

2020

**INTERIM REPORT
JANUARY–MARCH 2020**

JANUARY–MARCH 2020

**SEK 41.4
MILLION**
NET SALES

-22.0%
DECREASE IN
NET SALES

**SEK -5.7
MILLION**
EBIT
-13.8% EBIT MARGIN

2020

INTERIM REPORT JANUARY-MARCH

FIRST QUARTER OF 2020:

- Net sales totalled SEK 41.4 million (53.0), a decrease of 22.0 percent.
- Gross profit amounted to SEK 28.6 million (38.7), corresponding to a gross margin of 69.0 percent (73.0).
- Operating income (EBIT) amounted to negative SEK 5.7 million (neg: 0.7), corresponding to an operating margin of negative 13.8 percent (neg: 1.4).
- Loss for the period amounted to SEK 6.9 million (profit: 0.4).
- Cash flow from operating activities totalled SEK 15.8 million (18.2).
- Cash flow for the period was SEK 10.9 million (5.6).

SIGNIFICANT EVENTS DURING THE FIRST QUARTER

- Corona epidemic had an impact on all of society and the global economy, resulting in people working from home and the cancellation of customer meetings and of events, including sports, which has significance for Edgware's business. Sales in APAC declined as a result of Corona epidemic, with an absence of product orders.
- Edgware added an auto-pilot function that enables an automated quality optimisation for its StreamPilot platform for multi-CDN control.
- The key NAB trade fair that was to be held in Las Vegas in mid-April was cancelled.

"Corona epidemic will have a negative impact on our results during the year. However, we have a clear strategy and our customers have an investment requirement, which means that we foresee favourable possibilities to emerge from this period as a stronger company."

Karl Thedéen,
CEO, Edgware

(SEK million unless otherwise indicated)	2020	2019	2019
	Q1	Q1	Full-year
Net sales	41.4	53.0	184.4
Gross profit	28.6	38.7	125.1
Gross margin (%)	69.0%	73.0%	67.8%
EBIT	-5.7	-0.7	-25.2
EBIT margin (%)	-13.8%	-1.4%	-13.7%
Profit/loss for the period	-6.9	0.4	-24.5
Cash flow from operating activities	15.8	18.2	3.1
Cash flow for the period*	10.9	5.6	-26.2
No. of employees at the end of the period**	95	106	98
Cash and cash equivalents	77.7	98.6	66.4
Current investments	73.9	75.5	75.5

*Cash flow for the period Jan-Dec 2019 includes the purchase consideration for the company acquired in January 2019, Cavena Image Products AB.

**Included in the number of employees at 31 March 2020 are 4 (5) consultants with employment-like agreements.

COMMENTS BY THE CEO

The outbreak of the Corona epidemic pandemic in recent months has dramatically changed how we live our lives and the conditions for conducting business. At Edgware, most employees are now working from home and as a result of our established modern work methods, there is still a high degree of efficiency. We continue to develop new products, we are delivering services and products to our existing customers as usual and we are employing new ways of reaching new customers as the quarantine rules are making physical meetings impossible. However, we saw an impact on our sales in the first quarter. China and Hong Kong were the first countries to be affected and which applied strict quarantine regulations. In these countries, it has been essentially impossible to conduct new business during the quarter, although the service business continued to generate revenue. This is reflected in the low level of sales in APAC in the first quarter. In Europe, some of our new customers were negatively impacted by declining advertising revenue as a result of reduced business activity in society in general. We have also seen that cancelled sports events, such as the European Football Championships and the Tokyo Olympics, are having a negative impact on our business, since some network investments are determined by the peaks in network capacity generated by major sports events.

We anticipate that the pandemic will continue to affect us in the short to medium term. It is still too early to foresee the end of the pandemic and how its impact will be in the longer term. At the same time there are some positive signs. China and Hong Kong have now begun to ease their restrictions which will mean that we can again start to address the business opportunities that we see there. Traditional telco operators, which form a large part of our customer base, have also generally been less affected by the pandemic. The television business has become even more important in their offerings in a world where social distancing currently is the new norm.

With a clear ambition of reducing our costs, we continue to execute our plan towards a strategy that is relevant to the highest degree:

- growing our recurring support and software revenue.
- focusing on winning new CDN customers, primarily outside Western Europe.
- launching new software products to strengthen our offering toward new customer groups such as broadcasters and content owners.



In total, sales for the first quarter were SEK 41 million, corresponding to a decline of 22 percent compared with the year-earlier period. As already mentioned, sales in APAC were strongly affected by the effects of the pandemic in China and Hong Kong. For the reasons we reported earlier, the investment levels among the larger customers in Western Europe remained at a low level, but in the first quarter, we secured a major supplementary order from one of them. In EMEA, sales were therefore considerably higher than in the corresponding, relatively weak quarter of last year. We have small number of customers in Latin America and there can be strong fluctuations in sales between the quarters. The first quarter of last year was very strong and sales for the first quarter of 2020 were significantly lower.

