services, such as installation and system integration.



### Nine months

Net sales in the first nine months totalled SEK 117.9 million (126.9), down 7.1 percent compared with the first nine months of 2019. The decrease in comparable currencies was 5.5 percent.

Net sales in EMEA amounted to SEK 77.4 million (65.2), an increase of 18.6 percent year-on-year. In AMERICAS, net sales decreased 23.3 percent to SEK 29.1 million (37.9) compared with the first nine months of 2019 and in APAC, net sales decreased by 51.8 percent. The decline in APAC was primarily attributable to a lower level of activity in the region due to the corona pandemic. Net sales in the region largely comprise support revenue from existing support contracts. Product sales in the region declined from SEK 13.4 million in 2019 to SEK 1.9 million for the first nine months of 2020, down 85.8 percent. The decrease in sales in the AMERICAS region was attributable to the region's largest customer making major investments in the first quarter of 2019, driven by a higher number of subscribers and increased use of such functions as Time-shift, and by investment in the subtitled product from Cavena. Sales in the EMEA region for the first half of 2019 were on a low level with very few investments by our major customers in the region. However, in the first nine months of 2020, we secured mid-sized product and license investments for network expansion and modernisation projects from some of the region's customers. We have been affected during the year by sports events being cancelled due to corona. Sports events usually drive up the capacity requirement among our traditional customers. During the third quarter, some sports events resumed, although without spectators, which generated a certain positive effect for some customers' investments at the end of the period. However, it is not only sport that drives Edgware's business, but network expansions, modernisation projects and sales of new products and services are also important.

Net sales from products amounted to SEK 64.4 million (74.2) and from services to SEK 53.5 million (52.8). The decline in products that began already during the first half of 2019 was primarily attributable to limited growth in the company's historically largest CDN market, Western Europe, where there was an absence of investments by the company's major

customers. However, during 2020, we have seen investments in the EMEA region from our existing customers, despite the cancelled sports events. On the other hand, the increase between the years is from the low levels during the first half of 2019. The largest percentage loss in products derives from the APAC region, which was severely affected by the effects of corona. Recurring revenue from the support business from existing customers and recurring revenue from software licenses amounted to SEK 46.6 million (41.6), corresponding to an increase of 12.0 percent. Support revenue corresponded to 85.9 percent (78.1) of net sales from services.

## Results

### Third quarter

Gross profit in the third quarter amounted to SEK 26.1 million (28.8), corresponding to a year-on-year decline of SEK 2.7 million. The quarter's product sales and the service business's sales were lower in the third quarter of 2020 compared with 2019. The cost of service personnel was also lower in 2020 compared with 2019.

The gross margin was 69.0 percent (66.9). The gross margin was impacted by factors including the mix between hardware and licences, and the share of fixed costs such as amortisation of capitalised development expenses and personnel costs for service employees. At the lower net sales levels, the fixed costs' share of the gross margin becomes higher. Amortisation of capitalised development expenses, which was SEK 3.4 million (2.9) for the quarter, impacted the quarter's gross margin by 8.9 percent (6.6), while personnel costs for service employees had an impact of 12.2 percent (14.5). During the quarter, an inventory impairment was made of SEK 0.2 million (0).

The proportion of software and capacity licenses in relation to total product sales was higher than in the year-earlier quarter. The margin on the company's service business was also better in 2020 compared with the preceding year, which was attributable to lower service costs.

Operating expenses amounted to SEK 24.0 million (32.4), down SEK 8.4 million or 25.8 percent year-on-year. The operating expenses for both this and the preceding year were impacted by nonrecurring expenses or reduction of costs and adjusted for these, the underlying cost decline between the years was 13.5 percent. For the third quarter of 2020, costs were lower, largely due to corona, as no travel was conducted and furloughing resulted in lower payroll expenses and contributions from the Swedish Agency for Economic and Regional Growth. Operating expenses for the year-earlier quarter included a restructuring expense of SEK 2.6 million. There was no corresponding expense in the expenses for the quarter in 2020. The underlying costs declined in all functions compared with the preceding year due to the savings and reorganisation measures implemented during the first half of 2020. However, there was a positive

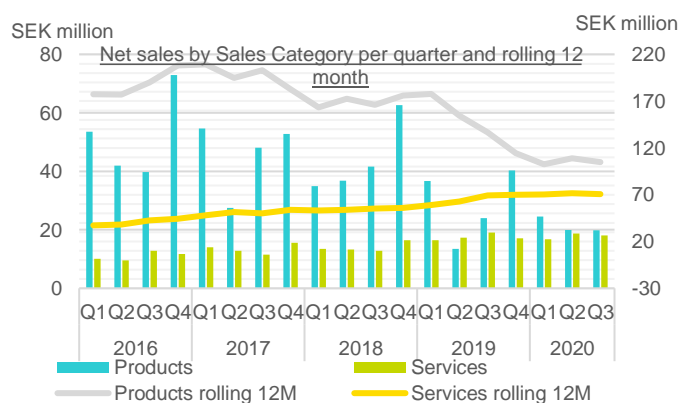
effect from exchange gains on accounts receivable attributable to a weakened Swedish krona during the third quarter, which generated a positive effect on accounts receivable of SEK 0.2 million (0.5). Edgeware had outstanding accounts receivables in EUR, USD and MXN at the end of the quarter. Costs also declined by SEK 1.3 million due to furloughing schemes in the third quarter of 2020. During the third quarter, the cost level was generally lower than in the other quarters due to the vacation effect.

