2017

STRAX

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ANNUAL REPORT 2017

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THIS IS STRAX

STRAX is a market-leading global company specializing in mobile accessories and connected devices. STRAX has built a House of Brands to complement its value-added customer-specific solutions and services.

STRAX House of Brands includes proprietary brands: XQISIT, GEAR4, Urbanista, THOR, avo+, FLAVR, Eule and licensed brands: adidas and bugatti.

In addition STRAX represents over 40 major mobile accessory brands. 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 across 13 countries with its operational HQ and logistics center based in Germany. STRAX is listed on the Nasdaq Stockholm Stock Exchange.

THIS WAS OUR 2017

Good performance across all markets and brands at the end of the year enabled STRAX to deliver MEUR 100 in sales and 18% EBIDTA growth in 2017, which also marked the fourth consecutive year where we deliver strong growth in sales and improvement in gross margin.

Our success continued in North America and markets outside of Western Europe (ROW), where our growth is largely coming through our proprietary and licensed brands and therefore contributing to further improvement in our gross margin. 2017 is the fourth consecutive year where we deliver strong growth in sales and improvement in gross margin.

Sales in 2017 were MEUR 100.1 (91.7) and adjusted EBITDA amounted to MEUR 9.4 (7.9). Year-over-year sales growth stands at 9%, whilst year-over-year EBITDA has grown by 18%, confirming that our scalable growth model is indeed materializing. Growth continues to be driven by our continuous efforts in North America, 134% year-on-year growth, and focused expansion in ROW, 203% year-on-year growth, and increased share of proprietary brands contributes to higher share of profitability, 66.5% (64.2%).

Breaking through the MEUR 100 barrier in sales in 2017 was an important milestone for STRAX and provides fuel for the entire organization towards the MEUR 300 goal in annual sales in 3-4 years. We are on trajectory with our 2020 corporate objectives through our five core strategies through our House of Brands proposition: e-commerce, focused geographic expansion, acquisitions and operational excellence, all of which are aimed at driving growth, profitability and shareholder value.

Our proprietary brands performed well in 2017 with GEAR4 and Urbanista leading the way. GEAR4 is now the largest mobile accessory case brand in the UK in both volume and value, whilst Urbanista is the largest headphone brand in the Nordics in volume. Both brands are furthermore experiencing success outside of their home markets. We secured listings for FLAVR in several retailers, and XQISIT continued to prove to be the preferred telco brand in Europe. We relaunched THOR, a screen protection brand, in 2017 with promising feedback from our customer base and we have high growth expectations for the brand.

In an effort to strengthen our House of Brands, we acquired Telecom Lifestyle Fashion (TLF) in 2017, the global exclusive licensee of adidas and bugatti for smartphone accessories. The acquisition provides STRAX with unique alignment and differentiation with one of the hottest global brands today, adidas. TLF doubled its sales in 2017, with much of that growth coming from online and offline channels in Asia. Many of our partner brands also performed well, especially those in the fast growing screen protection and wireless charging product categories.

We finished the year with a record quarter and enter 2018 with good momentum in all our key markets. I am furthermore pleased with STRAX´ positioning heading into a new year; we have a great team, sound strategy and operational

platform, broad and geographically diverse customer base, and relevant portfolio of brands in a growing global industry. We remain optimistic and expect exciting times ahead for STRAX and our shareholders.

Significant events during the year

- STRAX signed a contract with Tessco Technologies Inc., for STRAX proprietary brands in the US.
- STRAX won a multi-tiered tender with mobilcom-debitel in Germany to exclusively supply all sales channels with mobile accessories and consumer IoT products.
- Orange won GSMA GLOMO Awards at Mobile World Congress VR1 in the category of Best Mobile Wearable Technology with a VR headset developed in cooperation with STRAX.
- STRAX launched its first Vodafone branded protection range for three Vodafone devices.
- STRAX acquired all outstanding shares of Telecom Lifestyle Fashion (TLF), its affiliated brand licensing company. TLF is the global exclusive licensee of adidas and bugatti for smartphone accessories.
- STRAX brand GEAR4 continued to extend its footprint in the US and is now sold in more than 6000 stores, distributed through Tessco Technologies and Superior Communications.
- STRAX relaunched Thor, it's screen protection brand with improved packaging, retail training kits and website.
- STRAX acquired all outstanding shares in Mobile Accessory Club and divested its shares in Celcom HK. These transactions did not alter the relationship between Vodafone and STRAX and STRAX has continued to work closely with Celcom HK.
- STRAX brand GEAR4 became the largest mobile accessory case brand in the UK, with a market share of 18.5%, according to GfK.
- STRAX brand GEAR4 won T3 accessory of the year award with its Piccadilly mobile accessory case.

Significant events after the end of the year

- STRAX was awarded accessory contract with Vodafone UK to become its sole provider of mobile accessories across all of its 450 retail stores, enterprise business units and online channels via a full category vendor managed availability solution.
- STRAX implemented a supply chain financing solution from CrossFlow, a London-based fintech company, within its supplier base, resulting in improved working capital through extended supplier payment terms.

OUR CHAIRMAN SAYS

BERTIL VILLARD

I have had the opportunity to follow the development of STRAX first hand over a period of more than 15 years.

Seeing a smaller start-up type of company grow to a substantial business and become one of the leaders in their industry on a global basis is a very interesting and rewarding journey. Over the past two years I have also had a role together with my fellow board members to make sure the company takes the next step in the evolution and maturity and evolve into a public company. This in itself has its challenges for any company, especially one with a global business and a geographically spread organization.

STRAX has worked hard to adopt to the world of a listed company and will continue to do so over the coming couple of years, with increased regulatory requirements and demands. For STRAX it is a “learn and adopt” scenario and I am happy to be a part of and guide the management in this important work.

One recent example of new requirements is the introduction of sustainability reporting to the annual report. This is a development I welcome as it puts a much-needed focus on the environment and sustainability of businesses for today, as well as for the future. The nature of STRAX business with global sales and production coming out of only one geographic area offers some challenges from an environmental perspective, and I think management have done a good job in describing the work carried out in this area.

I continue to see a bright future for STRAX both as a business and as a listed company, and in many aspects - even though we have come a long way already – I see this as just the start of a journey.

"SEEING A SMALLER START-UP TYPE OF COMPANY GROW TO A SUBSTANTIAL BUSINESS AND BECOME ONE OF THE LEADERS IN ITS INDUSTRY ON A GLOBAL BASIS IS A VERY INTERESTING AND REWARDING JOURNEY. "

BERTIL VILLARD, CHAIRMAN OF THE BOARD STRAX AB.

OUR CEO SAYS

GUDMUNDUR PALMASON

On the whole 2017 was a good year for STRAX. We grew both sales and EBITDA at respectable rates. However, more importantly we executed several tactical initiatives that are set to improve our operational efficiency and strengthen the House of Brands proposition in the mid- to long-term.

Continued revenue and margin growth

STRAX continued to deliver profitable growth in 2017 achieving 100 MEUR in sales. The year marks the fourth consecutive year where we delivered strong growth in sales and improvement in gross margin. We furthermore delivered strong year-on-year growth in EBITDA that came in at 9.4 MEUR. The total sales growth of 9% was primarily driven by strategic markets outside of Western Europe, those being the Americas, Japan, Middle-East and Africa, whilst margin growth was attributed to a combination of brand product mix, where GEAR4, Urbanista and adidas were the key drivers.

Strategic framework

The strategic framework and 2020 corporate objectives that we launched in 2016 remain intact. The framework evolves around five independent yet interlinked activities: active brand portfolio management through House of Brands proposition, e-commerce, focused geographic expansion, acquisitions and operational excellence, all of which are aimed at driving growth, profitability, shareholder

“2017 WAS A GOOD YEAR FOR STRAX AND WE ENTERED 2018 WITH SOLID MOMENTUM IN ALL OUR MARKETS. WE HAVE BUILT OUR HOUSE OF BRANDS, ESTABLISHED A FOUNDATION FOR CONTINUED PROFITABLE GROWTH AND AT THE SAME TIME SET OURSELVES ASPIRATIONAL 2020 OBJECTIVES SUPPORTED BY SOUND STRATEGIC FRAMEWORK AND A GREAT WORKFORCE. WE DELIVER!”

GUDMUNDUR PALMASON, CEO STRAX AB

value, employee satisfaction and ultimately successful customers. We believe that this strategy coupled with our scalable infra-structure and strong team will deliver increa-sed growth rate and EBITDA margin. For 2020 we are targeting equal sales from Western Europe and Americas, more than 70% of sales from our proprietary brands and previously communicated sales of 300 MEUR in 3-4 years.

Operational change

We redesigned and launched a major business process improvement program named “One company – one system” with the intent to simplify key intercompany processes. This has required the entire organization to change day-to-day routines. Brand and sales entity silos have been broken down and enforced a greater teamwork across the STRAX group, enabling us to achieve more volume with fewer resources. Fully implemented, the expectation is to achieve 10-15% cost reduction at constant sales.

Growth across the Americas

We again continued to go from strength to strength in the Americas and doubled our sales in the region in 2017. We signed several significant retailers and appointed a new distribution partner. GEAR4 and adidas continue to lead our progress in the region with the anticipation that other proprietary brands will follow. We furthermore teamed up with a market leading retail sales training company for in-store training at our retail partners which is already showing positive results in sell-through.

E-commerce success

We achieved quite remarkable results with adidas in online channels both in China and Japan, where we believe those results can be replicated across other major e-commerce markets such as North America. The platform and experience gained through adidas online sales will then be leveraged across all of our proprietary brands.

Sound foundation

2017 was a good year for STRAX and we entered 2018 with solid momentum in all our markets. We have strengthened our House of Brands, established a foundation for continued profitable growth and at the same time set ourselves aspirational 2020 objectives supported by sound strategic framework and a great workforce. I’m happy with our current positioning and firmly believe in our abilities to create more value for all stakeholders.

THIS IS OUR BUSINESS

STRAX is a market-leading global company specializing in mobile accessories and connected devices. STRAX has built a House of Brands to complement its value-added customer specific solutions and services, with 66.5% of sales coming from the proprietary brands, 5.1% from licensed brands and 28.4% from partner brands.

Objectives and goals

STRAX has set the strategic framework for 2020 with strong growth expectations and continued improvements in profitability. The company estimates that it will generate MEUR 300 in annual sales in the next 3-4 years and that 70% of sales will come from proprietary brands.

