Q3 2019

STRAX

STRAX delivers 17% sales growth in Q3 2019 and 18% growth YTD on a like-for-like basis, with significant improvement in profitability.

- The Group's sales for the period January 1 – September 30, 2019, amounted to MEUR 72.3 (69.5), corresponding to an increase of 4 percent, with a gross margin of 24.1 (28.6) percent.
- The Group's result for the period January 1 – September 30, 2019, amounted to MEUR -2.5 (-1.1) corresponding to EUR -0.02 (-0.01) per share. The result for the period was negatively affected by MEUR 3.3 related to the decline in value of the Zagg shares.
- Equity as of September 30, 2019 amounted to EUR 18.8 (19.8) corresponding to EUR 0.16 (0.17) per share.
- EBITDA for the period January 1 – September 30, 2019, increased to MEUR 5.1 (3.6).
- Year over year reduction in operational expenses excluding depreciation amounts to MEUR 6.7 for 2019 as a result of cost reductions implemented in 2018, corresponding to approximately 27 percent, and tracking towards MEUR 8-9 reduction in 2019.
- Urbanista accelerated its growth in the first 9 months of 2019 and achieved 20 percent market share in the true wireless headset category in Sweden in July 2019. In the fall of 2019 Urbanista launched four new true wireless products and is on track to deliver another record year.
- The board of directors resolved to split the group's business into two parts – Own brands and Distribution. Both businesses will remain wholly owned by STRAX. This change will present an improved view of the value of each part the group's business and is also expected to deliver a more effective cost structure once fully implemented.
  The change will come into effect on January 1, 2020. (See separate press release).

"Our third quarter performance was excellent overall and I am proud of the entire STRAX team for their determination and firm belief in the changes we have implemented during the last twelve months. In the third quarter our sales grew by 17% compared to the same period last year and 4% during the first nine months this year, whilst delivering 18% growth on a like-for-like basis, taking the Gear4 transaction into account".

Gudmundur Palmason, CEO

WE INNOVATE, WE CREATE, WE INSPIRE, WE DELIVER.

STRAX is a global company specializing in mobile accessories. STRAX develops and grows brands through an omnichannel approach. STRAX operates two complimentary businesses – Own brands and Distribution (retail and online marketplaces) - where the lifestyle audio brand Urbanista is the flagship along with our licensed brand adidas. Through its retail distribution platform in Europe STRAX represents over 40 major mobile accessory brands, whilst Brandvault, online marketplace distribution, is currently centered around own brands and startups. STRAX sells into all key channels ranging from telecom operators, mass merchants and consumer electronics to lifestyle retailers and direct to consumers online. STRAX was founded in Miami and Hong Kong in 1995 and has since grown across the world. Today, STRAX has over 200 employees in 12 countries with its operational HQ and logistics center based in Germany. STRAX is listed on the Nasdaq Stockholm Stock Exchange.

OWN BRANDS

INNOVATIVE PROTECTION, AUDIO, POWER & CHARGING SOLUTIONS

With an extensive product portfolio ranging from protection to audio and power, XQISIT brings mid-priced innovative, quality design and functionality to value-conscious consumers.

HIP AUDIO ACCESSORIES WITH SCANDINAVIAN DESIGN

Based in Stockholm, Urbanista is a market leader in its region, combining avant-garde design with the latest in audio technology. The products are designed for a life in motion and built to inspire and endure.

PREMIUM STRENGTH GLASS SCREEN PROTECTION DESIGNED FOR A SEAMLESS FIT

Responding to the growing market demand for tempered glass protection, THOR is a higher quality, premium product, priding itself on being meticulously designed to fit any phone perfectly.

A UNIVERSAL PHONE GRIP AND STAND

A patented universal and multi-functional phone grip that helps prevent users dropping their phone, enables better quality selfies and a more enhanced mobile video watching experience. A thin and stylish design, Clckr is easy to apply using 3M-adhesive which will not leave residue.

LICENSED BRANDS

STREET WEAR INSPIRED PROTECTION

adidas Originals continues to evolve the brand's legacy through its commitment to product innovation. Inspired by the creativity and courage found in sporting arenas, the adidas Originals smartphone cases combine contemporary youth culture design with resilient protection features.

FOR ACTIVE USE IN THE GYM AND OUTDOORS

adidas Sports aims to set a new bar in the fast-growing market of tech accessories. The new collection of sports cases consists of a variety of flexible armbands, smart waist straps and highly protective anti-slip and anti-shock cases.
The adidas Sports cases are carefully designed to protect smartphones during intense workouts or outdoor activities.