During the third quarter, development expenses were capitalised in an amount of SEK 2.8 million (2.2), corresponding to 20.3 percent (14.4) of the company's total R&D expenses. Amortisation of previously capitalised development expenses during the period amounted to SEK 3.4 million (2.9). This amortisation is a component of the company's cost of goods sold and thus impacts Edgeware's gross profit. On the whole, the net of the period's capitalised expenses after amortisation for the period had a negative effect of SEK 0.5 million (neg: 0.7) on EBIT.

R&D, MSEK	Q3 2020	Q3 2019
Total R&D expenses	- 13,9	- 15,3
Capitalised development expenses	2,8	2,2
Amortisation of capitalised development expenses	-3,4	-2,9
<b>Net effect P/L</b>	<b>- 0,5</b>	<b>- 0,7</b>
R&D expenses according to income statement	- 11,1	- 13,1
<b>% activated of tot gross Development</b>	<b>- 20,3%</b>	<b>- 14,4%</b>

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 7.3 million (1.1).

Operating income (EBIT) for the quarter amounted to SEK 2.1 million (loss: 3.6), corresponding to a year-on-year improvement of SEK 5.7 million. EBIT corresponded to an operating margin of 5.6 percent (neg: 8.4). Net financial items for the period amounted to income of SEK 0.4 million (0.5) and mainly comprised FX effects on cash and cash equivalents, a change in value of current investments and a revaluation of inter-company transactions. Profit for the period was SEK 2.4 million (loss: 2.4), corresponding to a year-on-year improvement of SEK 4.8 million.



## Nine months

Gross profit for the first nine months amounted to SEK 80.9 million (85.6), a year-on-year decline of SEK 4.7 million. The gross margin was 68.6 percent (67.4).

The gross margin for the first nine months was higher than for the year-earlier period. The improvement in the service business, with increased service sales and reduced costs for service personnel, drove up the gross margin.

Operating expenses amounted to SEK 96.4 million (111.2), corresponding to a reduction of SEK 14.8 million or 13.3 percent compared with the first nine months of 2019. The decrease in operating expenses is mainly attributable to a reduction in the number of employees in the Group, but also the review that is in progress of the company's total costs. The period's costs include restructuring expenses for the reorganisation implemented to achieve expanded focus on our software business during the second quarter. These costs affecting comparability amounted to SEK 2.3 million (5.5) for the first nine months of the year. The 2020 period included SEK 0.6 million in exchange rate losses on accounts receivable attributable to a stronger Swedish krona, which generated a negative effect on the accounts receivable outstanding for Edgware in EUR, USD and MXN in operating expenses. The corresponding period of the preceding year included a positive exchange-rate effect of SEK 1.9 million in operating expenses.

During the first nine months, development expenses of SEK 9.3 million (9.4) were capitalised, accounting for 17.2 percent (17.2) of the company's total R&D expenses. At the same time, amortisation of previously capitalised development expenses rose to SEK 9.6 million (8.7). 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 0.3 million (pos: 0.7) on EBIT.

R&D, MSEK	Q1-Q3 2020	Q1-Q3 2019
Total R&D expenses	-53,9	-54,7
Capitalised development expenses	9,3	9,4
Amortisation of capitalised development expenses	-9,6	-8,7
<b>Net effect P/L</b>	<b>-0,3</b>	<b>0,7</b>
R&D expenses according to income statement	-44,6	-45,3
<b>% activated of tot gross Development</b>	<b>-17,2%</b>	<b>-17,2%</b>

Operating loss (EBIT) for the first nine months amounted to SEK 15.5 million (loss: 25.6), corresponding to a year-on-year improvement of SEK 10.1 million. Adjusted for non-recurring restructuring expenses, EBIT was a loss of SEK 13.2 million (loss: 20.1).

Net financial items amounted to income of SEK 0.0 million (0.8) and mainly comprised FX effects on cash and cash equivalents and a revaluation of inter-company transactions.

Loss for the period was SEK 16.2 million (loss: 18.4), corresponding to a year-on-year improvement of SEK 2.2 million.

## Financial position

The comparative figures under financial position pertain to December 2019. The equity/assets ratio was 77.2 percent (73.5) on 30 September 2020 and equity amounted to SEK 195.4 million (212.6).

Total assets on 30 September 2020 amounted to SEK 253.0 million (289.4). Inventories amounted to SEK 9.7 million (13.5) at the end of the period and capitalised development expenses amounted to SEK 23.3 million (23.6).

At the end of the period, the Group's cash and cash equivalents amounted to SEK 136.5 million (66.4). The current investments comprising short-term interest fund investments were sold during the second quarter of 2020 at a value of SEK 75.2 million and the proceeds were deposited in an interest-bearing bank account. This amounted to SEK 75.5 million at year-end. In total, cash and cash equivalents, including current investments, amounted to SEK 136.5 million (141.9) at 30 September 2020.

## Liquidity and cash flows

Cash flow from operating activities during the third quarter amounted to SEK negative 11.9 million (pos: 5.9). The negative cash flow was mainly generated by a negative change in operating capital related to trade accounts receivable and other current liabilities.

Cash flow from investing activities in the third quarter was negative in an amount of SEK 2.9 million (neg: 2.5). Cash flow from investing activities for the quarter was primarily attributable to direct costs for capitalised development work as well as investments in tangible and intangible non-current assets. Cash flow from investing activities for the first nine months was primarily attributable to the sale of the short-term interest fund and reinvestment of the proceeds in an interest-bearing bank account.

Total cash flow for the third quarter amounted to negative SEK 16.2 million (pos: 2.0). Total cash flow for the first nine months amounted to SEK 70.7 million (neg: 18.6). For the first nine months of 2020, SEK 75.0 million was derived from the sale of the short-term interest fund and SEK 19.1 million from a positive change in operating capital regarding trade accounts receivable. In the preceding year, the acquisition of Cavena was included in investing activities in an amount of SEK 9.0 million.