Our recurring support revenue rose by 20 percent in the quarter, but the total service revenue, including professional services, was on a corresponding level to the comparison quarter overall. Our gross margin was 69 percent and EBIT for the first quarter was negative 5.7 million. Given the short-term market prospects, we have a continued focus on our operating expenses, which decreased by just over 10 percent in the quarter after adjustments for FX effects compared with the first quarter of last year. Cash flow for the quarter was SEK 10.9 million and our net cash flow, including short-term investments, amounted to SEK 152 million at the end of the quarter.

During the quarter, we also added a new function to our StreamPilot product. "AutoPilot" gives broadcasters and content providers, who deliver video content over multi-CDNs, the possibility to optimise their distribution quality fully automatically. The function was developed as a direct result of the customer dialogues and tests we have had in relation to StreamPilot. This new function has resulted in new customer dialogues that we expect will lead to field tests with more customers once the market has normalised.

The start of 2020 was undeniably dramatic. There is great uncertainty in the short to medium term, but we have strong cash flow, strict cost control, a clear plan, dedicated employees and are working tirelessly to emerge from the Corona pandemic as a stronger company.

Karl Thedéen
CEO, Edgware

Corona epidemic effects

In conjunction with Corona epidemic and all the restrictions introduced relating to travel, physical meetings, closed offices and home working in Edgware's regions, customer meetings have become more difficult to conduct. The other major impact experienced by Edgware is that the customers are no longer distributing live sport. This means that the need is reduced for expanding existing capacity and investing in new products from Edgware. The largest impact of this will occur in the future. Expected new capacity investments by Edgware's customers ahead of the European Football Championships and the summer Olympics are also absent now that these events have been cancelled. Edgware's order intake will be negatively affected during the year due to live sport being unavailable. The paradox is that TV viewing is increasing in number of hours, but the occasions with very high loads have disappeared because these are mainly driven by sports broadcasting.

Edgware invests approximately 30 percent of sales in research and development. Currently, two new product concepts are being developed that will give customers the possibilities to manage personalised advertising and high capacity in relation to, for example, sports broadcasting. Products in the industry in which Edgware 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. Overall, Edgware has already seen a significant impact of Corona epidemic, but the effect will probably be more clearly visible during the rest of the year as Europe, which is Edgware's main market, is strongly affected by the Corona epidemic.

No additional impairment requirement is deemed necessary in relation to the effects of Corona epidemic. Edgware has a strong balance sheet with a high equity/assets ratio of 73.2 percent and healthy liquidity, with cash and cash equivalents, including current investments, that amount to SEK 151.6 million, which corresponds to 83.8 percent of total assets. In terms of the open trade accounts receivable and assessed risk of future credit losses, the provision for future credit losses was not increased significantly in the first quarter of 2020. Although the general credit risk increased as a result of Corona epidemic, Edgware's historically largest customer group, telco operators, are not considered to belong to the group that has been significantly impacted by Corona epidemic 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 currently is the new norm. 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 Edgware's receivables increases.

Net sales**First quarter**

The Group's net sales for the first quarter totalled SEK 41.4 million (53.0), down 22.0 percent compared with the same quarter in 2019. The decrease in comparable currencies was 23.7 percent.

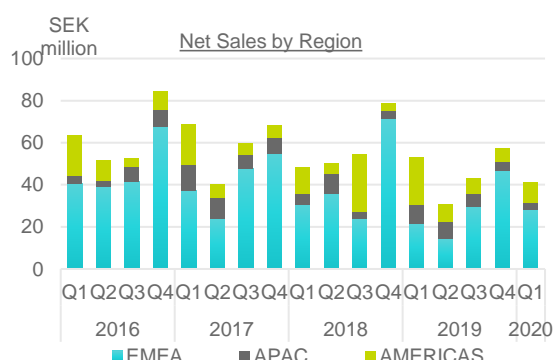
Net sales increased to SEK 28.3 million (21.6) in EMEA (Europe, the Middle East and Africa). However, in APAC (Asia and Pacific region) and AMERICAS (North and South America), net sales decreased compared with the first quarter of 2019. Net sales in APAC amounted to SEK 3.2 million (8.8) and in AMERICAS (North and South America) to SEK 9.9 million (22.6).