CHIC AND REFINED PROTECTION

The bugatti brand aims to reflect the cultural and creative diversity of Europe. bugatti's handmade smartphone cases are crafted from high-quality full grain leather and come in a range of timeless colors, epitomizing elegance and quality workmanship.

COMMENTS FROM THE CEO

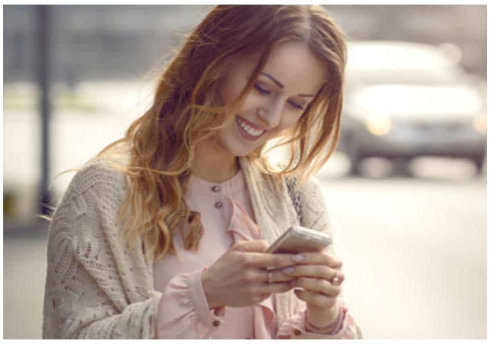
”Our third quarter performance was excellent overall and I am proud of the entire STRAX team for their determination and firm belief in the changes we have implemented during the last twelve months. In the third quarter our sales grew by 17% compared to the same period last year and 4% during the first nine months this year, whilst delivering 18% growth on a like-for-like basis. This performance is noteworthy considering that the mobile accessories industry has faced headwind stemming from the slowdown in smartphone sales and challenging retail environment. Urbanista continues to perform well and our headcount and general cost reduction program has delivered savings at the top end of our projections. Collectively all of which has contributed to significantly improved profitability during the third quarter and first nine months.

During the third quarter 2019 sales increased by MEUR 4.0 over same period last year and are up 17% year-over-year (YoY). Sales in Q3 2019 were MEUR 27.7 (23.7) and EBITDA amounted to MEUR 3.0 (1.0). TTM [YoY] sales are MEUR 110 (102) and growth stands at 7.5%, whilst TTM [YoY] EBITDA is MEUR 8.0 (5.5). Own brands represented 52.9% (71.4%) of sales in the third quarter and given Urbanista’s growth trajectory we expect to reach prior year levels within 12 months. The impact of the Gear4 divestment is fully in line with our expectations.

After a thorough assessment of STRAX business model we have concluded that our positioning of owning both brands and distribution is quite unique and as such the key to our future success as a specialist in mobile accessories, where we enjoy full visibility and control of the entire value chain. Therefore, we are no longer pursuing a transaction involving our European retail distribution business, but rather placing greater emphasis on it and invest in our reach and capabilities. This applies to both retail and online marketplace distribution. We have furthermore realized that we are compelled to change how we manage our businesses and communicate what STRAX is all about. In light of this, we have decided to split the group’s business into two parts – Own brands and Distribution - which we believe will be beneficial operationally as well as provide for an improved visualization of values and performance within the STRAX Group. Today we own one of the leading European based specialist distributors of mobile accessories, rapidly expanding Brandvault for online global marketplace management, established brands such as Urbanista and new brands like Clckr, all of which are performing well. I believe we have been negatively impacted from a valuation perspective due to the fact the market has not understood our consolidated business model. Additionally, we have not been able to capture the full potential of our distribution platform in Europe, since it has been an integrated part of the consolidated business and, as such, jeopardized our average blended gross margin. With this split, we will clearly be able to optimize our valuation by clear separation of our complimentary businesses. Our strategic framework remains largely unchanged, although we now intend to play a more active M&A role in the mobile accessories industry, whereby we´ll be assessing opportunities to acquire and divest, with a view to complete at least one transaction each year.

During the past 18 months we have taken several important steps to future proof STRAX and I firmly believe that we are succeeding, at the same time acknowledging that we can’t become complacent for a single day going forward. We have multiple opportunities in front of us and have no intention of letting the right ones pass us by, whilst remaining lean and agile at the same time continuously striving to be more efficient.

The team is excited about our notable progress and committed to continue improving STRAX in an effort to deliver strong returns for our shareholders, whilst also pursuing our mission to become more socially responsible as an organization. I remain confident in our strategic framework and current positioning in the mobile accessories industry and believe that our outlook is overall positive.”



The Board of Directors and the CEO of Strax AB hereby summit the interim report for the period January 1 – September 30, 2019

All amounts are provided in EUR thousands unless otherwise stated. Figures in parentheses refer to the corresponding period the previous financial year. Information provided refers to the group and the parent company unless otherwise stated.