## Parent company

The parent company's net sales in the third quarter amounted to SEK 36.1 million (28.2) and loss for the period amounted to SEK 0.1 million (loss: 4.2). During the quarter, the parent company expensed commissions from the subsidiary in Hong Kong. This

is a part of the company's transfer pricing setup, and the transaction will be eliminated in the Group. The quarter also included a partial repayment of loans from the subsidiary Edgeware Inc in an amount of SEK 2.1 million, which had a positive effect on net financial items, as these loans were impaired in the parent company during an earlier period. The parent company's financial expense has also been charged with a write-down of shares in the subsidiary Cavena Image Products AB of SEK 4.2 million. The operations were continuously transferred to Edgeware AB during the year. The personnel, customer contracts and IP rights have been transferred to Edgeware AB and the value in shares has therefore been written down to net asset value in the equity in the subsidiary.

Since a large part of the Group's business and net sales is generated in the parent company, reference is made to the Group for additional comments in the quarterly report.

### Employees

The number of employees in the Group at the end of the period was 80 (99). The reduction between the years was 19 persons. Also included in the number of employees at 30 September are consultants with employment-like agreements 4 (8). Added to this are two outsourced development teams in Vietnam and one team in Poland, a total of about 14 (14) persons.

### Risks and uncertainties

Edgeware's operations, sales and results are affected by a number of internal and external risk factors. The company has a continuous process to identify and assess how each risk should be managed. The main risks facing the company are delivery risk, technical development risk and financial risk. Edgeware had, and still has, a high customer concentration in all its regions. The investment level from a few major customers has historically significantly impacted an individual quarter, and moving forward will continue to do so.

During 2020, the uncertainties affecting the entire global economy due to the corona pandemic also increased the uncertainties for Edgeware during the first nine months of 2020, and will continue during the fourth quarter of 2020. Refer also to the section "Corona pandemic effects" for further information.

Apart from the corona pandemic, no material risks and uncertainties beyond those described in the 2019 annual report have arisen in 2020.

### Edgeware's share

During the third quarter, Edgeware's share price varied between SEK 5.02 and SEK 9.20. The closing price on the last day of trading in September 2020 was SEK 7.74. Edgeware's market capitalisation on 30 September 2020 was SEK 232.5 million. As per 30 September 2020, Edgeware's share capital amounted to SEK 1,502,150.40, represented by 30,043,008 shares, of which Class C shares accounted for 100 percent. Refer also to Note 4.

For information on capital owned and invested in the company by the management and Board of Directors, visit Edgeware's website: <https://corporate.edgeware.tv/>

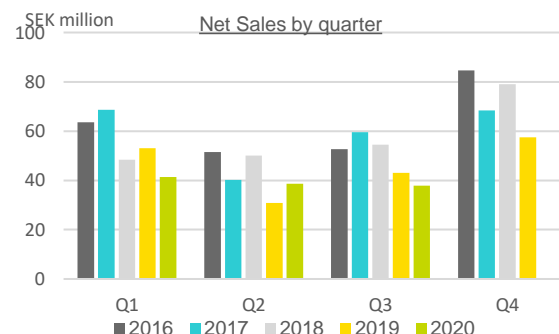
### Seasonal variations and outlook

On a global basis, Edgeware's sales are impacted by the underlying need to transform traditional television distribution into interactive television delivered over the Internet to a large number of different platforms, such as mobiles, iPads and Smart TVs. The trend in this direction is clear and there is still a great need for investments that contribute to this transformation. In Western Europe, however, subscriber growth is now low and the capacity of the CDN market is well developed. The western European CDN market is therefore specifically considered to be mature. Edgeware entered 2020 with expectations of low business volumes from the company's largest Western European customers and expecting continued fluctuations in sales between the quarters during the period of build-up for the company's new business.

Regarding the impact on Edgeware's future business from the ongoing corona pandemic, see the text under the section entitled "Corona pandemic effects."

The policy of not issuing a forecast stands firm.

Edgeware 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. However, the distribution of revenue across quarters and years is determined primarily by the larger customers' purchasing patterns and can therefore vary considerably. Operating expenses are seasonally lower during the third quarter in connection with holiday withdrawal effects. Based on the cost reductions implemented during the first half of 2020 and the cost savings that are a direct result of the corona pandemic, such as lower travel costs and cancelled fairs, we anticipate a cost saving of about 15 percent between the years.





## Financial objectives

Edgeware has the following long-term financial objectives, adopted at the Board meeting on 23 January 2020:

- Edgeware's target is to increase recurring revenues by 15 percent annually.
- Edgeware's target is to achieve a long-term (more than three years) EBIT margin of more than 10 percent.
- Edgeware's target for the short term, the next two years, is to annually improve EBIT.
- Edgeware's capital structure is to enable a high degree of financial flexibility and allow for acquisitions. The company's objective is for net indebtedness to amount to a maximum of two times EBITDA for the most recent 12-month period.
- Since Edgeware's cash flow in coming years should finance the continued development, expansion and opportunities to acquire, no dividend will be paid.