The means by which STRAX plan to achieve these goals include continuing to build the success of our customers, making strategic acquisitions, expanding globally in a focused manner, maintaining a strong constantly evolving brand portfolio through the House of Brands proposition as well as our operational and service excellence, including state of the art e-commerce solutions. A foundation built around core values and highly motivated employees is the key to reach these goals.

Customer-centric services

STRAX is focused on building a successful and loyal customer-base by offering differen-

	1 Product initiation	2 Product development	3 Product approval	4 Sales & operational planning
Proprietary brands	Based on consumer insights, market trends and technical development in products and materials STRAX has a product initiation process too proprietary and licensed brands and a sourcing process for products from third party brands. The process is partly driven by new launches of handset models combined with key seasonal promotional periods.	The product design team develops products with trend analysis tools and then creates samples together with the production team.The develpoment includes the packaging and other go to market deliverables that all make up a vital part of the product.	Through a toll gate process we only select the best products to add to our Proprietary Brand portfolios.	STRAX works with a sales & operational planning process where proposed purchase orders are based on current inventory levels and forecasted volumes by sales with consideration taken to production lead times on proprietary and licensed brands and delivery criteria for partner brands.
Licensed brands			Through a toll gate process the products to be put in production are selected and approved by the licensor.	
Third party brands		We work with a wide variety of suppliers to bring complimentary products to our proprietary brands.	Our partner brands have extremely wide assortments. Our teams chose the most relevant skus.	

tiated products, services and solutions. The proactive management of the B2C and B2B channels for proprietary, licensed and partner brands includes the creation of profitable platforms for e-commerce. Developing a compelling end to end consumer experience to maximize ROI and profitability.

Focused global expansion

STRAX focused global expansion strategy implies supplying smartphone accessories and connected devices all over the world, yet focusing on strategic channels/customers outside of Western Europe – while maintaining steady growth across core markets in Western Europe. For 2018, STRAX focus markets are the North America, Japan and MEA, where the intention is to open 20,000 new doors.

A strong portfolio

An evolving portfolio of all brands in STRAX core existing categories (protection, power, audio), and a focus on nurturing new connected devices and accessories into relevant channels are key factors in maintaining 70% of revenue via proprietary brands in 2020. Deep market insight tools will guide STRAX and our customers to success.

Operational excellence

STRAX is an organization where problem solving, teamwork and leadership result in continuous improvement. Processes are continuously upgraded to support the best profit margins in the industry, with special emphasis on simple organizational structure and an efficient Sales and Operation Planning process.

Growth through acquisitions

STRAX continuously analyzes acquisition opportunities that span from product companies to distributors. Given STRAX recent M&A activity the company is privy to a steady deal flow.

Agile and lean organization

STRAX management and group structure is equipped with the flexibility required to handle changes in strategy, but also allowing to build on a value-based foundation of constantly improved productivity and employee commitment. STRAX plans to maintain employee attrition under 5%.
STRAX operates in a fast moving technology category, where speed to market is a critical success factor, improved agility in identifying and responding to changes in the market are expected from STRAX employees. STRAX aims to lead the industry in time to market and to maintain headcount at or below 200 committed employees.

5 Manufacturing/ Purchasing

With the suggested purchase orders as a guidance, and with expertise knowledge the purchase department places order to factories on proprietary brands and licensed brands

Our purchasing teams work with suppliers to ensure JIT deliveries on products. We look to balance our intakes to customer demand.

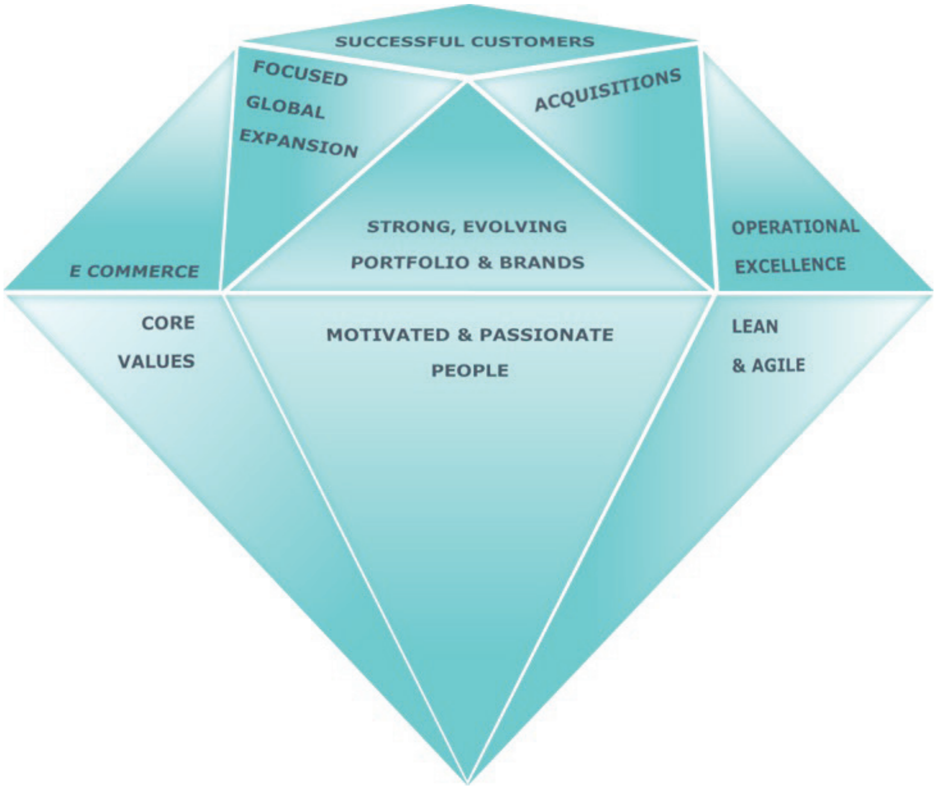
6 Warehousing & services

STRAX is a global company with sales in more than 20 countries. Warehouses are located in Germany, UK and Hong Kong. STRAX offers a wide range of value added services ranging from packaging and logistics services to fully integrated assortment and planogram services.