Result and financial position January 1 – September 30, 2019

The Group's net sales for the period January 1 – September 30, 2019 amounted to 72 271 (69 488). Gross profit amounted to 17 412 (19 841) and gross margin amounted to 24.1 (28.6) percent, decreasing as a result of product/brand mix and the sale of Gear4 in November 2018. Operating profit amounted to 3 659 (880).

Result for the period amounted to -2 531 (-1 069). The result included gross profit 17 412 (19 841) selling expenses -11 014 (-13 672), administrative expenses -3 667 (-6 637), other operating expenses -5 335 (-2 819), other operating income 6 263 (4 167), net financial items -5 572 (-1 270) and tax -618 (-678).

Financial expenses have been impacted by costs relating to prepayment penalties of loans to the amount of 300. Included in financial expenses are also changes in value relating to shares in ZAGG to be received as part of the consideration for the sale of Gear4 to the amount of MEUR 3.3.

As of September 30, 2019 total assets amounted to 87 444 (87 917), of which equity totaled 18 782 (19 791), corresponding to equity/assets ratio of 21.5 (22.5) percent. Interest-bearing liabilities as of September 30, 2019, amounted to 22 447 (28 292). The group's cash and cash equivalents amounted to 1 387 (4 469).

Strax holds 648,000 shares in Zagg received as part of the purchase price from the sale off Gear4, valued at USD 10.23 per share, at the time of the transaction, of which 2/3 is coming off lock-up on 30 November 2019 with the remainder being released in May 2020.

During the first nine months interest-bearing debt decreased by MEUR 6.6 as a result of repayment of loans and lower utilization of working capital lines.

Significant events during the period

In accordance with the resolved proposal by the EGM held on December 28, 2018, distribution of MEUR 12.8 to the shareholders was completed on January 30, 2019.

With the effective date of April 1, 2019, STRAX increased its ownership in Brandvault Global Services Ltd from 10 percent to 100 percent. Brandvault is a business focused on sales through online marketplaces globally.

Urbanista accelerated its growth in the first 9 months of 2019 and achieved 20 percent market share in the true wireless headset category in Sweden in July 2019.

Seasonal and phone launch fluctuations

STRAX operations have defined fluctuations between seasons, whereby the strongest period is September-November. This means the greater part of the STRAX result is generated during the second half of the year provided the trends from the last five years continue. Timing and supply of hero smartphone launches, e.g. iPhone and Samsung Galaxy, also impacts STRAX results, with these being hard to predict and sometimes challenging to manage.

Investments

Investments during the period amounted to a total of 927 (2 131), of which investments in intangible assets amounted to 800 (11), property, plant and equipment amounted to 127 (2 119) and investments in financial assets amounted to - (-). Divestment of non-current assets amounted to - (-).

The parent company's result for the period amounted to 1 (-). The result included gross profit of 678 (918), administrative expenses -688 (-886) and net financial items 11 (-32). As of September 30, 2019 total assets amounted to 75 899 (77 718) of which equity totaled 62 976 (75 724). Cash and cash equivalents amounted to - (-).

Significant events after the end of the period

In the fall of 2019 Urbanista launched four new wireless products and is on track to deliver another record year.

Urbanista is one of the main sponsors of the benefit concert organized by the Tim Bergling Foundation in memory of the artist Avicii, as well as sponsoring the foundation itself through direct donation and also sharing a proportion of sales with the foundation, intended to draw attention to mental illness and suicide risks.

The board of directors resolved to split the group's business into two parts – Own brands and Distribution. Both businesses will remain wholly owned by STRAX. This change will present an improved view of the value of each part the group's business and is also expected to deliver a more effective cost structure once fully implemented.

Future development

STRAX will play an active role in shaping the mobile accessories industry both offline and online in all of its targeted geographic markets. We will continue to execute against our strategic framework launched in 2016 while simultaneously strengthening the operational platform to enable us to capitalize opportunities within both our businesses – Own brands and Distribution. STRAX will retain market share in Western Europe while at the same time invest and grow at an accelerated rate in North America, Japan and strategic markets in ROW. STRAX will furthermore invest in the e-commerce sales channel, both direct websites and online marketplace distribution, in an effort to improve margins, diversify its traditional retail customer base and secure growth. STRAX has experienced positive development in sales in recent years. Having achieved headcount and annualized operating expense reduction of 25% in 2019 we expect our profitability to improve, whilst 2019 sales remain relatively flat as a result of the Gear4 divestment. We expect that our online sales will grow significantly albeit from a low base and to achieve 50% of our sales through e-commerce in 3-5 years. Currently the industry is undergoing consolidation, and STRAX intends to play an active role in the ongoing consolidation process through acquisitions, divestments and partnerships.