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

## CONSOLIDATED INCOME STATEMENT

	2020	2019	2020	2019	2019
(AMOUNTS IN SEK MILLION)	JUL-SEP Q3	JUL-SEP Q3	JAN-SEP Q1-Q3	JAN-SEP Q1-Q3	JAN-DEC FULL YEAR
Net sales	37.9	43.1	117.9	126.9	184.4
Cost of goods and services sold	-11.8	-14.3	-37.0	-41.3	-59.3
<b>Gross profit</b>	<b>26.1</b>	<b>28.8</b>	<b>80.9</b>	<b>85.6</b>	<b>125.1</b>
Selling expenses	-7.2	-10.5	-27.9	-35.9	-48.8
Administrative expenses	-5.9	-7.3	-21.1	-26.7	-34.9
Research and development expenses	-11.1	-13.0	-44.4	-45.2	-61.6
Other operating income/expenses	0.2	-1.6	-3.0	-3.4	-5.0
<b>EBIT</b>	<b>2.1</b>	<b>-3.6</b>	<b>-15.5</b>	<b>-25.6</b>	<b>-25.2</b>
<b>Financial items</b>					
Financial income	0.6	1.0	2.9	2.4	3.4
Financial expenses	-0.2	-0.5	-2.9	-1.6	-2.3
<b>Pre-tax profit</b>	<b>2.5</b>	<b>-3.1</b>	<b>-15.5</b>	<b>-24.8</b>	<b>-24.1</b>
Tax	-0.1	0.7	-0.7	6.4	-0.4
<b>Loss for the period</b>	<b>2.4</b>	<b>-2.4</b>	<b>-16.2</b>	<b>-18.4</b>	<b>-24.5</b>
<b>Attributable to:</b>					
Owners of the parent	2.4	-2.4	-16.2	-18.4	-24.5
Earnings per share before dilution, SEK	0.1	-0.1	-0.5	-0.6	-0.8
Earnings per share after dilution, SEK	0.1	-0.1	-0.5	-0.6	-0.8

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>2.4</b>	<b>-2.4</b>	<b>-16.2</b>	<b>-18.4</b>	<b>-24.5</b>
<b>Other comprehensive income</b>					
Items that can be reversed to profit or loss:					
Exchange-rate differences when translating foreign operations	-0.9	-1.4	-1.0	-1.7	-1.1
<b>Other comprehensive income, net after tax</b>	<b>-0.9</b>	<b>-1.4</b>	<b>-1.0</b>	<b>-1.7</b>	<b>-1.1</b>
<b>Comprehensive income for the period</b>	<b>1.5</b>	<b>-3.8</b>	<b>-17.2</b>	<b>-20.1</b>	<b>-25.6</b>
<b>Attributable to:</b>					
Owners of the parent	1.5	-3.8	-17.2	-20.1	-25.6

## CONSOLIDATED BALANCE

(AMOUNTS IN SEK MILLION)	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	3.3	7.0	3.3
Capitalised expenditure on development work	23.3	23.4	23.6
Trademarks	2.4	0.8	2.7
Other intangible assets	2.0	0.9	2.7
<b>Property, plant and equipment</b>			
Equipment	1.1	2.2	1.9
Right-of-use assets	4.3	9.5	8.0
<b>Financial non-current assets</b>			
Other non-current assets	2.3	2.2	2.3
<b>Deferred tax assets</b>	<b>12.3</b>	<b>19.9</b>	<b>12.8</b>
<b>Total non-current assets</b>	<b>51.0</b>	<b>65.9</b>	<b>57.3</b>
<b>Current assets</b>			
Inventories	9.7	16.2	13.5
Trade accounts receivable	45.1	35.6	64.2
Other receivables	2.6	1.0	1.2
Prepaid expenses and accrued income	8.1	13.7	11.3
Current investments	-	75.4	75.5
Cash and cash equivalents	136.5	74.6	66.4
<b>Total current assets</b>	<b>202.0</b>	<b>216.5</b>	<b>232.1</b>
<b>TOTAL ASSETS</b>	<b>253.0</b>	<b>282.4</b>	<b>289.4</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1.5	1.5	1.5
Other paid-in capital	235.9	235.9	235.9
Translation reserve	-5.8	-5.3	-4.8
Retained earnings including profit for the period	-36.2	-14.1	-20.0
<b>Equity attributable to owners of the parent</b>	<b>195.4</b>	<b>218.0</b>	<b>212.6</b>
<b>Total equity</b>	<b>195.4</b>	<b>218.0</b>	<b>212.6</b>
Lease liabilities	1.1	6.7	5.2
Deferred tax liabilities	0.9	-	0.8
<b>Total non-current liabilities</b>	<b>2.0</b>	<b>6.7</b>	<b>6.0</b>
<b>Current liabilities</b>			
Trade accounts payable	6.3	10.5	9.3
Lease liabilities	3.0	2.8	3.0
Current tax liabilities	-	0.0	0.1
Other current liabilities	2.2	3.1	3.8
Accrued expenses and deferred income	44.0	41.1	54.3
Other provisions	0.1	0.2	0.3
<b>Total current liabilities</b>	<b>55.6</b>	<b>57.7</b>	<b>70.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>253.0</b>	<b>282.4</b>	<b>289.4</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(AMOUNTS IN SEK MILLION)	30 Sep 2020	30 Sep 2019
<b>Opening balance, equity 1 Jan 2020 (1 Jan 2019)</b>	<b>212.6</b>	<b>238.1</b>
Loss for the period	-16.2	-18.4
Other comprehensive income	-1.0	-1.7
<b>Total comprehensive income</b>	<b>-17.2</b>	<b>-20.1</b>
<b>Closing balance, equity</b>	<b>195.4</b>	<b>218.0</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(AMOUNTS IN SEK MILLION)	2020 JUL-SEP Q3	2019 JUL-SEP Q3	2020 JAN-SEP Q1-Q3	2019 JAN-SEP Q1-Q3	2019 JAN-DEC FULL YEAR
<b>Operating activities</b>					
EBIT	2.1	-3.6	-15.5	-25.6	-25.2
Adjustments for non-cash items:					
Depreciation/amortisation	5.2	4.6	15.3	15.1	19.6
Other non-cash items	0.1	-0.9	0.4	-1.5	1.1
<b>Cash flow from operating activities before changes in operating capital</b>	<b>7.4</b>	<b>0.1</b>	<b>0.2</b>	<b>-12.0</b>	<b>-4.5</b>
<b>Cash flow from changes in operating capital</b>					
Decrease/Increase in inventories	0.5	-0.2	3.7	-4.0	-1.2
Decrease/Increase in trade accounts receivable	-10.5	21.4	19.1	49.6	20.9
Decrease/Increase in other current receivables	1.6	0.1	1.9	0.9	2.8
Decrease/Increase in trade accounts payable	-1.9	-6.0	-3.0	-8.8	-10.0
Decrease/Increase in other current liabilities	-9.0	-9.5	-12.1	-19.8	-4.9
<b>Cash flow from operating activities</b>	<b>-11.9</b>	<b>5.9</b>	<b>9.8</b>	<b>5.9</b>	<b>3.1</b>
<b>Investing activities</b>					
Acquisition of intangible non-current assets	-2.8	-2.5	-9.3	-9.8	-12.9
Acquisition of property, plant and equipment	-	-	-0.4	-1.0	-1.5
Investments in other financial non-current assets	-0.1	-	74.9	-0.3	-0.3
Acquisitions of subsidiaries after deduction of acquired cash and cash equivalents	-	-	-	-9.1	-9.0
<b>Cash flow from investing activities</b>	<b>-2.9</b>	<b>-2.5</b>	<b>65.2</b>	<b>-20.2</b>	<b>-23.7</b>
<b>Financing activities</b>					
Amortisation of lease liability	-1.4	-1.4	-4.3	-4.3	-5.6
<b>Cash flow from financing activities</b>	<b>-1.4</b>	<b>-1.4</b>	<b>-4.3</b>	<b>-4.3</b>	<b>-5.6</b>
<b>Cash flow for the period</b>	<b>-16.2</b>	<b>2.0</b>	<b>70.7</b>	<b>-18.6</b>	<b>-26.2</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>153.1</b>	<b>72.4</b>	<b>66.4</b>	<b>93.1</b>	<b>93.1</b>
Exchange-rate differences in cash and cash equivalents	-0.4	0.2	-0.6	0.1	-0.5
<b>Cash and cash equivalents at the end of the period</b>	<b>136.5</b>	<b>74.6</b>	<b>136.5</b>	<b>74.6</b>	<b>66.4</b>