In the EMEA region, medium-sized product and license investments were registered during the quarter for network expansion from some of the region's customers. The corresponding quarter of 2019 was a relatively weak quarter in the EMEA region. In the APAC region, Edgware's business was directly impacted during the first quarter by the Corona epidemic outbreak and we also forecast a continued impact on our business due to the ongoing pandemic. Our operations and sales in the APAC region were essentially non-existent, with the exception of ongoing support contracts. Product sales fell from SEK 6.3 million in the first quarter of 2019 to SEK 0.4 million in the first quarter of 2020, a decrease of 93.9 percent. Total sales for the quarter for the APAC region were SEK 3.2 million (8.8), down 63.6 percent. Sales declined for the AMERICAS region by 55.9 percent to SEK 9.9 million (22.5) compared with the corresponding quarter in 2019. The customer concentration is high in the region and in the corresponding quarter in 2019, Edgware secured a major order from the region's largest customer.

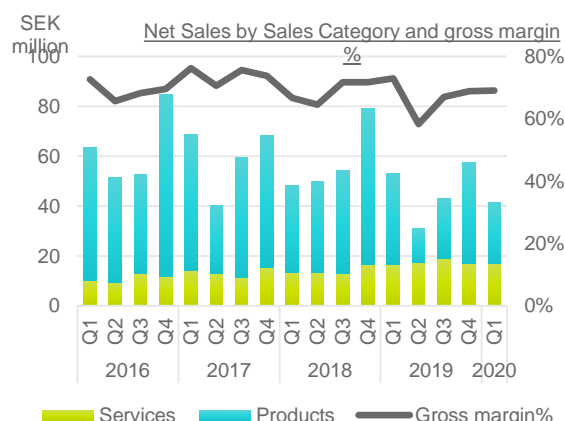
Service business for the company increased by 2.4 percent compared with the first quarter of 2019. The service business includes both the recurring support business and professional services. The company's support business grew 20.0 percent in the first quarter compared with 2019, while professional services declined 46.1 percent.

Edgware had, and still has, a high customer concentration in all its regions. The investment level from a few major customers has historically significantly impacted an individual quarter, and moving forward will continue to do so. Historically, Edgware has also had a large customer concentration and dependence on major telcos.

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 first quarter, the Products business stream (hardware, software and licences) accounted for 59.4 percent (69.1), while the remaining 40.6 percent (30.9) was attributable to Services (maintenance, support and other services). Recurring revenue from the support business from existing customers and recurring revenue from software licenses amounted to SEK 14.6 million (12.1). Support revenue corresponded to 86.1 percent (73.6) of net sales from services.



Results

First quarter

Gross profit in the first quarter amounted to SEK 28.6 million (38.7), corresponding to a year-on-year decline of SEK 10.1 million. The lower product sales during the quarter reduced gross profit, while the service business's sales were in line with the preceding year.

The gross margin was 69.0 percent (73.0). 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. As a result of the lower net sales of SEK 41.4 million during the quarter, compared with SEK 53.0 million in 2019, the fixed costs' share of the gross margin was higher. Amortisation of

capitalised development expenses, which was SEK 3.2 million (3.0) for the quarter, impacted the quarter's gross margin by 7.8 percent (5.6), while personnel costs for service employees had an impact of 15.3 percent (11.8). During the quarter, an inventory impairment of SEK 0.2 million (0) was made, as well as amortisation and impairment of capitalised research and development expenses of SEK 0.3 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 marginally better than in the preceding year, which was attributable to somewhat higher service revenue.

Operating expenses amounted to SEK 34.3 million (39.5), down SEK 5.2 million or 13.2 percent year-on-year. The underlying costs declined compared with the preceding year, primarily in administration and selling costs. EBIT for the quarter includes revenue of SEK 1.6 million (0.6) for exchange gains on accounts receivable attributable to a weakened Swedish krona during the first quarter, which generated a positive result on the accounts receivable outstanding for Edgware in EUR and USD at the end of the quarter.

The year-on-year cost decrease was primarily due to fewer employees, fewer consultants and lower sales-related bonus in the Group. During the quarter, the NAB trade fair in Las Vegas was cancelled, which reduced the costs between the years. In the preceding year, Edgware acquired the subsidiary Cavena Image Products AB, which entailed some nonrecurring expenses, such as legal and removal costs.