Risks and uncertainties

Risk assessment, i.e. the identification and evaluation of the company's risks is an annual process at STRAX. Risk assessment is done in the form of self-evaluation and also includes establishing action plans to mitigate identified risks. The primary risks present in STRAX business activities are commercial risk, operative risk, financial risk relating to outstanding receivables, obsolete inventory and currency risk. Other risks that impact the company's financial operations are liquidity, interest rate and credit risk. The company is to some extent dependent on a key number of senior executives and other key personnel in order to run its operations, and is dependent on a functioning distribution chain, logistics and warehousing.

For further information on risks and risk management, reference is made to the 2018 annual report.

FINANCIAL CALENDAR:

February 27, 2020
Year-End Report 2019

April 2020
Annual Report 2019

May 25, 2020
Interim report January - March 2020

May 25, 2020
Annual General Meeting

For further information contact:

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The Board is registered in Stockholm, Sweden.

The report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and English translation, the former shall have precedence.

The undersigned declare that the interim report provides a true and fair overview of the parent company's and the group's operations, financial position, performance and result and describes material risks and uncertainties facing the parent company and other companies in the group.

Stockholm, November 28, 2019

Bertil Villard
Chairman

Anders Lönnqvist
Director

Gudmundur Palmason
Director/CEO

Ingvi T. Tomasson
Director

Pia Anderberg
Director

Auditor's report

STRAX AB (publ), reg. no. 556539-7709

Introduction

We have reviewed the condensed interim financial information (interim report) of STRAX AB (publ) as of 30 September 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Stockholm 28 November 2019

PricewaterhouseCoopers AB

Niklas Renström
Authorized Public Accountant

Group

Key ratios	2019 (3 months) Jul 1 - Sept 30	2018 (3 months) Jul 1 - Sept 30	2019 (9 months) Jan 1 - Sept 30	2018 (9 months) Jan 1 - Sept 30	2018 (12 months) Jan 1 - Dec 31
FINANCIAL KEY RATIOS					
Sales growth, %	16.8	-0,3	4.0	3.3	6.9
Gross margin, %	23.3	20.9	24.1	28.6	24.2
Equity, MEUR	18.8	19.8	18.8	19.8	34.3
Equity/asset ratio, %	21.5	22.5	21.5	22.5	31.8
DATA PER SHARE[1]					
Equity, EUR	0.16	0.17	0.16	0.17	0.28
Equity, SEK	1.67	1.69	1.67	1.69	2.91
Result, EUR	-0.02	-0.01	-0.02	-0.01	0.14
Result, SEK	-0.20	-0.11	-0.20	-0.09	1.42
NUMBER OF SHARES[1]					
Number of shares at the end of the period	120 592 332	120 592 332	120 592 332	120 592 332	120 592 332
Average number of shares[2]	120 592 332	120 592 332	120 592 332	120 592 332	120 592 332
EMPLOYEES					
Average number of employees	188	216	190	213	209

[1] No dilution exists, which entails that the result prior to and after dilution are identical.

Group

Summary income statements, KEUR	2019 (3 months) Jul 1 - Sept 30	2018 (3 months) Jul 1 - Sept 30	2019 (9 months) Jan 1 - Sept 30	2018 (9 months) Jan 1 - Sept 30	2018 (12 months) Jan 1- Dec 31
Net sales	27 711	23 720	72 271	69 488	106 967
Cost of goods sold	-21 245	-18 761	-54 859	-49 647	-81 090
Gross profit	**6 466**	**4 959**	**17 412**	**19 841**	**25 877**
Selling expenses	-4 133	-4 512	-11 014	-13 672	-20 875
Administrative expenses[1]	- 590	-2 604	-3 667	-6 637	-8 968
Other operating expenses	-1 913	- 79	-5 335	-2 819	-2 388
Other operating income	3 073	1 983	6 263	4 167	4 216
Operating profit	**2 903**	**- 253**	**3 659**	**880**	**-2 139**
Financial income	306	-	336	-	26 392
Financial expenses	-2 345	- 516	-5 908	-1 272	-2 317
Net financial items	**-2 039**	**- 515**	**-5 572**	**-1 270**	**24 075**
Profit before tax	**864**	**- 768**	**-1 913**	**- 390**	**21 936**
Tax	- 657	- 479	- 618	- 678	-5 190
PROFIT OR LOSS FOR THE PERIOD[2]	**207**	**-1 247**	**-2 531**	**-1 069**	**16 747**
Result per share before dilution, EUR	*-0,02*	*-0,01*	*-0,02*	*-0,01*	*0,14*
Result per share after dilution, EUR	*0,00*	*-0,01*	*-0,02*	*-0,01*	*0,13*
Average number of shares during the period	*120 592 332*	*120 592 332*	*120 592 332*	*120 592 332*	*120 592 332*
Average number of shares during the period after dilution	*124 687 332*	*124 687 332*	*124 687 332*	*124 687 332*	*124 687 332*