(AMOUNTS IN SEK MILLION)

Current investments at the end of the period

	30 SEP-20	30 SEP-19	30 SEP-20	30 SEP-19	31-DEC-19
	-	75.4	-	75.4	75.5

### 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.

### 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 non-observable data.

For cash and cash equivalents, trade accounts receivable, other current receivables, trade accounts payable, lease liabilities 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 - million (75.2) and are measured at fair value in accordance with level 1.

Edgeware is able to hedge orders invoiced in EUR or MXN with an order value exceeding SEK 2 million and with payment terms of 60 days or more in order to reduce the currency risk. Currency future contracts are measured at fair value through profit or loss. Hedge accounting is not applied. At the end of September 2020, the outstanding currency future contracts in MXN were measured at negative SEK 0.1 million (neg: 0.2) and in EUR at SEK 0 million (0). Derivatives are measured according to level 2 of the fair value hierarchy with discounting of cash flows using exchange rates and interest rates prevailing on the balance-sheet date.

### 3. Estimates and judgments

Preparation of the report requires management to make judgments and estimates, and to make assumptions that affect the application of the accounting policies and the recognised amounts for assets, liabilities, revenue and expenses. Actual outcomes may deviate from these estimates and judgments. For further information, refer to Edgeware's 2019 Annual Report.

### 4. Share capital

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

### 5. Transactions with related parties

Significant transactions with related parties are presented in the Group's Note 34 i Edgeware consolidated financial statements and annual report for 2019. No material changes occurred in relationships or transactions with related parties compared with what was described in Edgeware's consolidated financial statements and annual report for 2019.

### 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 the Group's 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 REVENUE SPLIT

In the table below, net sales are broken down by region, sales category and timing of revenue recognition.

### Revenue split

MSEK	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
<b>Net sales by sales category</b>				
Products	19,9	24,0	64,4	74,2
Services	18,0	19,0	53,5	52,8
Of which support	15,6	14,7	46,0	41,2
Of which professional services	2,4	4,3	7,6	11,5
<b>Sum net sales</b>	<b>37,9</b>	<b>43,1</b>	<b>117,9</b>	<b>126,9</b>
<b>Net sales by region</b>				
EMEA	29,3	29,4	77,4	65,2
AMERICAS	4,9	7,2	29,1	37,9
APAC	3,7	6,5	11,5	23,8
<b>Sum net sales</b>	<b>37,9</b>	<b>43,1</b>	<b>117,9</b>	<b>126,9</b>
<b>Net sales by time</b>				
At a point in time	22,1	28,3	71,3	85,7
Over time	15,8	14,7	46,6	41,2
<b>Sum net sales</b>	<b>37,9</b>	<b>43,1</b>	<b>117,9</b>	<b>126,9</b>