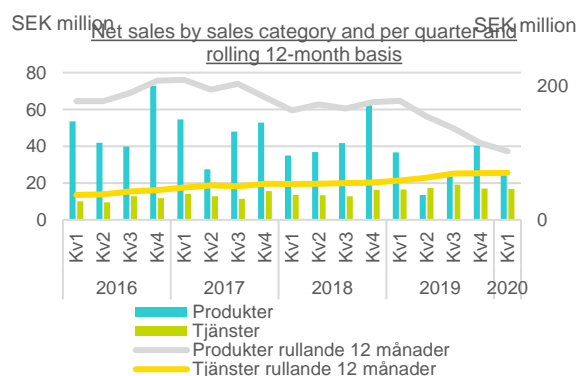
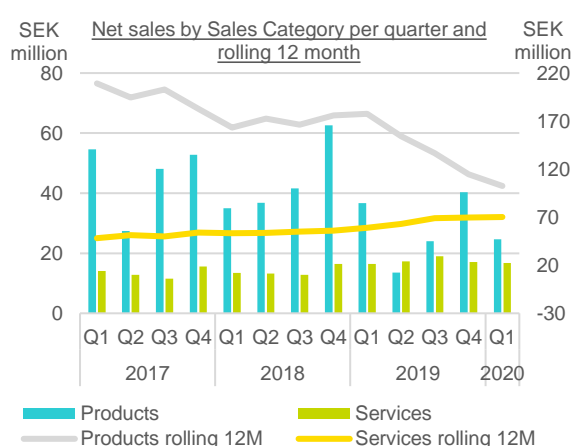
During the first quarter, development expenses of SEK 3.2 million (2.8) were capitalised, accounting for 16.0 percent (14.0) of the company's total R&D expenses. Amortisation of previously capitalised development expenses during the period amounted to SEK 3.2 million (3.0). This amortisation is a component 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 neutral effect of SEK 0.0 million (0.2) on EBIT.

R&D, MSEK	Q1 2020	Q1 2019
Total R&D expenses	-20,1	-19,7
Capitalised development expenses	3,2	2,8
Amortisation of capitalised development expenses	-3,2	-3,0
Net effect P/L	0,0	-0,2
R&D expenses according to income statement	-16,9	-16,9
% activated of tot gross Development	-16,0%	-14,0%

Operating income before depreciation and amortisation (EBITDA) amounted to negative SEK 0.5 million (pos: 4.7).

Operating loss (EBIT) for the quarter amounted to SEK 5.7 million (loss: 0.7), corresponding to a year-on-year decline of SEK 5.0 million. EBIT corresponded to an operating margin of negative 13.8 percent (neg: 1.4). Net financial items for the period amounted to negative SEK 1.0 million (pos: 0.4) and mainly comprised FX effects on cash and cash equivalents, a change in value of current investments and a revaluation of inter-company transactions. During the quarter, there was a strong negative impact on current investments due to the market reaction to Corona epidemic. During March, Edgware's current investments decreased in value by SEK 1.5 million (increase: 0.2) to SEK 73.9 million (75.5).

Loss for the period totaled SEK 6.9 million (profit: 0.4), corresponding to a year-on-year decrease of SEK 7.3 million.



Financial position

The comparative figures under financial position pertain to December 2019. The equity/assets ratio was 73.2 percent (73.5) on 31 March 2020 and equity amounted to SEK 205.5 million (212.6).

Total assets on 31 March 2020 amounted to SEK 281.0 million (289.4). Inventories amounted to SEK 11.6 million (13.5) at the end of the period and capitalised development expenses amounted to SEK 23.6 million (23.6).

The Group's cash and cash equivalents amounted to SEK 77.7 million (66.4) at the end of the period. Current investments are short-term interest fund investments and amounted to SEK 73.9 million (75.5). The asset is measured according to level 1 of the fair value hierarchy. In total, cash and cash equivalents, including current investments, amounted to SEK 151.6 million (141.9) at 31 December 2020.

Liquidity and cash flows

Cash flow from operating activities in the first quarter amounted to SEK 15.8 million (18.2). The positive cash flow was mainly generated by a positive change in operating capital related to trade accounts receivable attributable to the higher sales in the preceding quarter.

Cash flow from investing activities amounted to negative SEK 3.5 million (neg: 12.3) during the first quarter and was primarily attributable to direct costs for capitalised development work as well as investments in tangible and intangible non-current assets. In the preceding year, the acquisition of Cavena was included in the quarter's investing activities in an amount of SEK 9.0 million.

Total cash flow for the first quarter amounted to SEK 10.9 million (5.6).

Parent company

The parent company's net sales in the first quarter totalled SEK 39.3 million (49.3) and loss for the period amounted to SEK 9.6 million (loss: 3.8). During the quarter, the parent company expensed commissions from the subsidiary in the US for business in Latin America and for 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.

Financial income for the first quarter included a reversal of an earlier written-down receivable against the subsidiary Edgware Inc of SEK 0.8 million (0), since the subsidiary repaid part of the internal loan during the quarter.

Since the 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 95 (106). The reduction between the years was 11 persons. Also included in the number of employees at 31 March are consultants with employment-like agreements 4 (5). 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

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

During 2020, the uncertainties affecting the entire global economy due to Corona epidemic also increased the uncertainties for Edgware during the current quarter, but also in onward during 2020. Refer also to the notes regarding Corona epidemic effects for further information.