7 Transport

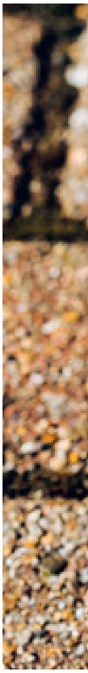
Third party

8 Customers

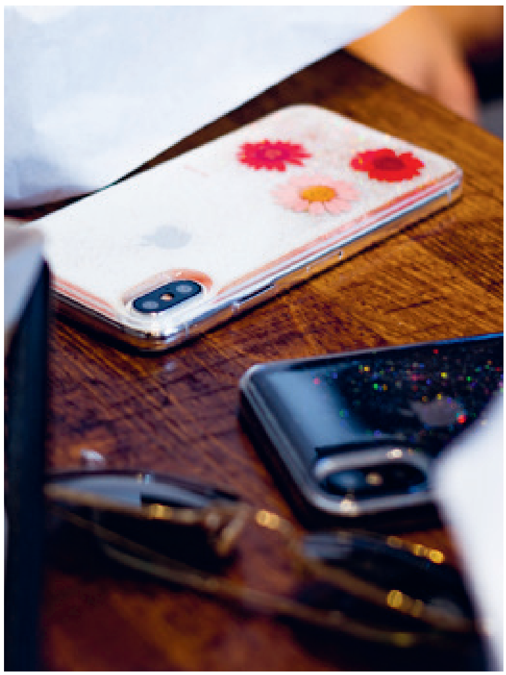


CREATING SHAREHOLDER VALUE

HOUSE OF BRANDS

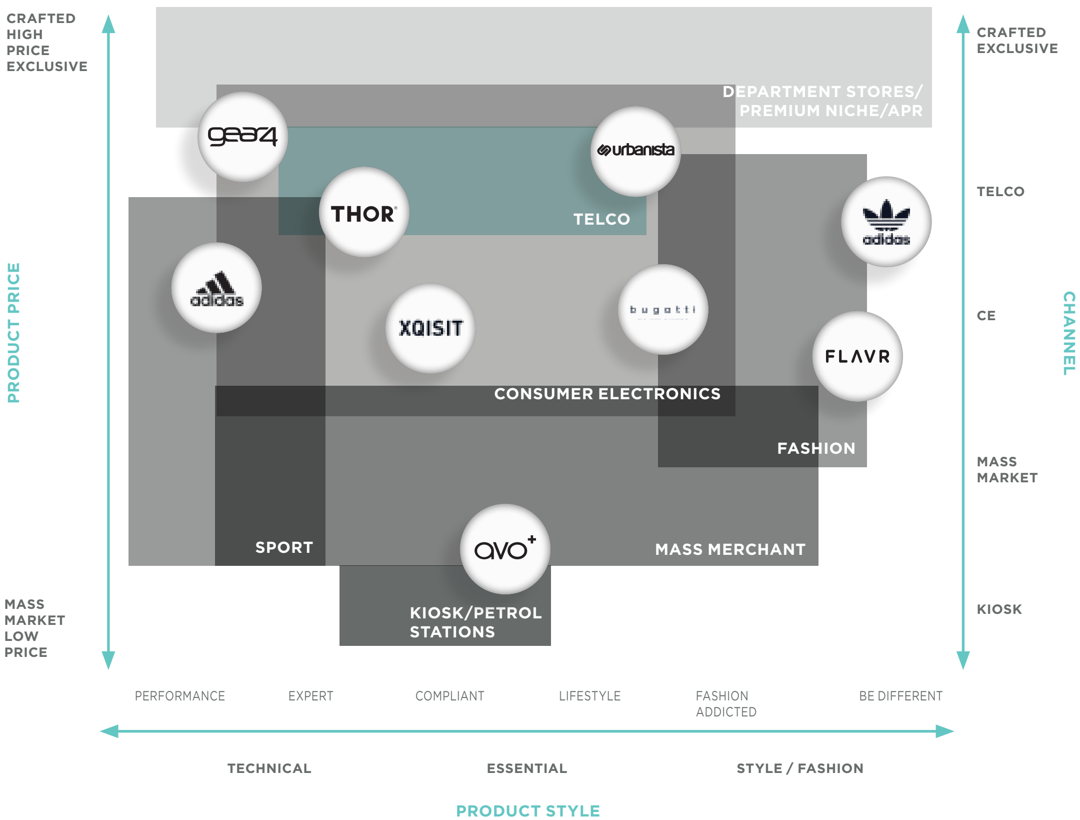



adidas

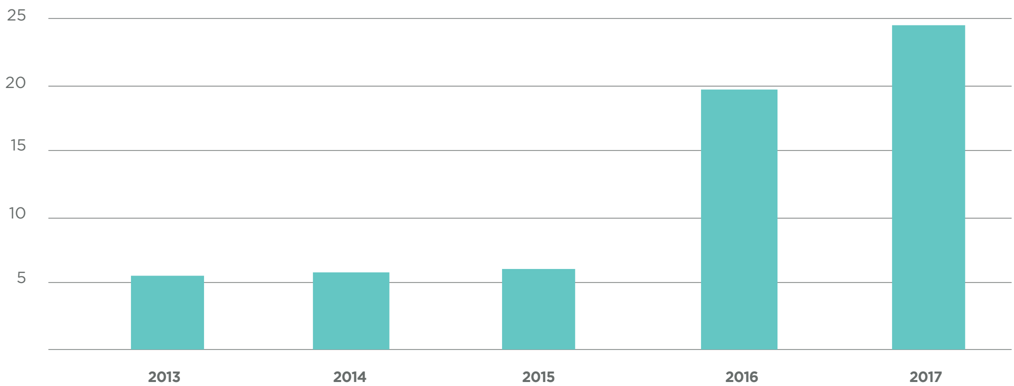


STRAX House of Brands has been built on strong consumer insight across a diverse customer base with the aim of enhancing a better mobile user experience. STRAX offers proprietary brands: GEAR4, XQISIT, FLAVR, THOR, avo+ and Urbanista, and licensed brands adidas and bugatti. These brands cover all key categories in the mobile accessories market including protection, audio and power. In 2017, STRAX launched a new connected brand called Eule for the smart home security sector. To complement these brands, STRAX also offers a range of partner brands to complete the House of Brands offering.

GLOBAL BRAND AND CHANNEL MAPPING



REVENUE DEVELOPMENT FOR GEAR4 2013-2017, MEUR

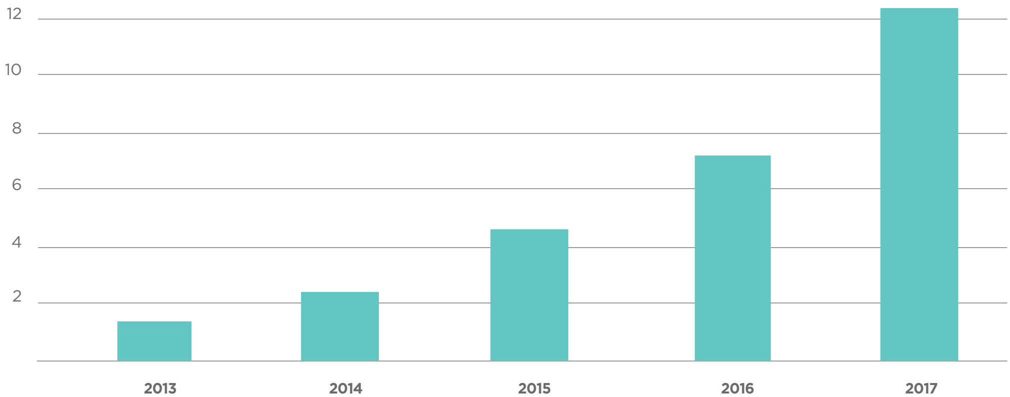


GEAR4

MARKET-LEADING IMPACT PROTECTION CASES

GEAR4 was founded in 2010 and acquired by STRAX Group in 2015. The organization is based in London and employs 9 people. During 2017, GEAR4 became one of North America's fastest growing – and the UK's number one – protective phone case brand. GEAR4 exclusively uses patented D3O® technology to create high performance impact protection products. In 2016, GEAR4 successfully executed its withdrawal from the audio category and further established its market position in the protection category with the launch of a new range of cases for enhanced protection called Battersea, a range of cases for the more fashion conscious called Victoria and a full screen protection portfolio. For the financial year 2017, sales amounted to €24.6m which corresponds to a growth of 24 percent. GEAR4 expects continued revenue growth in 2018 with its successful expansion into the North American market and new international markets.
www.gear4.com

REVENUE DEVELOPMENT FOR URBANISTA 2013-2017, MEUR



Urbanista

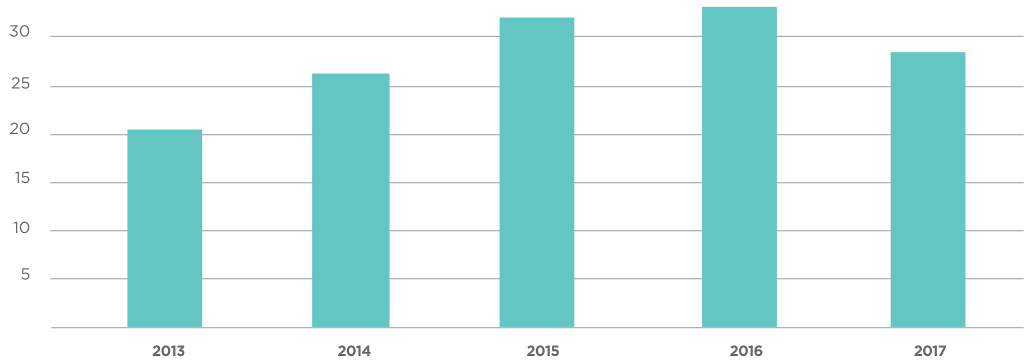
HIP AUDIO ACCESSORIES WITH SCANDINAVIAN DESIGN

Urbanista was founded in 2009 and acquired by STRAX Group in 2014. The organization is based in Stockholm and employs 10 people. Urbanista is a market leader in its region, combining avant-garde design with the latest in audio technology. Its products are designed for a life in motion and built to inspire and endure. In 2017, Urbanista expanded its portfolio in the rapidly expanding wireless (bluetooth) category adding the automatic noise cancellation feature to the Seattle range and launching its Milan range. Urbanista also released Tokyo – a set of true wireless earphones which it successfully launched across Europe, North America and Asia. For the financial year 2017, sales amounted to €12.3m which corresponds to a growth of 71 percent. Urbanista expects to continue growing in 2018 due to new product launches in the wireless category and continued expansion into new international markets.
www.urbanista.com

BPM group of brands: XQISIT, THOR, FLAVR and avo+
This group of brands was founded in 2010 by STRAX Group with the launch of the **XQISIT** brand, followed by **THOR**, **FLAVR** and **avo+**.
BPM is based in Cologne and employs 10 people.

For the financial year 2017, sales for BPM's group of brands amounted to €28.5m and expects to return to growth in 2018 as the new brands THOR and FLAVR continue growing in new channels and markets across Europe, North America and Asia.

REVENUE DEVELOPMENT FOR BPM BRANDS 2013-2017, MEUR



XQISIT
INNOVATIVE PROTECTION, AUDIO, POWER & CHARGING SOLUTIONS
Launched in 2010, XQISIT offers an extensive product portfolio ranging from protection to audio and power. XQISIT brings mid-priced German quality design and functionality to value-conscious consumers.
www.xqisit.com

THOR
GRADE A SCREEN PROTECTION
THOR launched in 2017 in response to the growing market demand for tempered glass display. The brand produces a variety of high-quality screen protectors in a mid to high price range. Screen protectors are tailored to each device for best-in-class protection.
www.thorglass.com

FLAVR

FASHION INSPIRED SMARTPHONE CASES

Launched in 2016, FLAVR offers seasonal collections of smartphone cases in line with the fashion trends of the moment. The brand is primarily aimed at social media savvy millennials.

www.shopflavr.com

avo+

AFFORDABLE MOBILE SOLUTIONS FOR THE MASSES

Launched in 2014, avo+ is a specialist in quality, value-for-money products suited for a variety of channels, including mass market, consumer electronics and gas stations. The brand offers a full portfolio from power to connectivity and gadgets.

Eule

HOME SECURITY MADE EASY

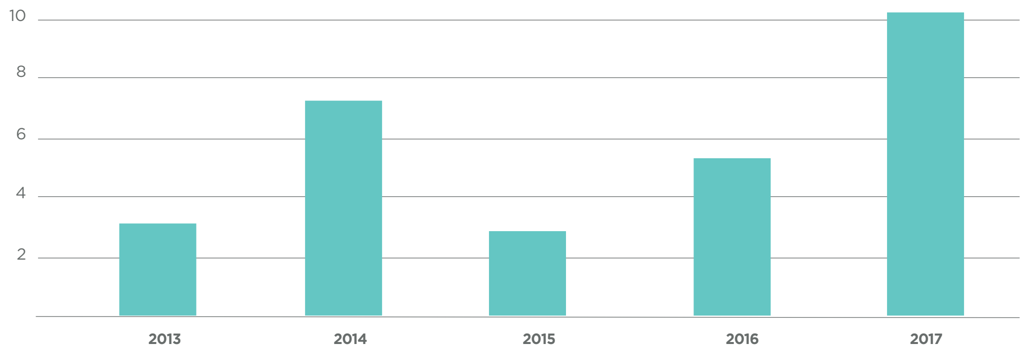
Eule was founded by STRAX at the end of 2017. Based in London, the organization employs two people. Eule offers competitively priced, innovative, connected solutions that make home security easier. Eule products are simple to install, easy to use and offer a refreshing change to high-priced alternatives. Eule expects to have positive growth in Europe and North America during 2018 as the new connected device category shows significant growth in these markets.

www.eule-tech.com

Telecom Lifestyle Fashion: Licensed brands for adidas and bugatti
Telecom Lifestyle Fashion was founded in 2011 and fully acquired by STRAX Group in 2017. Based in Tilburg, Telecom Lifestyle Fashion employs 15 people and sells licensed brands adidas Originals, adidas Sport and bugatti. www.telecomlifestylefashion.com

For the financial year 2017, sales for Telecom Lifestyle Fashion amounted to €10.2m which corresponds to a growth of 91 percent. Telecom Lifestyle Fashion expects to continue growing in 2018, especially in key Asian markets China and Japan, also by expanding across new major channels in North America.