## CONDENSED PARENT COMPANY INCOME STATEMENT

	2020 JUL-SEP	2019 JUL-SEP	2020 JAN-SEP	2019 JAN-SEP	2019 JAN-DEC
(AMOUNTS IN SEK MILLION)	Q3	Q3	Q1-Q3	Q1-Q3	FULL YEAR
Net sales	36.1	39.4	112.8	117.7	170.9
Cost of goods sold	-10.0	-11.2	-32.8	-33.5	-47.7
<b>Gross profit</b>	<b>26.1</b>	<b>28.2</b>	<b>80.0</b>	<b>84.2</b>	<b>123.2</b>
Selling expenses	-8.4	-13.2	-37.9	-50.9	-66.5
Administrative expenses	-5.4	-6.4	-19.0	-22.2	-29.1
Research and development expenses	-10.8	-12.7	-43.3	-41.2	-55.8
Other operating income/expenses	0.2	-1.5	-3.0	-3.5	-5.2
<b>EBIT</b>	<b>1.7</b>	<b>-5.6</b>	<b>-23.2</b>	<b>-33.6</b>	<b>-33.4</b>
<b>Financial income and expenses</b>					
Financial income	2.6	0.8	4.5	1.8	5.0
Financial expenses	-4.4	-0.5	-5.4	-1.3	-1.8
<b>Profit/loss after financial items</b>	<b>-0.1</b>	<b>-5.3</b>	<b>-24.1</b>	<b>-33.1</b>	<b>-30.2</b>
Tax on profit for the period	-	1.1	-0.2	6.8	-0.2
<b>Profit/loss for the period</b>	<b>-0.1</b>	<b>-4.2</b>	<b>-24.3</b>	<b>-26.3</b>	<b>-30.4</b>

## CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

	2020 JUL-SEP	2019 JUL-SEP	2020 JAN-SEP	2019 JAN-SEP	2019 JAN-DEC
(AMOUNTS IN SEK MILLION)	Q3	Q3	Q1-Q3	Q1-Q3	FULL YEAR
Loss for the period	-0.1	-4.2	-24.3	-26.3	-30.4
<b>Other comprehensive income:</b>		-	-	-	-
<b>Comprehensive income for the period</b>	<b>-0.1</b>	<b>-4.2</b>	<b>-24.3</b>	<b>-26.3</b>	<b>-30.4</b>

## PARENT COMPANY BALANCE SHEET

(AMOUNTS IN SEK MILLION)	30 SEP 2020	30 SEP 2019	31 DEC 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalised expenditure on development work	23.3	23.1	23.6
Trademarks	0.7	0.8	0.7
Other intangible assets	0.5	0.9	0.8
<b>Property, plant and equipment</b>			
Equipment	1.1	2.2	1.9
<b>Financial non-current assets</b>			
Shares in subsidiaries	7.3	11.5	11.5
Deferred tax assets	12.2	19.3	12.4
Other non-current assets	1.8	1.8	1.8
<b>Total non-current assets</b>	<b>46.9</b>	<b>59.6</b>	<b>52.7</b>
<b>Current assets</b>			
Inventories	9.5	15.3	13.2
Trade accounts receivable	44.5	33.5	59.5
Current receivables	10.0	13.9	12.8
Receivables from Group companies	0.3	0.8	-
<b>Total current assets</b>	<b>64.3</b>	<b>63.5</b>	<b>85.5</b>
<b>Current investments</b>	-	75.0	75.0
<b>Cash and bank balances</b>	126.8	68.7	63.3
<b>Total current assets</b>	<b>191.1</b>	<b>207.2</b>	<b>223.8</b>
<b>TOTAL ASSETS</b>	<b>238.0</b>	<b>266.8</b>	<b>276.5</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	1.5	1.5	1.5
Reserve for development expenses	23.2	21.7	23.6
<b>Total restricted equity</b>	<b>24.7</b>	<b>23.2</b>	<b>25.1</b>
<b>Unrestricted equity</b>			
Share premium reserve	235.9	235.9	235.9
Retained earnings	-49.8	-17.8	-19.7
Loss for the period	-24.3	-26.3	-30.4
<b>Total equity</b>	<b>186.5</b>	<b>215.0</b>	<b>210.9</b>
<b>Provisions</b>			
Other provisions	0.2	0.2	0.3
<b>Total provisions</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>
<b>Current liabilities</b>			
Trade accounts payable	6.2	9.8	8.4
Current tax liabilities	-	0.4	0.4
Liabilities to Group companies	0.7	-	1.4
Other current liabilities	2.1	2.9	3.7
Accrued expenses and deferred income	42.3	38.5	51.4
<b>Total current liabilities</b>	<b>51.3</b>	<b>51.6</b>	<b>65.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>238.0</b>	<b>266.8</b>	<b>276.5</b>