Statement of comprehensive income, KEUR					
Result for the period	207	-1 247	-2 531	-1 069	16 747
Other comprehensive income, translation gains/losses on consolidation	292	100	-152	-168	-3 510
Total comprehensive income for the period	**499**	**-1 147**	**-2 683**	**-1 237**	**13 237**

(1) Depreciation and amortization for the period January 1 – September 30, 2019, amounted to 1 483 (2 672).
(2) The result for the period, respectively the total comprehensive income is attributed to the parent company’s shareholders.

Operating Segment Q3 (EUR thousands)	Protection 1 Jan - 30 Sept Q3 2019	Protection Q3 2018	Power 1 Jan - 30 Sept Q3 2019	Power Q3 2018	Audio 1 Jan - 30 Sept Q3 2019	Audio Q3 2018	Connected Devices 1 Jan - 30 Sept Q3 2019	Connected Devices Q3 2018	Other 1 Jan - 30 Sept Q3 2019	Other Q3 2018	Total 1 Jan - 30 Sept Q3 2019	Total Q3 2018
Revenues	40 745	44 938	6 534	8 712	21 809	11 064	696	838	2 488	3 937	72 271	69 488
Cost of Sales	-29 058	-30 205	-4 577	-7 080	-18 693	-8 233	- 630	- 756	-1 900	-3 373	-54 859	-49 647
Gross Profit	**11 687**	**14 732**	**1 957**	**1 632**	**3 116**	**2 831**	**65**	**82**	**587**	**564**	**17 412**	**19 841**
Distribution Costs	-7 393	-10 152	-1 238	-1 125	-1 971	-1 950	- 41	- 56	- 371	- 388	-11 014	-13 672
General Administrative Expenses	-1 999	-4 425	- 335	- 490	- 533	- 850	- 11	- 25	- 100	- 169	-2 978	-5 959
Other Operating Expenses	-4 038	-10 080	- 676	-1 120	-1 077	-1 942	- 23	- 56	- 203	- 387	-6 016	-13 584
Other Operating Income	4 204	10 585	704	1 173	1 121	2 033	23	59	211	405	6 263	14 254
Operating Income / EBIT	**2 461**	**661**	**412**	**70**	**656**	**122**	**14**	**4**	**124**	**24**	**3 667**	**880**

Group

Summary balance sheets, KEUR	2019 Sept 30	2018 Sept 30	2018 Dec 31
ASSETS			
NON-CURRENT ASSETS			
Goodwill	23 627	26 560	20 902
Other intangible assets	3 368	2 651	902
Property, Plant & Equipment	813	2 494	1 136
Other assets	843	1 546	1 532
Deferred tax assets	62	614	62
Total non-current assets	**28 713**	**33 865**	**24 534**
CURRENT ASSETS			
Inventories	19 822	17 185	14 980
Tax receivables	1 535	1 073	1 244
Accounts receivable	23 498	22 433	28 423
Other assets	12 489	8 891	13 875
Cash and cash equivalents	1 387	4 469	24 845
Total current assets	**58 731**	**54 051**	**83 366**
TOTAL ASSETS	**87 444**	**87 917**	**107 900**
EQUITY AND LIABILITIES			
Equity	**18 782**	**19 791**	**34 265**
NON-CURRENT LIABILITIES:			
Tax liabilities	3	3	3
Other liabilities	4 623	605	616
Interest-bearing liabilities	2 474	9 699	8 403
Deferred tax liabilities	448	1 295	1 149
Total non-current liabilities	**7 548**	**11 602**	**10 170**
Current liabilities:			
Provisions	1 323	1 519	1 742
Interest-bearing liabilities	19 973	18 593	20 652
Accounts payable	17 749	21 246	21 825
Tax liabilities	5 896	3 232	6 470
Other liabilities	16 173	11 933	12 775
Total current liabilities	61 114	56 523	63 464
Total liabilities	**68 662**	**68 125**	**73 635**
TOTAL EQUITY AND LIABILITIES	**87 444**	**87 917**	**107 900**