REVENUE DEVELOPMENT FOR TLF BRANDS 2013-2017, MEUR



adidas Originals
STREET WEAR INSPIRED PROTECTION
TLF acquired the license for adidas Originals smartphone cases in 2013. 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, adidas Originals smartphone cases combine contemporary youth culture design with resilient protection features.

adidas Sport
FOR ACTIVE USE IN THE GYM AND OUTDOORS
TLF acquired the license for adidas Sport cases in 2016. Adidas Sport aims to set a new bar in the fast-growing market of tech accessories. The new collection of sport cases consists of a variety of flexible armbands, smart waist straps and highly protective anti-slip and anti-shock cases. adidas Sport cases are carefully designed to protect smartphones during intense workouts, running or outdoor activity.

bugatti
CHIC & REFINED PROTECTION
TLF acquired the license for bugatti smartphone cases in 2015. 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 Ultrasuede, and come in a range of timeless colours to epitomise elegance and quality workmanship.

THIS IS OUR INDUSTRY

2017 Mobile accessories market overview
STRAX is a market-leading global company specializing in mobile accessories. STRAX sells into all key channels ranging from telecom operators, mass merchants and consumer electronics to lifestyle retailers and direct to consumers online.

In recent times, technological explosions have slowed down with device manufacturers struggling to impress customers with game-changing solutions. As a result the long-tail halo device launch effect has reduced. Consumers are increasingly opting to keep existing devices for longer and refresh accessories rather than their device. The market has also witnessed an increase in SIM-only contract renewals where consumers are able to negotiate better rates for services instead of replacing their device. These factors have resulted in an increase in demand for a deeper SKU assortment into second tier mobile devices in protection but also for power, audio and connectivity products as consumers upgrade their existing accessories.

Power: In our commodity business we expect solid unit sales growth but a drop in average selling price (ASP) will see this segment stay fairly flat on revenues. New technologies, such as wireless charging and power delivery products, are compatible with the latest halo devices, and we see this trend increasing showing growth in 2018.

Protection: Units and revenues are expected to grow here. We see second tier devices increasing in share as they take the core technologies from major brands and work into mid-priced products. In 2017, we saw further expansion into the protective segment, growth in our licensed business and gains in our screen protection. The slow launch of iPhone 8/8+ and later than expected arrival of the iPhone X undoubtedly impacted the market.

Audio: In 2017, we saw the power of Amazon's Alexa platform inject life into the speaker market. Building on its success in the USA/Canada, Amazon launched Alexa in the UK and benefitted from being first to market. Google's range launched later offering greater language and contextual impact to consumers. We see this trend continuing and growing as audio brands add voice capabilities into their portfolios.

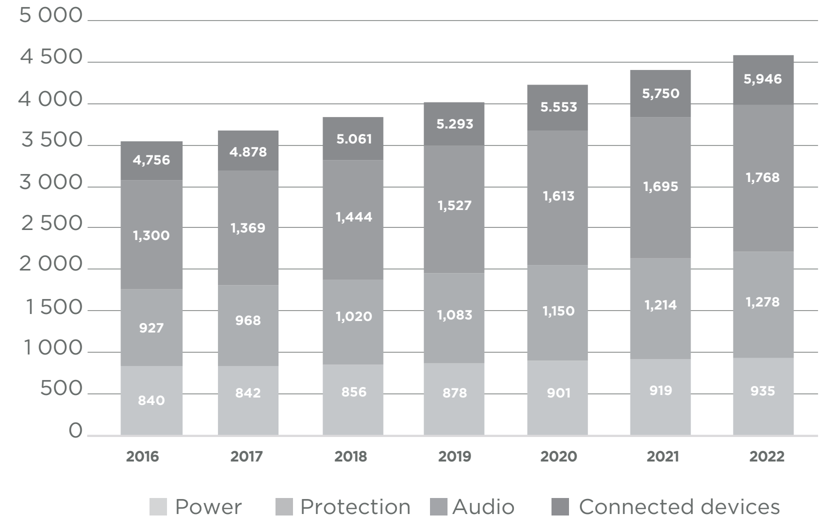
The market for headphones also benefitted from transitions away from wired products. STRAX enjoyed growth in its wireless headphone portfolio and looks to 2018, and beyond, to grow this further on an international stage.

2017 Connected device market overview
During 2017 we saw mass adoption of VPAs (voice personal assistant) in the form of Amazon's Alexa portfolio, which was very strong during Q4. We predict this trend will continue and expect to see Google's Assistant and Apple's VPA solutions also grow in 2018.

In the smart home space, 2017 saw consolidation and buyouts in some areas. We believe this will continue and expect voice enabled solutions to expand this area. There is room in the market for more cost effective solutions that lower the bar of entry for consumers yet give them their first taste and allow entry into the

GLOBAL ACCESSORY FORECAST UNITS 2016–22

Source: ABI Research 2018

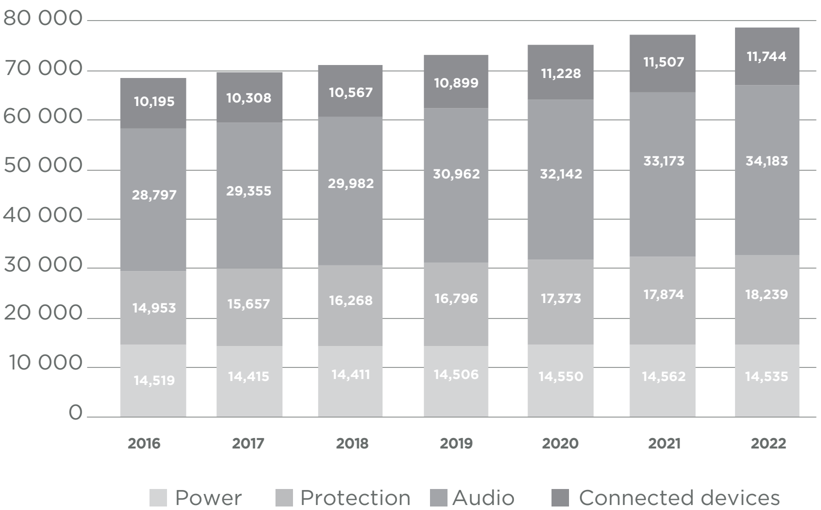


Accessory Category:
Power
Audio
Protection
Connected devices

CAGR 18-22
Power 2.3%
Audio 5.8%
Protection 5.2%
Connected devices 4.1%
Combined 4.6%

GLOBAL ACCESSORY FORECAST REVENUE 2016–22

Source: ABI Research 2018



Accessory Category:
Power
Audio
Protection
Connected devices
Combined

CAGR 18-22
Power 0.2%
Audio 3.3%
Protection 2.9%
Connected devices 2.2%
Combined 2.5%

sector. In response to this, STRAX launched its new proprietary brand Eule late in 2017, which was showcased at CES. Eule offers easy-to-use, cost effective, yet margin rich products in the photo and video doorbell space. We will look to expand this brand during 2018 with products that price effectively and help consumers enter the category.

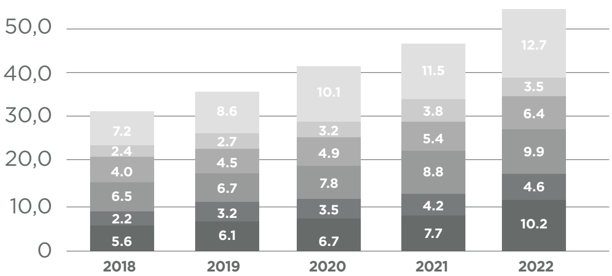
VR (virtual reality) products, gaming and personal entertainment are still relevant and are predicted to grow strongly towards 2022. The nature of products will change and the consumer experience will be enhanced by stronger technical specifications built into hardware and screens.

In our sales channels we have witnessed telecom operators move towards embedded SIM and multi SIM deals. We believe the integration of multi-device/end point solutions to contracts may have slow growth in 2018; however this market will grow at an increasing rate from 2019.

We expect consumer electronics (CE) and mass merchants (MM) to dive deeper into connected technology in 2018.

CONNECTED SMART HOME GROWTH PROJECTION 2018-2022

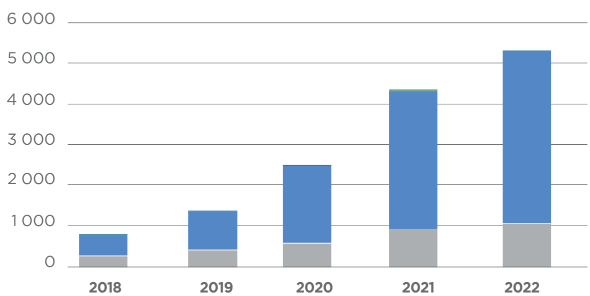
Source: Statista 2018



Connected smart home:	**CAGR 18-22**
Control & Connectivity	12.3%
Comfort & Lighting	15.0%
Security	14.8%
Home Entertainment	9.0%
Energy Management	15.5%
Smart Appliances	17.3%
Combined	*14.2%*

CONNECTED SMART HOME ACCESSORIES GROWTH PROJECTION 2018-2022, MEUR

Source: ABI Research 2018



Connected smart home accessories:	**CAGR 18-22**
Portable Projectors	2.3%
Smartphone Camera Lens	4.3%
VR Mobile	70.3%
Integrated Battery Case	-0.2%
360 Camera	41.1%
Combined	*60.8%*

STRAX builds its business intelligence by blending market data from leading institutions, using our customers insights and leveraging our STRAX global team to create insightful opinion. In this section the most relevant data is selected, presented, and interpreted by STRAX and where appropriate the source of data is given.

THIS IS THE STRAX SHARE

The STRAX share is since May 12, 2016 listed on the Nasdaq Stockholm exchange, under the symbol STRAX, in the Small Cap section. STRAX market value at the end of 2017 amounted to approximately MEUR 60.

Mangold Fondkommission is the appointed market maker for STRAX. The share liquidity during 2017 has been good, the share was traded on 99 (100) percent of all trading days and the average turnover was 122 995 (37 495) shares per trading day. The total turnover amounted to 30 625 749 (9 486 218) shares, which corresponds to a turnover rate of approximately 0.26 (0.08) per year. The share opened at SEK 4.88 on the first day of trading on January 2, 2017 and closed at SEK 5.00 on the last day of trading. The average price during the year was SEK 5.00 (5.60) and the average turnover per trading day was SEK 622 054 (205 758).

Share capital structure
STRAX share capital amounts to EUR 12 624 165 distributed among 120 592 332 shares. The quota value is EUR 0.10. Each share carries one vote and each person entitled to vote may vote at shareholder meetings for the full number of shares held or represented at the meeting, without limitation of voting rights. STRAX has only one class of shares and all shares carry an equal right to a share in the company's assets and profits. All shares are fully paid.