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

Edgware's share

During the first quarter, Edgware's share price varied between SEK 3.1 and SEK 5.6. The closing price on the last day of trading in March 2020 was SEK 3.95. Edgware's market capitalisation on 31 March 2020 was SEK 118.7 million. The number of Edgware shareholders on 31 March 2020 was 3 294. Foreign shareholders accounted for some 43 percent of the voting rights. As per 31 March 2020, Edgware'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 Edgware's website:
<https://corporate.edgware.tv/>

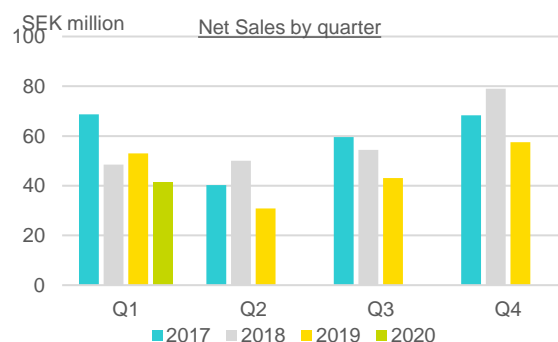
Seasonal variations and outlook

On a global basis, Edgware'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. Edgware 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 Edgware's future business from the ongoing corona epidemic, see text under the section " Corona epidemic effects".

The policy of not issuing a forecast stands firm.

Edgware experiences some seasonal variations of revenue over the quarters. Like many other companies in our industry, revenue tends to be strongest in the fourth quarter. 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.



Financial objectives

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

- Edgware's target is to increase recurring revenues by 15 percent annually.
- Edgware's target is to achieve a long-term (more than three years) EBIT margin of more than 10 percent.
- Edgware's target for the short term, the next two years, is to annually improve EBIT.
- Edgware'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 Edgware's cash flow in coming years should finance the continued development, expansion and opportunities to acquire, no dividend will be paid.

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

CONSOLIDATED INCOME STATEMENT

	2020	2019	2019
(AMOUNTS IN SEK MILLION)	Q1	Q1	FULL YEAR
Net sales	41.4	53.0	184.4
Cost of goods and services sold	- 12.8	-14.3	-59.3
Gross profit	28.6	38.7	125.1
Selling expenses	-10.8	-11.8	-48.8
Administrative expenses	-8.2	-11.2	-34.9
Research and development expenses	-16.9	-17.0	-61.6
Other operating income/expenses	1.6	0.6	-5.0
EBIT	-5.7	-0.7	-25.2
Financial items			
Financial income	0.8	0.9	3.4
Financial expenses	-1.8	-0.5	-2.3
Pre-tax profit	-6.7	-0.3	-24.1
Tax	-0.2	0.7	-0.4
Profit/loss for the period	-6.9	0.4	-24.5
Attributable to:			
Owners of the parent	-6.9	0.4	-24.5
Earnings per share before dilution, SEK	-0.2	0.0	-0.8
Earnings per share after dilution, SEK	-0.2	0.0	-0.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PROFIT/LOSS FOR THE PERIOD	-6.9	0.4	-24.5
Other comprehensive income			
Items that can be reversed to profit or loss:			
Exchange-rate differences when translating foreign operations	-0.2	-0.3	-1.1
Other comprehensive income, net after tax	-0.2	-0.3	-1.1
Comprehensive income for the period	-7.1	0.1	-25.6
Attributable to:			
Owners of the parent	-7.1	0.1	-25.6

CONSOLIDATED BALANCE

(AMOUNTS IN SEK MILLION)	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	3.3	7.0	3.3
Capitalised expenditure on development work	23.6	22.5	23.6
Trademarks	2.6	0.8	3.1
Other intangible assets	2.5	0.9	2.3
Property, plant and equipment			
Equipment	1.8	2.7	1.9
Right-of-use assets	6.7	12.0	8.0
Financial non-current assets			
Other non-current assets	2.2	2.3	2.3
Deferred tax assets	12.6	14.0	12.8
Total non-current assets	55.3	62.2	57.3
Current assets			
Inventories	11.6	11.1	13.5
Trade accounts receivable	43.5	46.7	64.2
Other receivables	3.6	1.6	1.2
Prepaid expenses and accrued income	15.4	15.2	11.3
Current investments	73.9	75.0	75.5
Cash and cash equivalents	77.7	98.6	66.4
Total current assets	225.7	248.2	232.1
TOTAL ASSETS	281.0	310.4	289.4
EQUITY AND LIABILITIES			
Equity			
Share capital	1.5	1.5	1.5
Other paid-in capital	235.9	235.9	235.9
Translation reserve	-4.9	-3.8	-4.8
Retained earnings including profit for the period	-27.0	4.6	-20.0
Equity attributable to owners of the parent	205.5	238.2	212.6
Total equity	205.5	238.2	212.6
Lease liabilities	3.8	6.7	5.2
Deferred tax liabilities	0.8	-	0.8
Total non-current liabilities	4.6	6.7	6.0
Current liabilities			
Trade accounts payable	8.9	6.1	9.3
Lease liabilities	3.0	5.6	3.0
Current tax liabilities	-	0.2	0.1
Other current liabilities	2.1	2.5	3.8
Accrued expenses and deferred income	56.7	50.8	54.3
Other provisions	0.2	0.3	0.3
Total current liabilities	70.9	65.5	70.8
TOTAL EQUITY AND LIABILITIES	281.0	310.4	289.4