Summary of changes in equity, KEUR	
Equity as of December 31, 2017	**21 028**
Total Comprehensive income Jan 1 - Sep 30, 2018	-1 237
Equity as of Sep 30, 2018	**19 791**
Total Comprehensive income Oct 1 - Dec 31, 2018	14 474
Equity as of December 31, 2018	**34 265**
Distribution to shareholders	-12 742
Cost related to distribution to shareholders	- 57
Total Comprehensive income Jan 1 - Sept 30, 2019	-2 683
Equity as of September 30, 2019	**18 782**

Group

Summary cash flow statements, KEUR	2019 (3 months) Jul 1 - Sept 30	2018 (3 months) Jul 1 - Sept 30	2019 (9 months) Jan 1 - Sept 30	2018 (9 months) Jan 1 - Sept 30	2018 (12 months) Jan 1 - Dec 31
OPERATING ACTIVITIES					
Result before tax	863	- 768	-1 913	- 390	21 936
Adjustment for items not included in cash flow from operations or items not affecting cash flow	250	1 217	4 020	2 672	-20 946
Paid taxes	- 163	- 479	- 756	- 678	-1 055
Cash flow from operations prior to changes in working capital	**950**	**- 29**	**1 351**	**1 604**	**- 64**
Cash flow from changes in working capital:					
Increase (-)/decrease (+) in inventories	-5 474	-3 714	-4 842	-6 768	-7 121
Increase (-)/decrease (+) current receivables	-9 580	-1 668	589	878	-3 323
Increase (-)/decrease (+) in non current receivables	- 493	-1 225	690	-1 029	- 961
Increase (+)/decrease (-) current liabilities	-1 675	-	-1 733	- 10	1
Increase (+)/decrease (-) in current liabilities	10 263	8 658	787	5 158	8 604
Cash flow from operations	**-6 008**	**2 021**	**-3 159**	**- 166**	**-2 865**
INVESTMENT ACTIVITIES					
Investments in intangible assets	- 13	- 13	- 800	- 11	1 356
Investments in tangible assets	243	- 86	- 127	-1 709	-2 178
Divestment of subsidiaries	-	-	-	-	23 137
Costs relating to sale of subsidiaries	-	-	-	-	-1 588
Cash flow from investment activities	**230**	**- 98**	**- 928**	**-1 720**	**20 727**
FINANCING ACTIVITIES					
Interest-bearing liabilities	5 173	- 377	- 125	3 578	5 637
Amortization of interest-bearing liabilities	593	- 269	-5 952	-1 531	-2 827
Distribution to the shareholders	-	-	-12 742	-	-
Paid interest and other expenses	- 350	- 752	- 554	-1 210	-1 520
Cash flow from financing activities	**5 416**	**-1 397**	**-19 374**	**837**	**1 291**
Cash flow for the period	**- 362**	**526**	**-23 460**	**-1 049**	**19 152**
Exchange rate differences in cash and cash equivalents	-	97	-	- 171	3
Cash and cash equivalents at the beginning of the period	1 749	3 846	24 845	5 689	5 689
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1 387**	**4 469**	**1 387**	**4 469**	**24 845**

NOTE 1 REFERENCES

- Seasonal and phone launch fluctuations, see page 5
- Reporting per business segment see page 10
- For further information on accounting principles reference is made to the 2018 annual report
- For events after the end of the period see page 6

NOTE 2 ACCOUNTING PRINCIPLES

As of the financial year 2017 the currency of the Parent Company is Euro (EUR), which is also the reporting currency of the parent company and the Group.

STRAX prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and with the restrictions which apply due to the Swedish national legislative when preparing the parent company’s financial statements.

The Interim report for the group has been prepared in accordance with IAS 34 ”Interim Reporting” and applicable sections of the Annual Accounts Act.

The section of the report applicable to the parent company has been prepared in accordance with Annual Accounts Act, Chapter 9.

The Group has previously carried out investment activities and was an investment company as defined in IFRS 10, with the effect all shares in subsidiaries and associated companies were reported at fair value through profit or loss, the same principle applied for other investments. Due to the reverse acquisition the group’s line of business is since the reverse acquisition in 2016 as an operational company meaning that participations in subsidiaries as well as affiliated companies are consolidated instead of recognized at fair value through profit or loss.