Option program
In addition to the fixed monthly salary STRAX offers variable-remuneration based on goals met tailored to the role of the individual. At the AGM in 2017 it was further decided to implement a share-based incentive program in the form of three-year warrants. Following the decision at the AGM this program was rolled out and assigned in 2017 and ultimately subscribed by a group of 48 key employees in January 2018. The warrants where not offered to the Board of Directors, however Gudmundur Palmason participated due to his capacity as CEO.

Ownership structure
The total number of shareholders as of December 31, 2017 amounted to 1 868 (1 976). Foreign ownership accounted for 78.9 (83.7) percent of total outstanding shares.

Earnings per share
The group's earnings per share amounted to EUR 0.1 (0.3).

Dividend policy and dividend
The Board has not proposed a dividend for the financial year 2017.

Other share information
Shareholders' equity per share at year-end amounted to EUR 0.18 (0.15). The number of shares and votes in STRAX changed in December 2017 as a result of the acquisition of Telecom Lifestyle Fashion B.V. The total number of shares in STRAX therefore increased by 2 830 066, corresponding to 2 830 066 votes. The total number of shares at the end of the period amounted to 120 592 332.

DEVELOPMENT OF SHARE CAPITAL (KSEK)

Date	Transaction	Quota value (SEK)	Change in share capital	Total share capital	Total no. of shares
April 1997	Incorporation	100.00	100	100	1 000
March 1998	Split (10:1)	10.00	–	100	10 000
March 1998	New share issue	10.00	4	104	10 400
March 1998	Issue in kind	10.00	35	139	13 900
April 1998	New share issue	10.00	10	149	14 873
April 1998	Issue in kind	10.00	14	163	16 263
May 1998	New share issue	10.00	65	228	22 763
August 1998	Bonus issue	230.00	5 008	5 236	22 763
August 1998	Split (100:1)	2.30	–	5 236	2 276 300
September 1998	New share issue	2.30	460	5 696	2 476 300
September 1998	Issue in kind	2.30	96	5 792	2 518 195
June 1999	New share issue	2.30	460	6 252	2 718 195
September 1999	New share issue	2.30	828	7 080	3 078 195
January 2000	New share issue	2.30	161	7 241	3 148 195
January 2000	New share issue	2.30	1 150	8 391	3 648 196
February 2000	New share issue	2.30	2 300	10 691	4 648 196
June 2000	Bonus issue	5.00	12 550	23 241	4 648 196
June 2000	Split (5:1)	1.00	–	23 241	23 240 980
September 2000	New share issue	1.00	150	23 391	23 390 980
October 2003	New share issue	1.00	7 797	31 188	31 187 973
June 2004	New share issue	1.00	6 000	37 188	37 187 973
May 2007	Split (2:1)	0.50	–	37 188	74 375 946
May 2007	Redemption	0.50	–18 594	18 594	37 187 973
May 2007	Bonus issue	1.00	18 594	37 188	37 187 973
January 2011	Split (2:1)	0.50	–	37 188	74 375 946
February 2011	Redemption	0.50	–18 594	18 594	37 187 973
February 2011	Bonus issue	1.00	18 594	37 188	37 187 973
October 2013	Split (2:1)	0.50	–	37 188	74 375 946
November 2013	Redemption	0.50	–18 594	18 594	37 187 973
November 2013	Bonus issue	1.00	18 594	37 188	37 187 973
May 2016	Issue in kind	1.00	80 574	80 574	117 762 266
January 2017	EUR(1)	–	–117 763	–	–

DEVELOPMENT OF SHARE CAPITAL (KEUR)

Date	Transaction	Quota value (EUR)	Change in share capital	Total share capital	Total no. of shares
January 2017	EUR(1)	0.10	12 328	12 328	117 762 266
December 2017	Issue in kind (2)	0.10	296	12 624	120 592 332

(1) After the EGM held on December 22, 2016 resolved to change the reporting currency to EUR the amount was changed to EUR 12 327 900.13 corresponding to a quota value of EUR 0.10.

(2) Utilizing a mandate from the AGM the Board resolved to pay TEUR 1 500 of the purchase price relating to an acquisition of TLF by issuing 2 830 066 shares in STRAX AB. The share issue was registered with the Swedish Companies Registration Office on December 22, 2017 and the shares printed in Euroclear on January 3, 2018.

MAJOR SHAREHOLDERS AND OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2017

Shareholder	No. of shares	Proportion of votes and capital
Gudmundur Palmason	31 398 031	26,0%
Ingvi T. Tomasson	31 198 079	25,9%
GoMobile Nu AB	12 381 994	10,3%
Anchor Secondary 4 AS	6 868 000	5,7%
Anchor Invest 1 AS	3 250 000	2,7%
BNYM RE Regents of the Univers1ty	3 196 326	2,7%
SEK Landsbankinn HF Client	2 915 860	2,4%
NTC IEDP AIF Clients Non Treaty 30% Account	2 650 734	2,2%
Försäkringsbolaget Avanza Pension	2 374 796	2,0%
Mouhssine Otmani	1 886 711	1,6%
Other shareholders	22 471 801	18,6%
Total	**120 592 332**	**100,0%**
Of which foreign ownership	95 160 143	78,9%
The 10 largest shareholders -proportionally	98 120 531	81,4%

Source: Euroclear and facts known to the Company

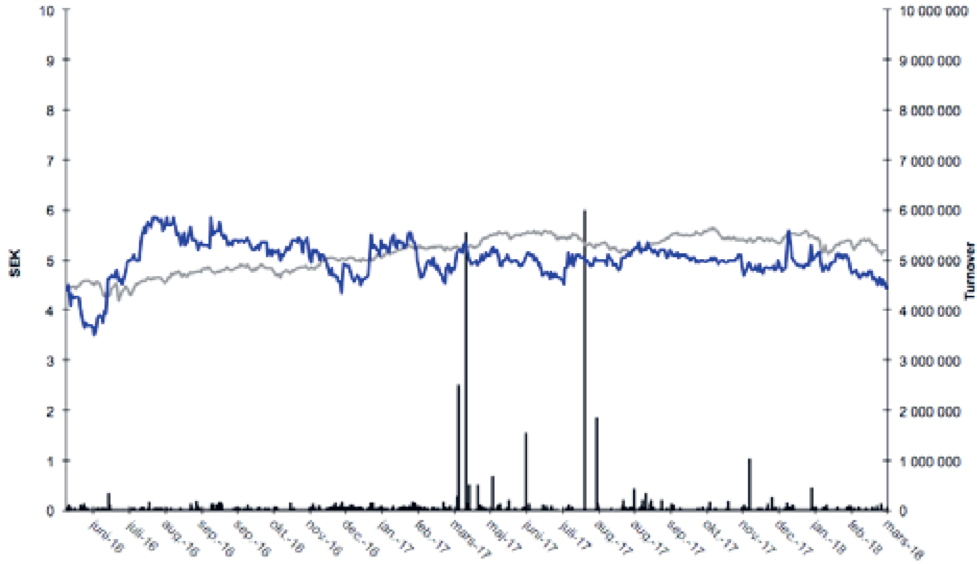
DISTRIBUTION OF SHARES AS OF DECEMBER 31, 2017

No. of shares by size	No. of shares	Proportion	No. of shareholders	Proportion
1-500	227 220	0,2%	1 148	61%
501-1 000	225 764	0,2%	267	14%
1001-10 000	1 220 501	1,0%	351	19%
10 001-50 000	1 021 079	0,8%	43	2%
50 001- 100 000	1 164 809	1,0%	16	1%
100 001-	116 732 959	96,8%	43	3%
Total	**120 592 332**	**100%**	**1 868**	**100%**

Source: Euroclear and facts known to the Company.

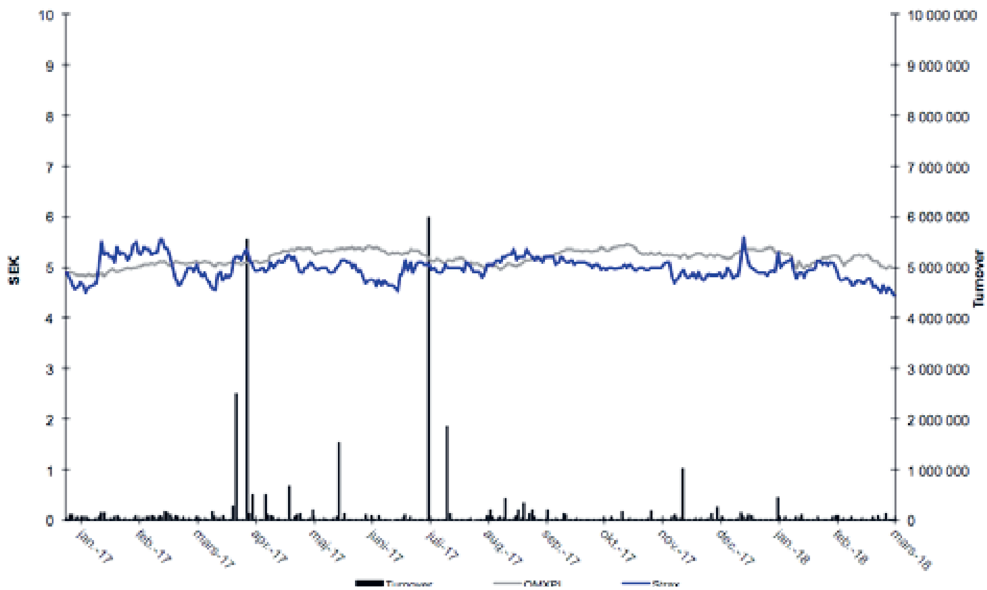
STRAX SHARE PRICE TREND AND NUMBER OF SHARES TRADED JUNE 1 2016 – MARCH 31, 2018

Source: Nasdaq Stockholm



STRAX SHARE PRICE TREND AND NUMBER OF SHARES TRADED JANUARY 1, 2017 – MARCH 31, 2018

Source: Nasdaq Stockholm



THIS IS OUR FUTURE

STRAX will play an active role in shaping the mobile accessories industry in all of its targeted geographic markets. We will continue to execute against our strategic framework launched in 2016 while at the same time strengthen the operational platform to enable us to carry out our House of Brands strategy globally with fewer resources. STRAX will experience growth in Western Europe while at the same time invest and grow at an accelerated rate in North America and strategic markets in ROW. STRAX will furthermore invest in the e-commerce channel in an effort to improve margins and diversify its traditional retail customer base. We expect a higher growth rate in 2018 compared to 2017, and the STRAX scalable business model is expected to deliver a higher growth rate in EBITDA compared to growth in sales.