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(AMOUNTS IN SEK MILLION)	31 Mar 2020	31 Mar 2019
Opening balance, equity 1 Jan 2020 (1 Jan 2019)	212.6	238.1
Profit/loss for the period	-6.9	0.4
Other comprehensive income	-0.2	-0.3
Total comprehensive income	-7.1	0.1
Closing balance, equity	205.5	238.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(AMOUNTS IN SEK MILLION)	2020 Q1	2019 Q1	2019 FULL YEAR
Operating activities			
EBIT	-5.7	-0.7	-25.2
Adjustments for non-cash items:			
Depreciation/amortisation	5.2	5.0	19.6
Other non-cash items	0.0	0.3	1.1
Cash flow from operating activities before changes in operating capital	-0.5	4.6	-4.5
Cash flow from changes in operating capital			
Decrease/Increase in inventories	1.9	1.2	-1.2
Decrease/Increase in trade accounts receivable	20.7	38.4	20.9
Decrease/Increase in other current receivables	-6.0	-0.9	2.8
Decrease/Increase in trade accounts payable	-0.4	-13.2	-10.0
Decrease/Increase in other current liabilities	0.1	-10.5	-4.9
Cash flow from operating activities	15.8	19.6	3.1
Investing activities			
Acquisition of intangible non-current assets	-3.2	-2.8	-12.9
Acquisition of property, plant and equipment	-0.3	-0.5	-1.5
Investments in other financial non-current assets	-	-0.3	-0.3
Acquisitions of subsidiaries after deduction of acquired cash and cash equivalents	-	-9.0	-9.0
Cash flow from investing activities	-3.5	-12.6	-23.7
Financing activities			
Paid-in premiums, warrants.	-	-	-
Amortisation of lease liability	-1.4	-1.4	-5.6
Cash flow from financing activities	-1.4	-1.4	-5.6
Cash flow for the period	10.9	5.6	-26.2
Cash and cash equivalents at the beginning of the period	66.4	93.1	93.1
Exchange-rate differences in cash and cash equivalents	0.4	-0.1	-0.5
Cash and cash equivalents at the end of the period	77.7	98.6	66.4

(AMOUNTS IN SEK MILLION)	31 Mar 2020	31 Mar 2019	31 Dec 2019
Current investments at the end of the period	73.9	75.0	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 73.9 million (75.5) and measured at fair value in accordance with level 1.

Edgware is able to hedge orders invoiced in EUR or MXN with an order value exceeding SEK 2 million and with payment terms of 60 days or more in order to reduce the currency risk. Currency future contracts are measured at fair value through profit or loss. Hedge accounting is not applied. At the end of March 2020, the outstanding currency future contracts in MXN were measured at SEK 1.1 million (-0.1) 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 Edgware'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 Edgware 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 Edgware'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	Q1 2020	Q1 2019
Net sales by sales category		
Products	24.6	36.6
Services	16.8	16.4
Of which support	14.4	12.1
Of which professional services	2.3	4.3
Sum net sales	41.4	53.0
Net sales by region		
EMEA	28.3	21.6
AMERICAS	9.9	22.6
APAC	3.2	8.8
Sum net sales	41.4	53.0
Net sales by time		
At a point in time	26.7	41.0
Over time	14.6	12.1
Sum net sales	41.4	53.0

CONDENSED PARENT COMPANY INCOME STATEMENT

(AMOUNTS IN SEK MILLION)	2020 Q1	2019 Q1	2019 FULL YEAR
Net sales	39.3	49.3	170.9
Cost of goods sold	-11.8	-11.5	-47.7
Gross profit	27.5	37.8	123.2
Selling expenses	-14.9	-19.3	-66.5
Administrative expenses	-7.3	-8.7	-29.1
Research and development expenses	-16.5	-15.0	-55.8
Other operating income/expenses	0.3	0.5	-5.2
EBIT	-10.9	-4.7	-33.4
Financial income and expenses			
Financial income	1.5	0.7	5.0
Financial expenses	-0.2	-0.4	-1.8
Loss after financial items	-9.6	-4.4	-30.2
Tax on profit for the period	-	0.6	-0.2
Profit/loss for the period	-9.6	-3.8	-30.4

CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(AMOUNTS IN SEK MILLION)	2020 Q1	2019 Q1	2019 FULL YEAR
Profit/loss for the period	-9.6	-3.8	-30.4
Other comprehensive income:	-	-	-
Comprehensive income for the period	-9.6	-3.8	-30.4

PARENT COMPANY BALANCE SHEET

(AMOUNTS IN SEK MILLION)	31 MAR 2020	31 MAR 2019	31 DEC 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure on development work	23.6	22.5	23.6
Trademarks	0.7	0.8	0.7
Other intangible assets	0.7	0.8	0.8
Property, plant and equipment			
Equipment	1.8	2.8	1.9
Financial non-current assets			
Shares in subsidiaries	11.5	11.5	11.5
Deferred tax assets	12.4	13.2	12.4
Other non-current assets	1.8	1.8	1.8
Total non-current assets	52.5	53.4	52.7
Current assets			
Inventories	11.3	10.1	13.2
Trade accounts receivable	41.1	43.4	59.5
Current receivables	16.5	15.2	12.8
Receivables from Group companies	-	1.0	-
Total current assets	68.9	69.7	85.5
Current investments	75.0	75.0	75.0
Cash and bank balances	71.7	94.1	63.3
Total current assets	215.6	238.8	223.8
TOTAL ASSETS	268.1	292.2	276.5
Equity			
Restricted equity			
Share capital	1.5	1.5	1.5
Reserve for development expenses	23.6	22.3	23.6
Total restricted equity	25.1	23.8	25.1
Unrestricted equity			
Share premium reserve	235.9	235.9	235.9
Retained earnings	-50.1	-18.4	-19.7
Profit/loss for the period	-9.6	-3.8	-30.4
	176.2	213.7	185.8
Total equity	201.3	237.5	210.9
Provisions			
Other provisions	0.2	0.3	0.3
Total provisions	0.2	0.3	0.3
Current liabilities			
Trade accounts payable	8.8	5.2	8.4
Current tax liabilities	-	0.5	0.4
Liabilities to Group companies	2.0	-	1.4
Other current liabilities	2.1	2.3	3.7
Accrued expenses and deferred income	53.7	46.4	51.4
Total current liabilities	66.6	54.4	65.3
TOTAL EQUITY AND LIABILITIES	268.1	292.2	276.5

KEY FINANCIAL FIGURES

	2020	2019	2019	2019	2019	2019
	Q1	Q1	Q2	Q3	Q4	FULL YEAR
Net sales by region						
EMEA	28.3	21.6	14.2	29.4	46.7	111.9
AMERICAS	9.9	22.6	8.2	7.2	6.5	44.4
APAC	3.2	8.8	8.5	6.5	4.2	28.0
Net sales	41.4	53.0	30.8	43.1	57.4	184.4
Net sales by sales category						
Products	24.6	36.6	13.5	24.0	40.3	114.5
Services	16.8	16.4	17.3	19.0	17.1	69.8
Of which: Support	14.4	12.1	14.4	14.7	14.9	56.1
Of which: Professional Services	2.4	4.3	2.9	4.3	2.2	13.7
Net sales	41.4	53.0	30.8	43.1	57.4	184.4
Gross profit	28.6	38.7	18.0	28.8	39.5	125.1
Gross margin, %	69.0%	73.0%	58.5%	66.9%	68.8%	67.8%
Operating expenses **)	-34.3	-39.5	-39.3	-32.4	-39.1	-150.3
Operating expenses/Net sales, %	-82.8%	-74.5%	-128.2%	-75.2%	-68.0%	-81.5%
EBIT **)	-5.7	-0.7	-21.3	-3.6	0.4	-25.2
EBIT margin, % **)	-13.8%	-1.4%	-69.1%	-8.4%	0.7%	-13.7%
EBITDA **)	-0.5	4.7	-16.3	1.1	5.5	-5.2
EBITDA margin (%) **)	-1.2%	8.7%	-53.0%	2.6%	9.6%	-2.8%
Profit/loss for the period after tax	-6.9	0.4	-16.4	-2.4	-6.1	-24.5
Net margin, profit/loss for the period after tax, %	-16.7%	0.7%	-53.1%	-5.5%	-10.7%	-13.3%
Total assets	281.0	310.4	303.0	282.3	289.4	289.4
Equity assignable to the parent company's shareholders	205.5	238.2	221.8	218.0	212.6	212.6
Equity/assets ratio, % **)	73.2%	76.7%	73.2%	77.2%	73.5%	73.5%
Return on equity (ROE) **)	-3.3%	0.2%	-7.1%	-1.1%	-2.8%	-10.9%
Return on operating capital (ROOC) **)	-3.1%	0.1%	-8.9%	-1.6%	0.9%	-12.1%
Return on capital employed (ROCE) **)	-1.7%	0.1%	-6.8%	-0.9%	0.5%	-7.1%
Cash flow from operating activities	15.8	19.9	-19.7	5.9	-2.7	3.1
Cash flow for the period	10.9	5.6	-26.2	2.0	-7.6	-26.2
No. of employees at the end of the period*	95	106	100	99	98	98
Of whom, women	12	14	14	14	13	13

*)Employees: Included in the number of employees at 31 March 2020 are 4 (5) consultants with employment-like agreements.