## KEY FINANCIAL FIGURES

	2020	2020	2020	2019	2019	2019	2019	2019
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	JLL YEAR
<b>Net sales by region</b>								
EMEA	28.3	19.7	29.3	21.6	14.2	29.4	46.7	111.9
AMERICAS	9.9	14.3	4.9	22.6	8.2	7.2	6.5	44.4
APAC	3.2	4.6	3.7	8.8	8.5	6.5	4.2	28.0
<b>Net sales</b>	<b>41.4</b>	<b>38.6</b>	<b>37.9</b>	<b>53.0</b>	<b>30.8</b>	<b>43.1</b>	<b>57.4</b>	<b>184.4</b>
<b>Net sales by sales category</b>								
Products	24.6	19.9	19.9	36.6	13.5	24.0	40.3	114.5
Services	16.8	18.7	18.0	16.4	17.3	19.0	17.1	69.8
<i>Of which: Support</i>	14.4	15.9	15.6	12.1	14.4	14.7	14.9	56.1
<i>Of which: Professional Services</i>	2.4	2.8	2.4	4.3	2.9	4.3	2.2	13.7
<b>Net sales</b>	<b>41.4</b>	<b>38.6</b>	<b>37.9</b>	<b>53.0</b>	<b>30.8</b>	<b>43.1</b>	<b>57.4</b>	<b>184.4</b>
Gross profit	28.6	26.2	26.1	38.7	18.0	28.8	39.5	125.1
Gross margin, %	69.0%	67.8%	69.0%	73.0%	58.5%	66.9%	68.8%	67.8%
Operating expenses **)	-34.3	-38.2	-24.0	-39.5	-39.3	-32.4	-39.1	-150.3
Operating expenses/Net sales, %	-82.8%	-98.8%	-63.4%	-74.5%	-127.6%	-75.2%	-68.0%	-81.5%
EBIT **)	-5.7	-11.9	2.1	-0.7	-21.3	-3.6	0.4	-25.2
EBIT margin, % **)	-13.8%	-30.9%	5.6%	-1.4%	-69.1%	-8.4%	0.7%	-13.7%
EBITDA **)	-0.5	-7.0	7.3	4.7	-16.3	1.1	5.5	-5.2
EBITDA margin (%) **)	-1.2%	-18.2%	19.3%	8.7%	-53.0%	2.6%	9.6%	-2.8%
Profit/loss for the period after tax	-6.9	-11.6	2.4	0.4	-16.4	-2.4	-6.1	-24.5
Net margin, profit/loss for the period after tax, %	-16.7%	-30.1%	6.3%	0.7%	-53.1%	-5.5%	-10.7%	-13.3%
Total assets	281.0	263.5	253.0	310.4	303.0	282.3	289.4	289.4
Equity assignable to the parent company's shareholders	205.5	193.8	195.4	238.2	221.8	218.0	212.6	212.6
Equity/assets ratio, % **)	73.2%	73.5%	77.2%	76.7%	73.2%	77.2%	73.5%	73.5%
Return on equity (ROE) **)	-3.3%	-5.8%	1.2%	0.2%	-7.1%	-1.1%	-2.8%	-10.9%
Return on operating capital (ROOC) **)	-3.5%	-7.9%	1.4%	-0.4%	-12.0%	-2.2%	0.3%	-14.0%
Return on capital employed (ROCE) **)	-1.7%	-3.9%	1.1%	0.1%	-6.8%	-0.9%	0.5%	-7.1%
Cash flow from operating activities	15.8	5.8	-11.9	19.6	-19.7	5.9	-2.7	3.1
Cash flow for the period	10.9	76.1	-16.2	5.6	-26.2	2.0	-7.6	-26.2
No. of employees at the end of the period*	95	86	80	106	100	99	98	98
Of whom, women	12	10	8	14	14	14	13	13

\*)Employees: Included in the number of employees at 30 September 2020 are 4 (8) consultants with employment-like agreements.

\*\*)Financial measures not defined according to IFRS. Definitions of these measurements are presented on pages 20-21

## ALTERNATIVE PERFORMANCE

### Definitions

**EMEA** Europe, Middle East and Africa.

**APAC** Asia and Pacific region.

**AMERICAS** North and South America.

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

**Gross margin** Gross profit as a percentage of net sales.

**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.

	2020	2020	2020	2019	2019	2019	2019	2019
(AMOUNTS IN SEK MILLION)	Q1	Q2	Q3	Q1	Q2	Q3	Q4	FULL YEAR
Net sales	41.4	38.6	37.9	53.0	30.8	43.1	57.4	184.4
EBIT	-5.7	-11.9	2.1	-0.7	-21.3	-3.6	0.4	-25.2
<b>EBIT margin, %</b>	<b>-13.8%</b>	<b>-30.9%</b>	<b>5.6%</b>	<b>-1.4%</b>	<b>-69.1%</b>	<b>-8.4%</b>	<b>0.7%</b>	<b>-13.7%</b>

#### 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.

	2020	2020	2020	2019	2019	2019	2019	2019
(AMOUNTS IN SEK MILLION)	Q1	Q2	Q3	Q1	Q2	Q3	Q4	FULL YEAR
Net sales	41.4	38.6	37.9	53.0	30.8	43.1	57.4	184.4
Profit/loss for the period after tax	-6.9	-11.6	2.4	0.4	-16.4	-2.4	-6.1	-24.5
<b>Net margin, %</b>	<b>-16.7%</b>	<b>-30.1%</b>	<b>6.3%</b>	<b>0.7%</b>	<b>-53.1%</b>	<b>-5.5%</b>	<b>-10.7%</b>	<b>-13.3%</b>

#### 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.

	2020	2020	2020	2019	2019	2019	2019	2019
(AMOUNTS IN SEK MILLION)	Q1	Q2	Q3	Q1	Q2	Q3	Q4	FULL YEAR
EBIT	-5.7	-11.9	2.1	-0.7	-21.3	-3.6	0.4	-25.2
Amortisation of capitalised development expenses	-3.2	-3.0	-3.4	-3.0	-2.9	-2.9	-2.9	-11.7
IFRS 16 depreciation	-1.7	-1.2	-1.2	-1.7	-1.3	-1.3	-1.6	-5.7
Other depreciation	-0.3	-0.7	-0.6	-0.7	-0.8	-0.5	-0.6	-2.5
<b>EBITDA</b>	<b>-0.5</b>	<b>-7.0</b>	<b>7.3</b>	<b>4.7</b>	<b>-16.3</b>	<b>1.1</b>	<b>5.5</b>	<b>-5.2</b>
<b>EBITDA margin %</b>	<b>-1.2%</b>	<b>-18.2%</b>	<b>19.3%</b>	<b>8.7%</b>	<b>-53.0%</b>	<b>2.6%</b>	<b>9.6%</b>	<b>-2.8%</b>

### 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)	2020 Q1	2020 Q2	2020 Q3	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
Total assets	281.0	263.5	253.0	310.4	303.0	282.3	289.4	289.4
Equity	205.5	193.8	195.4	238.2	221.8	218.0	212.6	212.6
<b>Equity/assets ratio (%)</b>	<b>73.2%</b>	<b>73.5%</b>	<b>77.2%</b>	<b>76.7%</b>	<b>73.2%</b>	<b>77.2%</b>	<b>73.5%</b>	<b>73.5%</b>