The same accounting principles are applied as in the annual report for 2018, new standards IFRS 9 Financial instruments, IFRS 15 Revenue from contracts with customers have been implemented without material effects due to the fact the STRAX group have seen historically low default numbers in combination with the fact most of the accounts receivables have been secured with credit insurances. As of January 1, 2019, IFRS 16, Leasing, was implemented.
The first time implementation had an impact on the balance sheet, increasing non-current assets by MEUR 2.2 with the corresponding increase in non-current liabilities. The initial effect has not impacted the cash flow statement.
In the income statement a portion of the leasing expenses has been reclassified to interest expenses and the remaining part has been reclassified to depreciation. The impact on interest expenses for the period amounts to KEUR 10.
In the cash flow for the period the reclassification of leasing expenses to depreciation has impacted the cash flow by KEUR 195.

Accounting and valuation of shares and participations

Shares and participations in subsidiaries and associated companies are in the parent company accounted for at acquisition cost with the fair value of the earlier holding in Strax at the time of acquisition comprised of fair value to the part to which it relates.

NOTE 3 FAIR VALUE: FINANCIAL ASSETS AND LIABILITIES

Since the group’s interest-bearing liabilities consist of variable rate loans and the margin in the contracts are expected to be the same if the group should raise equivalent loans at the reporting date, the fair value of the loans is expected to be in all material respects equal to their carrying amount. The groups other financial assets and liabilities mainly comprises of receivables which are current assets and current liabilities. As the duration of these are short-term, the carrying amount and fair value are in all material respects equal.

NOTE 4 FAIR VALUE: HIERARCHY

The total sales proceeds emanating from the sale of Gear4 amounted to MEUR 33.7. An amount of MEUR 7.2 is held back as collateral for seller guarantees, whereof the contract states that MEUR 5.7 will be settled through payment of shares in ZAGG Inc. This receivable has to the part it will be settled in shares been valued at fair value through profit and loss (fair value hierarchy level 1) on the share price of the ZAGG share per the balance sheet date. Calculated expected purchase price relating to the acqusition of Brandvault amounts to MEUR 2.0 and is valued at fair value (fair value hierarchy level 3). The amount is reported as other non-current liabilities in the balance sheet.
STRAX has no other financial instruments recognized at fair value.

NOTE 5: ACQUISITION OF BRANDVAULT LTD (PRELIMINARY)

Consideration transferred
The total purchase price according to the contract is an earn out structure based on sales and EBITDA development in Brandvault Ltd for the period 2019 – 2021. The purchase price, based on forecasts has been calculated to KEUR 2 029.

Identifiable assets acquired and liabilities assumed through the acquisition.

Table, in summary, of the recognized amount of assets acquired and the liabilities assumed through the acquisition KEUR:

Other non-current assets	10
Inventories	1 607
Accounts receivables	20
Other Assets	52
Accounts payable	-2 319
Other liabilities	-67
Total identifiable net assets acquired	**-696**

Goodwill

Goodwill arising from the transaction has been recognized as follows:

Calculated expected purchase price	2 029
Fair value of pre-existing interest	0
Fair value of identifiable net assets	-696
Goodwill	**2 725**

The goodwill is attributable to specific knowledge and Brandvault’s track record in working with global online marketplaces and related services including content creation and product marketing.

Acquisition related costs were limited to legal and administrative costs amounting to EUR 10.

For the period April 1 – September 30, 2019, Brandvault contributed to the Group's revenues to the amount of 1 361, an EBIT of -37 and loss for the period to the amount of 31. Had the contribution been made on January 1, 2019 (hypothetically) the management’s view is Brandvault Ltd would in total have contributed with 1 514 to the group's revenues, an EBIT of -616 and a loss for the period to the amount of 599.