**)Financial measures not defined according to IFRS. Definitions of these measurements are presented on pages 18-19

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.

(AMOUNTS IN SEK MILLION)	2020 Q1	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
Net sales	41.4	53.0	30.8	43.1	57.4	184.4
EBIT	-5.7	-0.7	-21.3	-3.6	0.4	-25.2
EBIT margin, %	-13.8%	-1.4%	-69.1%	-8.4%	0.7%	-13.7%

Net margin, %

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

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

EBITDA

The company has chosen to report the key performance measure EBITDA, since it shows the underlying result adjusted for the effect of depreciation/amortisation, which provides a more comparable profit measure over time, since depreciation/amortisation refers to historical investments.

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

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	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
Total assets	281.0	310.4	303.0	282.3	289.4	289.4
Equity	205.5	238.2	221.8	218.0	212.6	212.6
Equity/assets ratio (%)	73.2%	76.7%	73.2%	77.2%	73.5%	73.5%

Return on equity (ROE) (%)

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

(AMOUNTS IN SEK MILLION)	2020 Q1	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
Equity	205.5	238.2	221.8	218.0	212.6	212.6
Average adjusted equity	209.0	238.1	230.0	220.0	215.3	225.3
Profit/loss for the period	-6.9	0.4	-16.4	-2.4	-6.1	-24.5
Return on equity (ROE) (%)	-3.3%	0.2%	-7.1%	-1.1%	-2.8%	-10.9%

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	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
Current receivables	147.6	149.6	163.0	141.7	165.7	165.7
Cash and cash equivalents	77.7	98.6	72.4	74.6	66.4	66.4
Current liabilities	-68.0	-65.5	-73.1	-54.4	-68.3	-68.3
Operating capital	157.3	182.7	162.3	161.9	163.9	163.9
Average operating capital	160.6	240.4	238.2	220.0	162.8	180.3
EBIT	-5.7	-0.7	-21.3	-3.6	0.4	-25.2
Return on operating capital (ROOC), %	-3.1%	0.1%	-8.9%	-1.6%	0.9%	-12.1%

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	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
EBIT	-5.7	-0.7	-21.3	-3.6	0.4	-25.2
Financial income	0.8	0.9	0.5	1.0	1.0	3.5
EBIT plus financial income	-4.9	0.2	-20.8	-2.6	1.4	-21.8
Total assets	281.0	310.4	303.0	282.3	289.4	289.4
Average total assets	285.0	315.3	306.5	292.7	285.8	304.6
Return on capital employed (ROCE), %	-1.7%	0.1%	-6.8%	-0.9%	0.5%	-7.1%

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	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FULL YEAR
Selling expenses	-10.8	-11.8	-13.6	-10.4	-12.9	-48.8
Administrative expenses	-8.2	-11.3	-8.1	-7.2	-8.2	-34.9
Research and development expenses	-16.9	-16.0	-15.3	-13.1	-16.4	-61.6
Other operating income/expenses	1.6	0.6	-2.3	-1.6	-1.6	-5.0
Operating expenses	-34.3	-39.5	-39.3	-32.3	-39.1	-151.3
Net sales	41.4	53.0	30.8	43.1	57.4	184.4
Operating expenses/net sales, %	-82.8%	-74.5%	-128.2%	-75.2%	-68.0%	-81.5%

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, 28 April 2020

Michael Ruffolo
Chairman of the Board

Karl Thedéen
CEO

Kent Sander
Board member

Sigrun Hjelmquist
Board member

Arnd Benninghoff
Board member

Jonas Hasselberg
Board member

Tuija Soanjärvi
Board member

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

FINANCIAL CALENDAR

- 2020 Annual General Meeting, 6 May 2020.
- Interim report April -June 2020, Q2 2020, 17 July 2020.
- Interim report July-September 2020, Q3 2020, 23 October 2020.

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

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This information is inside information that Edgeware AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 a.m. on 29 April 2020.

At 10:00 a.m. on 29 April 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: +46856642707

UK: +443333009034

US: +18335268397

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

<https://tv.streamfabriken.com/edgeware-q1-2020>

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