### 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)	2020 Q1	2020 Q2	2020 Q3	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
Equity	205.5	193.8	195.4	238.2	221.8	218.0	212.6	212.6
Average adjusted equity	209.0	199.7	194.6	238.1	230.0	220.0	215.3	225.3
Loss for the period	-6.9	-11.6	2.4	0.4	-16.4	-2.4	-6.1	-24.5
<b>Return on equity (ROE) (%)</b>	<b>-3.3%</b>	<b>-5.8%</b>	<b>1.2%</b>	<b>0.2%</b>	<b>-7.1%</b>	<b>-1.1%</b>	<b>-2.8%</b>	<b>-10.9%</b>

### 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)	2020 Q1	2020 Q2	2020 Q3	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
Current receivables	147.6	57.1	65.5	149.6	163.0	141.7	165.7	165.7
Cash and cash equivalents	77.7	153.1	136.5	98.6	72.4	74.6	66.4	66.4
Current liabilities	-68.0	-64.1	-53.4	-59.6	-70.1	-54.4	-68.3	-68.3
<b>Operating capital</b>	<b>157.3</b>	<b>146.1</b>	<b>148.5</b>	<b>188.6</b>	<b>165.3</b>	<b>161.7</b>	<b>163.9</b>	<b>163.9</b>
<b>Average operating capital</b>	<b>160.6</b>	<b>151.7</b>	<b>147.3</b>	<b>192.6</b>	<b>176.9</b>	<b>163.5</b>	<b>162.8</b>	<b>180.3</b>
EBIT	-5.7	-11.9	2.1	-0.7	-21.3	-3.6	0.4	-25.2
<b>Return on operating capital (ROOC), %</b>	<b>-3.5%</b>	<b>-7.9%</b>	<b>1.4%</b>	<b>-0.4%</b>	<b>-12.0%</b>	<b>-2.2%</b>	<b>0.3%</b>	<b>-14.0%</b>

### 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)	2020 Q1	2020 Q2	2020 Q3	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
EBIT	-5.7	-11.9	2.1	-0.7	-21.3	-3.6	0.4	-25.2
Financial income	0.8	1.4	0.7	0.9	0.5	1.0	1.0	3.5
<b>EBIT plus financial income</b>	<b>-4.9</b>	<b>-10.5</b>	<b>2.8</b>	<b>0.2</b>	<b>-20.8</b>	<b>-2.6</b>	<b>1.4</b>	<b>-21.8</b>
Total assets	281.0	263.5	253.0	310.4	303.0	282.3	289.4	289.4
<b>Average total assets</b>	<b>285.0</b>	<b>272.1</b>	<b>258.3</b>	<b>315.3</b>	<b>306.5</b>	<b>292.7</b>	<b>285.8</b>	<b>304.6</b>
<b>Return on capital employed (ROCE), %</b>	<b>-1.7%</b>	<b>-3.9%</b>	<b>1.1%</b>	<b>0.1%</b>	<b>-6.8%</b>	<b>-0.9%</b>	<b>0.5%</b>	<b>-7.1%</b>

### 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 is not directly related to goods or services.

(AMOUNTS IN SEK MILLION)	2020 Q1	2020 Q2	2020 Q3	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
Selling expenses	-10.8	-9.9	-7.2	-11.8	-13.6	-10.5	-12.9	-48.8
Administrative expenses	-8.2	-7.0	-5.9	-11.3	-8.1	-7.3	-8.2	-34.9
Research and development expenses	-16.9	-16.4	-11.1	-16.0	-15.3	-13.0	-16.4	-61.6
Other operating income/expenses	1.6	-4.8	0.2	0.6	-2.3	-1.6	-1.6	-5.0
<b>Operating expenses</b>	<b>-34.3</b>	<b>-38.1</b>	<b>-24.0</b>	<b>-39.5</b>	<b>-39.3</b>	<b>-32.4</b>	<b>-39.1</b>	<b>-151.3</b>
Net sales	41.4	38.6	37.9	53.0	30.8	43.1	57.4	184.4
<b>Operating expenses/net sales, %</b>	<b>-82.8%</b>	<b>-98.8%</b>	<b>-63.4%</b>	<b>-74.5%</b>	<b>-127.6%</b>	<b>-75.2%</b>	<b>-68.0%</b>	<b>-81.5%</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, 22 October 2020

Michael Ruffolo  
Chairman of the Board

Karl Thedéen  
CEO

Erik Hallberg  
Board member

Rickard Blomqvist  
Board member

Arnd Benninghoff  
Board member

Jonas Hasselberg  
Board member

Tuija Soanjärvi  
Board member

## **FINANCIAL CALENDAR**

- Year-end Report, October-December 2020, 5 February 2021.
- Interim report January-March 2021, Q1 2021, 30 April 2021.
- 2021 Annual General Meeting, 6 May 2021.

## **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 – TV beyond Broadcast!**



## CONTACT INFORMATION

For further information, please contact:

**Annika Norin, CFO/IR**

Telephone: 070,885 67 74.

E-mail: [annika.norin@edgeware.tv](mailto:annika.norin@edgeware.tv)

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 person set out above, at 7:30 a.m. on 23 October 2020.

At 10:00 a.m. on 23 October 2020, 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: +46850558356

UK: +443333009274

US: +18332498406

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

<https://tv.streamfabriken.com/edgeware-q3-2020>

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

**EDGEWARE AB**

Mäster Samuelsgatan 42  
111 57 Stockholm  
[www.edgeware.tv](http://www.edgeware.tv)

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