STRAX HISTORY

1995

STRAX MIAMI
STRAX HONG KONG
FOUNDED

1999

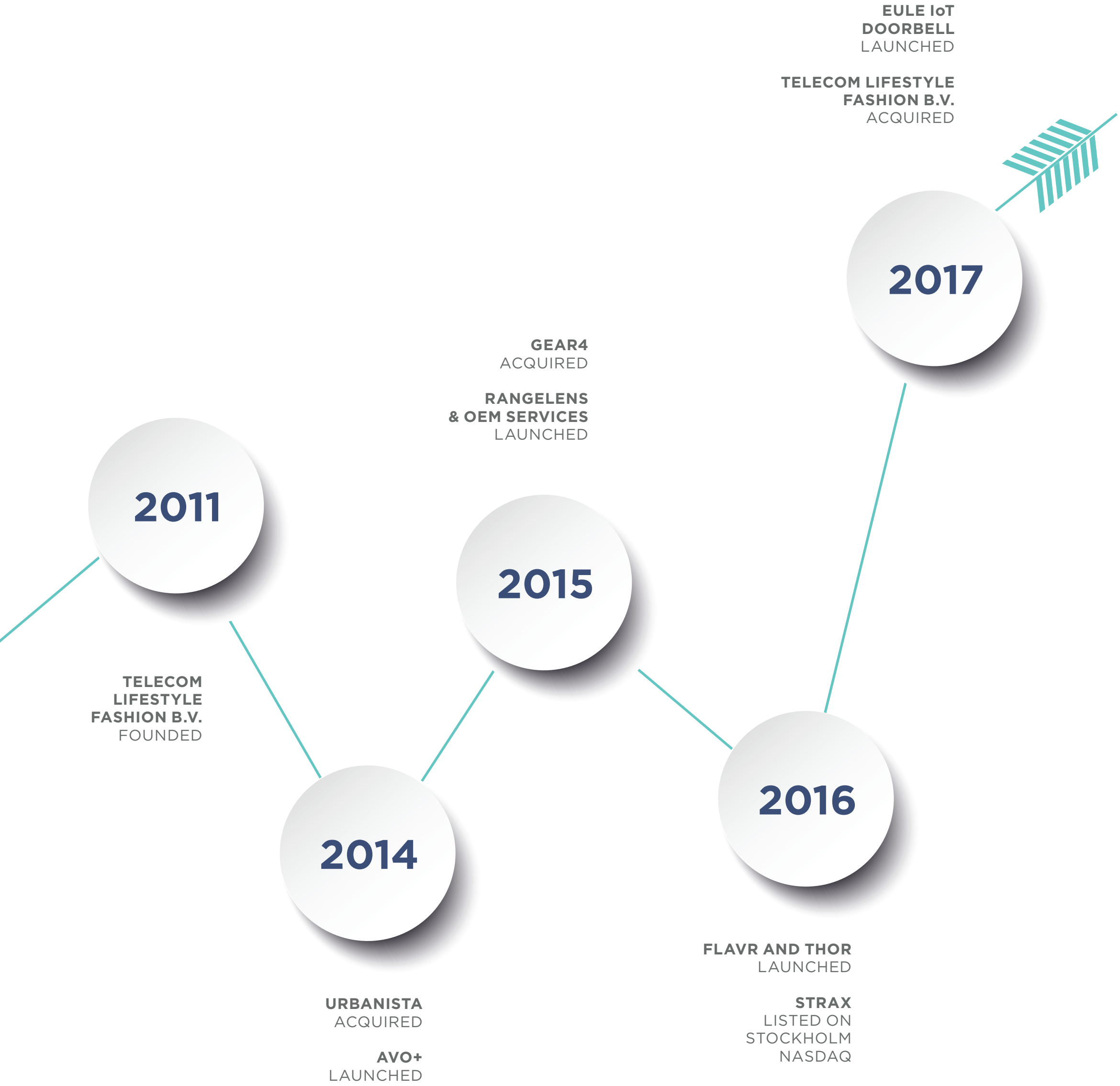
STRAX HOLDINGS
STRAX UK
FOUNDED

2005

STRAX
AQUIRED **MORE**
GROUP OF COMPANIES

2010

XQISIT
LAUNCHED


2011
TELECOM LIFESTYLE FASHION B.V. FOUNDED
2014
URBANISTA ACQUIRED
AVO+ LAUNCHED
2015
GEAR4 ACQUIRED
RANGELENS & OEM SERVICES LAUNCHED
2016
FLAVR AND THOR LAUNCHED
STRAX LISTED ON STOCKHOLM NASDAQ
2017
EULE IoT DOORBELL LAUNCHED
TELECOM LIFESTYLE FASHION B.V. ACQUIRED

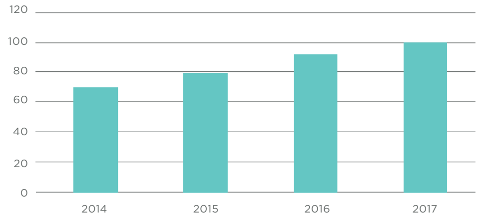
FOUR-YEAR SUMMARY

STRAX AB
FINANCIAL SUMMARY AND KEY RATIOS, THE GROUP

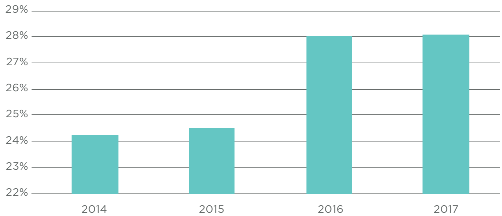
(EUR Thousands) **Income statements**	**2017**	**2016**	**2015**	**2014**
Net sales	100 065	91 770	79 947	69 508
Cost of goods sold	-71 958	-66 048	-60 337	-52 632
Gross profit	**28 107**	**25 722**	**19 610**	**16 876**
Gross margin	*28.1%*	*28.0%*	*24.5%*	*24,3%*
OPEX	-22 448	-20 806	-16 123	-12 802
EBIT	**5 659**	**4 916**	**3 487**	**4 074**
Net financial items	-2 103	-1 135	-1 106	-1 410
EBT	**3 556**	**3 781**	**2 381**	**2 665**
Taxes	-1 768	-583	-1 156	-1 054
PROFIT FOR THE YEAR	**1 788**	**3 199**	**1 225**	**1 611**
Result per share, SEK	0.15	0.26	0.10	0.13
Average number of shares[1]	117 839 802	115 299 621	115 299 621	115 299 621

[1] Utilizing a mandate from the AGM the Board resolved to pay TEUR 1 500 of the purchase price relating to an acquisition of TLF by issuing 2 830 066 shares in STRAX AB. The share issue was registered with the Swedish Companies Registration Office on December 22, 2017 and the shares printed in Euroclear on January 3, 2018.

Net sales, MEUR



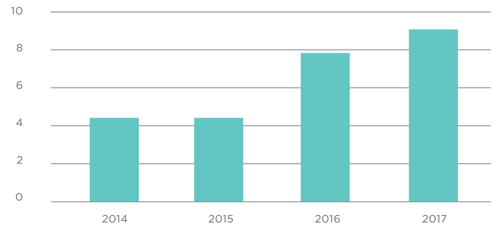
Gross margin



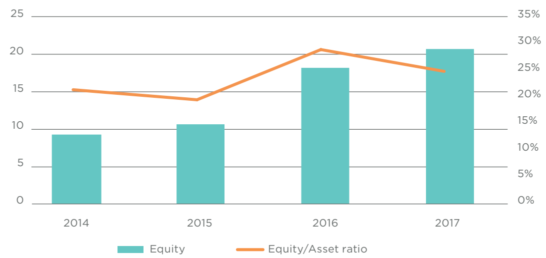
Balance sheets, KEUR	2017	2016	2015	2014
ASSETS				
Fixed assets				
Intangible	30 453	21 285	14 709	9 101
Tangible	2 203	1 645	783	426
Financial	–	807	8	794
Other	1 131	2 740	1 387	682
Total fixed assets	**33 787**	**26 477**	**16 887**	**11 003**
Current assets				
Inventories	10 417	11 435	8 935	8 098
Receivables	25 792	12 959	14 174	11 324
Other assets	7 484	8 421	10 696	4 388
Cash and cash equivalents	5 689	3 663	4 976	9 181
Total current assets	**49 382**	**36 478**	**38 781**	**32 991**
TOTAL ASSETS	**83 169**	**62 955**	**55 668**	**43 994**
EQUITY AND LIABILITIES				
EQUITY	**21 028**	**18 159**	**10 713**	**9 291**
Equity/Asset ratio	*25%*	*29%*	*19%*	*21%*
Long-term liabilities				
Interest bearing	11 230	5 021	–	–
Non-interest bearing	1 913	1 095	5 409	4 367
Total long-term liabilities	**13 143**	**6 116**	**5 409**	**4 367**
Current liabilities				
Interest bearing	15 015	11 627	13 523	7 540
Non-interest bearing	33 983	27 052	26 023	22 796
Total current liabilities	**48 998**	**38 679**	**39 546**	**30 336**
Total liabilities	**62 141**	**44 795**	**44 955**	**34 703**
TOTAL EQUITY AND LIABILITIES	**83 169**	**62 955**	**55 668**	**43 994**

Financial information according to IFRS is available from the financial year 2014.

Adjusted EBITDA, MEUR



Equity/Equity asset ratio



CORPORATE GOVERNANCE REPORT

Corporate governance defines the decision-making systems and structure through which owners directly or indirectly control a company. Good corporate governance means that effective decision-making processes are defined and are characterized by openness towards company owners so that they can monitor how the company develops.

STRAX belongs to the category of companies that applies the Swedish Code of Corporate Governance from July 1, 2008. In accordance with the Code, STRAX is hereby presenting its Corporate Governance Report, explaining how corporate governance work has been conducted at STRAX during the financial year 2017. The report has been subject to review by the STRAX auditor. The auditors report is on page 108.

STRAX operations

STRAX is a market-leading global company specializing in mobile accessories and connected devices. STRAX has built a House of Brands to complement its value-added customer-specific solutions and services.

STRAX House of Brands includes proprietary brands: XQISIT, GEAR4, Urbanista, THOR, avo+, FLAVR, Eule and licensed brands: adidas and bugatti.