DEFINITIONS

Key ratio	Calculation	What it measures or represents
Equity/Asset ratio	Equity as a percentage of the total assets.	This measure refelects the financial position and the long term solvency and resistance to periods of economic dow ntrun.
Equity per share	Equity in relation to the number of shares at the end of the period.	Measures development of equity in relation to number of outstanding shares at the end of the period, captures both changes in equity and changes in number of outstanding shares.
Number of shares at the end of the period	The number of shares at the end of each period adjusted for bonus issue and share buy-back etc.	Calculation bases for all balance sheet per shares based key ratios.
Items affecting comparability	The number of shares at the end of each period adjusted for bonus issue and share buy-back etc.	Calculation bases for all balance sheet per shares based key ratios.
Gross profit	Sales less the cost of goods sold.	Measures how w ell prices to customers in relation to cost of goods solad are maintained including costs to deliver sold goods.
Gross margin	Gross profit in relation to sales expressed as a percentage.	Gross profit in relation to Sales, efficency measure presented in percentage.
Operating profit/loss	Operating income minus operating costs for the specified period before financial items and taxes.	Meausures over all profitability from operations and ongoing business activities including depreciation and amortization.
EBITDA	Operating profit/loss plus depreciations.	Measures over all profitability from operations and ongoing business activities including depreciation and amortization.
Adjusted EBITDA	EBITDA adjusted for items affecting comparability and currency effects.	Measures over all profitability from operations and ongoing business activities including depreciation and amortization, adjusted for items affecting comparability and currency effects.

Group

Bridge to adjusted EBITDA, KEUR	2019 (3 months) Jul 1 - Sep 30	2018 (3 months) Jul 1 - Sept 30	2019 (9 months) Jan 1-Sept 30	2018 (9 months) Jan 1-Sept 30	2018 (12 months) Jan 1 - Dec 31
EBITDA					
Operating profit	2 903	- 254	3 659	880	-2 139
+ Depreciation & amortization	120	1 217	1 482	2 672	3 630
EBITDA	**3 023**	**963**	**5 142**	**3 552**	**1 491**
Adjusted EBITDA					
EBITDA	3 023	963	5 142	3 552	1 491
+ Items affecting comparability	-	-	-	-	5 578
+ Currency effects	-1 166	61	-1 368	- 437	- 381
Adjusted EBITDA	**1 857**	**1 024**	**3 774**	**3 114**	**6 687**
Items affecting comparability					
- One time charges	-	-	-	-	5 578
Total items affecting comparability	-	-	-	-	**5 578**

STRAX recognizes items affecting comparability separately to distinguish the performance of the underlying operations. Items affecting comparability refer to items that affect comparisons due to the fact they do not recur with the same regularity as other terms.

Parent Company

Summary income statements, KEUR	2019 (3 months) Jul 1 - Sept 30	2018 (3 months) Jul 1 - Sept 30	2019 (9 months) Jan 1 - Sept 30	2018 (9 months) Jan 1 - Sept 30	2018 (12 months) Jan 1 - Dec 31
INVESTMENT ACTIVITIES					
Net Sales	206	419	678	918	1 208
Gross profit	**206**	**419**	**678**	**918**	**1 208**
Administrative expenses	-197	-426	-688	-886	-1 192
Operating income	**9**	**-7**	**-10**	**32**	**16**
Net financial items	-7	8	11	-32	55
Result after financial items	**2**	**1**	**1**	**-**	**71**
Current taxes	-	-	-	-	-
RESULT FOR THE PERIOD	**2**	**1**	**1**	**-**	**71**

Statement of comprehensive income, KEUR					
Result for the period	2	1	1	-	71
Other comprehensive income	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2**	**1**	**1**	**-**	**71**

Summary balance sheets, KEUR	2019 Sept 30	2018 Sept 30	2018 Dec 31
ASSETS			
Non-current assets	133	129	130
Non-current financial assets	75 693	75 694	75 694
Total non-current assets	**75 826**	**75 823**	**75 824**
Shares and participations held for sale	-	4	3
Current receivables	73	1 891	1 859
Cash and bank balances	-	-	-
Total current assets	**73**	**1 895**	**1 862**
TOTAL ASSETS	**75 899**	**77 718**	**77 686**
EQUITY AND LIABILITIES			
Equity	**62 976**	**75 724**	**75 795**
Current liabilities	12 923	1 994	1 891
Total liabilities	12 923	1 994	1 891
TOTAL EQUITY AND LIABILITIES	**75 899**	**77 718**	**77 686**

Summary of changes in equity, KEUR	
Equity as of December 31, 2017	**75 724**
Comprehensive income Jan 1 - Sept 30, 2018	-
Equity as of September 30, 2018	**75 724**
Comprehensive income Oct 1 - Dec 31, 2018	73
Equity as of December 31, 2018	**75 795**
Distribution to shareholders	-12 742
Cost related to distribution to shareholders	-57
Comprehensive income Jan 1 - Sept 30, 2019	-20
Equity as of September 30, 2019	**62 976**