In addition STRAX represents over 40 major mobile accessory brands. 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 across 13 countries with its operational HQ and logistics center based in Germany. STRAX is listed on the Nasdaq Stockholm Stock Exchange.

Corporate governance at STRAX

STRAX corporate governance practices are primarily regulated by Swedish legislation, in particular the Swedish Companies Act, the Swedish Code of Corporate Governance and the Nasdaq Stockholm Rule Book for Issuers. Furthermore, STRAX follows the resolutions laid out in the STRAX Articles of Association.

In addition to legislation, regulations and recommendations, the company's Articles of Association constitute a central document for the company's governance. The Articles of Association establish, for example, the company's name, where the Board is registered, the focus of STRAX operations and information concerning share capital.

The company's highest decision-authority is the Annual General Meeting (AGM), at which STRAX shareholders exercise their influence over the business. The AGM is convened no less than once a year to decide how the Nomination Committee is to be appointed, among other matters. The Nomination Committee proposes, for example, the composition of the Board for resolution by the AGM. On behalf of STRAX owners the Board oversees management of the company. STRAX Board is headed by Chairman Bertil Villard. The Board appoints the company's CEO, who is responsible for the day-to-day management of the company in accordance with directions from the Board. The division of responsibilities between the Board and the CEO is detailed clearly in instructions and procedural plans that have been approved by the Board.

Internal policies and guidelines constitute important control documents in all parts of the company, since they clarify responsibilities and powers of authorization in particular areas, such as information security, compliance and risk.

External auditors, appointed by the AGM for a mandate period of one year, audit the Board's and the CEO's administration of the company, as well as the company's financial reports.

Information about STRAX corporate governance is published and updated on a regular basis on the company's website (www.strax.com).

Annual General Meeting

STRAX AGM is held in Stockholm during the first half of the year. The time and venue of the meeting are announced publicly no later than to coincide with the release of the company's third-quarter report. At this time, shareholders are also informed about their right to have issues addressed at the AGM and the deadline for submitting requests to this effect to the company so that such business may be included in the notice to the AGM.

The AGM notice is published no earlier than six weeks and no later than four weeks before the date of the AGM. The notice includes information on how to register in order to participate and vote in the AGM, as well as an itemized agenda listing the matters that are to be addressed at the AGM, the proposed disposition of earnings and the key content of other proposals being addressed at the meeting. Shareholders or their appointed proxies are entitled to vote for the full number of shares that they own or represent.

The business of the AGM is to report on the company's development over the past financial year and to make decisions on a number of central issues, such as changes to the company's Articles of Association, the election of auditors, discharging the Board from liability for the financial year, remuneration for the Board and auditors, approval of the Board for the period up to the next AGM and the approval of remuneration guidelines for Senior Executives.

STRAX 2017 AGM was held on May 23, 2017 at the offices of Advokatfirman Vinge in Stockholm. The meeting was attended by seven shareholders, representing 57.68 percent of the number of outstanding shares and votes. At the AGM, shareholders voted to discharge the Board and Managing Director from liability for the 2016 financial year.

STRAX 2018 AGM is planned for May 24, 2018 at the offices of Advokatfirman Vinge in Stockholm. Shareholders have had the opportunity to deliver their proposals on issues they wish to be addressed at the meeting to the Chairman of the Board of STRAX, as well as the opportunity to deliver proposed nominations to the Nomination Committee. Information about the AGM is available on STRAX website (www.strax.com).

Presence, votes and capital represented at five previous AGMs

Year	Percentage of capital and votes
2017	57.68 %
2016	72.04 %
2015	52.66 %
2014	63.73 %
2013	61.41 %

Further information on presence, votes and capital represented can be found on page 40.

Nomination committee

The AGM decides how the Nomination Committee will be appointed. At the 2017 AGM it was decided that STRAX shall have a Nomination Committee consisting of one representative from each of the three shareholders or groups of shareholders controlling the largest number of votes, plus the Chairman of the Board. The composition of the Nomination Committee is based on the register of recorded shareholders from Euroclear Sweden AB as of the last business day in August 2017 and other reliable shareholder information that has been provided to the company at such time. The Nomination Committee consists of Bertil Villard in his capacity as Chairman, shareholders Gudmundur Palmason, Ingvi T.Tomasson, and Per Åhlgren representing GoMobile Nu AB.

The role of the Nomination Committee is to prepare and present proposals for submission to the 2018 AGM regarding the following: Board and Chairman of the Board, Board remuneration apportioned among the Chairman and other Board members, auditor, audit fees and proposals for rules concerning the nomination process for the 2019 AGM.

Diversity

STRAX believes workplace diversity contributes to the divergence and exchange of ideas, which is critical to STRAX innovation process and contributes to a healthy management environment. STRAX has a zero-tolerance policy for all forms of discrimination and harassment. We are committed to provide an inclusive and welcoming environment at all levels in the company and for all parties engaged in one way or another in doing business with STRAX. For more information on diversity and equality we make reference to the sustainability report on page 49.

The Chairman of the Board of Directors conduct a yearly evaluation of the work within

Independence of Board members, presence, etc.

Name	Position	Elected	Independent in relation to the company and management	Independent in relation to larger share-holders	Share-holding[1]	Present	Percent
Bertil Villard	Chairman	2003	Yes	Yes	406 670	(12/13)	92%
Gudmundur Palmason	Board Member/ CEO	2016	No	No	31 398 031	(13/13)	100%
Ingvi T. Tomasson	Board Member	2016	No	No	31 198 079	(13/13)	100%
Michel Bracké	Board Member	2016	Yes	Yes	10 000	(13/13)	100%
Anders Lönnqvist	Board Member	2000	Yes	Yes	1 294 663	(13/13)	100%

Work of the Board of Directors

February 22, 2017	Year-end Report 2016, Budget 2017
March 16, 2017	Compensation and incentive structure
April 20, 2017	Notice to the Annual General Meeting
April 25, 2017	Annual report 2016, Strategic, tactical & operational review
April 28, 2017	Audit review 2016
May 2, 2017	Approval Annual report 2016
May 22, 2017	Q1 2017 Interim report
May 23, 2017	AGM: Statutory board meeting
August 22, 2017	Q2 2017 Interim report, Strategic, tactical & operational review, Mandate/Acquisitions
November 27, 2017	Q3 2017 Interim report
December 5, 2017	Financial & Audit 2017, Strategic, tactical & operational review, Employee option allocation
December 12, 2017	Issue of new shares in kind, partial payment acquisition of TLF
December 12, 2017	Allotment of shares

[1] Where relevant, including shares held by family members and holdings through companies as at December 31, 2017.

the Board of Directors. The outcome of this survey is shared with the Nomination Committee to give insight in areas that can be strengthened. The Nomination Committee for the AGM 2018 has been focusing on strengthening "know how" in e-commerce, retail and HR, and the appointment of a female representative on the Board of considerable importance.

Board of Directors

The Board members are elected by the shareholders to serve a mandate period beginning at the AGM and ending at the close of the AGM the following year. There are no rules concerning the length of time a person may remain on the Board of Directors. Nominations are processed by the Nomination Committee.

STRAX current Board consists of five members elected by the AGM. The Chairman plans and leads the work of the Board of Directors. The CEO, Gudmundur Palmason is a member of the board and together with Ingvi T. Tomasson the only board members who work operatively in the day-to-day running of the company. The Board convened for thirteen meetings during 2017. Between meetings of the Board continuous contact has been maintained between the company, the Chairman of the Board and other Board members. Board members were also continuously provided with written information of importance regarding the company. STRAX Board complies and adopts a procedural plan for the Board every year, which includes the following stipulations:

- The Board of Directors shall meet at least five times a year;
- Members of the Board shall receive documentation regarding matters to be dealt with at Board meetings in good time prior to the meeting and be provided with a monthly report of the company's operations;
- In order to ensure that the Board maintains a dialogue with the auditors, the company's auditor shall participate in at least one board meeting annually and report on his or her observations from the annual auditing work.

The procedural plan also includes a description of matters to be dealt with at each board meeting and the specific resolutions to be passed at the statutory meeting. The procedural plan also provides instructions for the CEO. On behalf of shareholders, the Board of Directors administers the company by establishing goals and strategies, evaluating the operational management and ensuring that systems are in place for monitoring and control of established goals.

Since the 2017 AGM, the Board of Directors has consisted of five members, Bertil Villard, Gudmundur Palmason, Ingvi T. Tomasson, Anders Lönnqvist and Michel Bracké. Bertil Villard was appointed Chairman by the AGM. More detailed information about Board members including age, education and other assignments is provided on pages 44-45.

Audit related questions

No Audit Committee is elected and audit related questions are addressed by the Board of Directors as a whole at the ordinary board meetings, which means no committee meetings have been held separately. During the auditor's review of the company's accounts, the CEO and any other member of management attending the meeting leaves the room to give the Board the opportunity for private deliberation with the auditor. In addition, all Board members have the possibility to contact the auditor directly.

Remuneration related questions

No Remuneration Committee is elected and remuneration related questions are addressed by the Board of Directors as a whole at the ordinary board meetings, which means no committee meetings have been held separately. It is therefore the Board of Directors who prepare and propose remuneration and other compensation concerning the CEO and other employees who report directly to the CEO.

CEO

The CEO, Gudmundur Palmason, is responsible for STRAX day-to-day operations. The CEO's responsibilities cover ongoing business activities including; personnel, finance and accounting issues, regular contact with the company's stakeholders (such as public authorities and the financial markets) and ensuring that the Board receives the information it needs to make well-founded decisions. The CEO reports to the Board.

Auditors

The company's auditors are appointed by the AGM annually. At the AGM in 2017, the registered firm of accountants KPMG AB was appointed, with authorized public accountant Mårten Asplund as head auditor. The task of the auditors is, on behalf of the shareholders, to audit the company's annual accounts, accounting records and the administration by the Board and CEO. The auditors also present an audit report to the AGM. The shareholders are welcome to put questions to the auditor at the AGM.

Remuneration to the Board and senior management

Remuneration to the Board for the coming year is decided each year by the AGM.
The 2017 AGM approved the proposed guidelines for remuneration and other compensation for senior management. In order to achieve long-term solid growth in shareholder value, STRAX remuneration policy aims to offer total remuneration in line with the market to enable the right senior management and other personnel to be recruited and retained.

Variable and share-based remuneration to key employees

In addition to the fixed monthly salary STRAX offers variable-remuneration based on goals met tailored to the role of the individual. At the AGM in 2017 it was further decided to implement a share-based incentive program in the form of three-year warrants. Following the decision at the AGM this program was rolled out and assigned in 2017 and ultimately subscribed by a group of 48 key employees in January 2018. The warrants where not offered to the Board of Directors, however Gudmundur Palmason participated due to his capacity as CEO.

Internal control with regard to financial reporting

This report on internal controls is prepared in compliance with the Swedish Code of Corporate Governance and is thereby limited to internal controls in respect of financial reporting, internally with regard to the Board of Directors and externally in the form of interim reports, annual accounts and annual reports.

Pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the internal control. Internal control and risk management comprise a part of the Board's and management's governance and follow-up of business operations. Internal control is intended to ensure the appropriate and efficient management of operations, the reliability of financial reporting and compliance with laws, ordinances and internal regulations.

Internal control and risk management are an integral part of all processes at STRAX. The system of internal control and risk management with regard to financial reporting is designed to manage risks in the processes related to financial reporting and to achieve high reliability in external reporting.

Control environment

An effective control environment forms the foundation for the effectiveness of a company's internal control system. It is built on an organization with clear decision-ma-

Overview of Corporate Governance

The company's highest decision making authority is the Annual General Meeting. The AGM is convened no less than once a year and has a predetermined agenda published in the Articles of Association, as well as any other matters submitted by shareholders to be addressed at the meeting.

Main items on the AGM agenda include submission of the annual report and the auditors' audit report and report on the administration of the Board and CEO for the period encompassed by the annual report. The AGM determines whether or not to discharge of the members of the Board of Directors and the CEO from liability.

Prior to the AGM the Nomination Committee prepares a proposal for the composition of the Board of Directors to serve a mandate period beginning at the AGM and ending at the close of the AGM the following year. The committee also proposes remuneration for the Chairman of the Board and other Board members. It is also the Nomination Committee's task, where appropriate, to propose auditors.

All shareholders or proxies present at the meeting having registered their participation as described in the notice have the right to vote for the full number of shares they own or represent. Shareholders also have the opportunity to put questions to the Board, CEO and Auditor.

The AGM elects a Board of Directors for a mandate period of one year. The Board appoints a CEO responsible for the day-to-day operations of the comking channels, powers of authorization and responsibilities that are defined by clear guidelines.

STRAX has policies, guidelines and detailed process descriptions for the various phases of each business flow, from transaction management to bookkeeping and the preparation of external reports, stipulating who is responsible for specific tasks. These governing documents are updated as needed to ensure they always reflect current legislation and regulations and changes in processes.

Risk assessment

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 and consultants in order to run its operations, and is dependent on a functioning distribution chain, logistics and warehousing.
A more detailed description of risks is available in Note 2, Risks.

Control activities

To ensure that the company's business is conducted efficiently and that financial reporting gives a true and fair picture at any one time, STRAX operations incorporate a number of control activities. These involve regular monitoring of risk exposure and monthly follow up of results, as well as regular monitoring of STRAX IT environment, security and functionality.

Information and communication

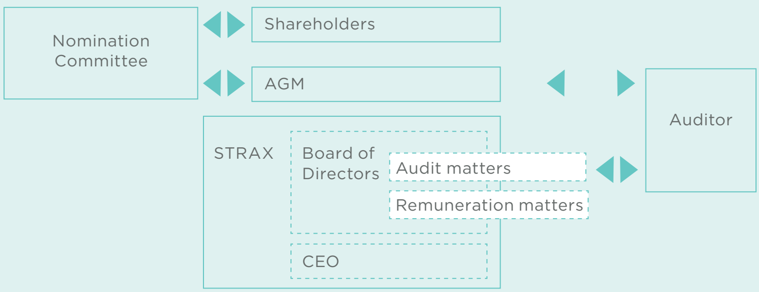
Guidelines are in place at STRAX to govern how financial information is communicated. One condition for accurate distribution of information is that effective procedures for information security must be in place.

Follow-up

Both the Board and management regularly follow up on the compliance and effectiveness of the ompany's internal control processes to ensure the quality of its processes. STRAX financial situation and strategy regarding the company's financial position are discussed at every board meeting. The company's internal controls are audited by external auditors and no internal audit is carried out due to the size of the company.

pany. The division of responsibilities between the Board and the CEO is clearly detailed in instructions and formal work plans that have been approved by the Board. The entire board is both the remuneration committee and audit committee which is why questions in these areas are discussed at the regular meeting sessions.

The 2018 AGM will take place on May 24, 2018. More detailed information about the AGM is presented on page 120.



THIS IS OUR BOARD

1. BERTIL VILLARD
BORN 1952
406 670[1] SHARES IN STRAX

Bertil Villard, Board member since 2003 and Chairman of the Board from April 2016 is a lawyer. He previously worked as a legal counsel for Swedish Match AB, Stora Kopparberg AB and Esselte AB (Chief Legal Counsel), and as Head of Corporate Finance at ABN Amro Alfred Berg Fondkommission and partner at the law firm Vinge. Education: Master of Law, Stockholm University. Other board duties include: Landsort Care AB (Chairman), .2 and 3 AB, Cleanergy AB, Prior & Nilsson Fond och Kapitalförvaltning AB, Polaris A/S, ECODC AB and Rabbalshede Kraft AB (Chairman).

2. ANDERS LÖNNQVIST
BORN 1958
1 294 663[1] SHARES IN STRAX

Anders Lönnqvist, Board member since 2000, is an entrepreneur with experience within several branches. Anders Lönnqvist is the Chairman and owner of Servisen Group AB. Education: Economics, Stockholm University. Other board duties include: Nouvago Capital AB (Chairman), Stronghold Invest AB (Newsec) (Chairman), SSRS Holding AB (Elite Hotels), Opus Group AB, WeSC AB and Rental United.

3. MICHEL BRACKÉ
BORN 1963
10 000[1] SHARES IN STRAX

Michel Bracké, Board member since April 2016, is CEO at WTS Wonder Technology Solutions AB and MRM-Advice AB. Education: Master in Applied Arts from LUCA, School of Arts in Brussels. Studies in marketing at Ehsal, College of Economics in Brussels, and PLD and PLDA at Harvard Business School.

4. GUDMUNDUR PALMASON
BORN 1968
31 398 031[1] SHARES IN STRAX
OPTIONS: 850 000

Gudmundur Palmason, Board member since April 2016, is CEO of STRAX Group. Education: Candidate of Law, University of Iceland. Master of Law, University of Miami. MBA, University of Miami. Other board duties include: Zymetech ehf., Urbanista AB, GEAR4 Ltd, Viss ehf., Fortus hf., XOR ehf., SRX ehf., Enzymatica AB, SRX Ltd and TLF BV.

5. INGVI T. TOMASSON
BORN 1968
31 198 079[1] SHARES IN STRAX

Ingvi T. Tomasson, Board member since April 2016, is CEO and board member of IK Holdings, and CEO of STRAX Americas Inc. Education: Diploma in Hospitality Management, FIU. Other board duties include: Tommi's Burger Joint.

[1] Where appropriate, shareholding in STRAX include shares held by family members and holdings through companies as at December 31 2017 and thereafter known changes.

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AUDITORS

MÅRTEN ASPLUND
BORN 1972

Authorized Public Accountant, KPMG AB.

KPMG AB, Mårten Asplund, Auditor in charge for the company since 2014.

THIS IS OUR MANAGEMENT

During the financial year 2017, STRAX had 211 employees.

1. GUDMUNDUR PALMASON BORN 1968 CEO OWNS 31 398 031[(1)] SHARES IN STRAX OPTIONS: 850 000

Gudmundur Palmason, Board member since April 2016, is CEO of STRAX Group. Education: Candidate of Law, University of Iceland. Master of Law, University of Miami. MBA, University of Miami. Other board duties include: Zymetech ehf., Urbanista AB, GEAR4 Ltd, Viss ehf., Fortus hf., XOR ehf., SRX ehf., Enzymatica AB, SRX Ltd and TLF BV.

2. INGVI T. TOMASSON BORN 1968 FOUNDER OWNS 31 198 079[(1)] SHARES IN STRAX

Ingvi T. Tomasson, Board member since April 2016, is CEO and board member of IK Holdings and CEO of STRAX Americas Inc. Education: Diploma in Hospitality Management, FIU. Other board duties include: Tommi's Burger Joint.

3. JOHAN HEIJBEL BORN 1975 CFO OWNS 78 333[(1)] SHARES IN STRAX OPTIONS: 500 000

Johan Heijbel, CFO since May 2016, was previously MD of AB Novestra between 2006-2016. Education: Independent courses in business administration and law, Uppsala University and the University of Gothenburg School of Business Economics and Law. Other board duties: Novestra Financial Services AB, Sowntone Ltd., and WeSC AB.

4. PHIL MULHOLLAND BORN 1963 CMO OWNS 445 684[(1)] SHARES IN STRAX OPTIONS: 500 000

Phil Mulholland, CMO since 2015, previously worked at OSM, BenQ Siemens, Grey Advertising, Vertu, Nokia and Granada TV & Video. Education: City of Hallam University, Sheffield, UK.

[(1)] Where appropriate, includes shares held by family members and holdings through companies as at December 31, 2017 and thereafter known changes.


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This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Values in which we believe

Honesty
We aim always to show respect by adhering to facts, by fulfilling promised and admitting failures. We nurture honest communication throughout the company.

Respect
We always show the utmost respect for our co-workers, the company, our competitors, our customers and our partners.

Frugality
We use ressources wisely, with effective planning and communication and optimized processes each helping to minimize costs across all areas of the business.

Teamwork
We realize and understand that as a team we're stronger than as individuals, so we work together to achieve our common goals.

SUSTAINABILITY REPORT

All companies are facing different environmental and corporate social responsibility challenges depending on their line of business, the geographic areas in which they operate and if they are selling products or services. In our role as a global supplier of mobile accessories and connected devices, STRAX is committed to protect and improve the environment, health and wellbeing of our employees, customers, suppliers and the communities where we operate.

STRAX ambition is to conduct business in a sustainable manner in all areas possible. Sustainability is considered in profitability and risk analyses, business and product development, investments and in our communication with stakeholders. Doing so will enable us to offer innovative products more competitively, whilst conserving and enhancing resources for future generations. Not only do we work to ensure high standards of corporate responsibility internally, but we also engage our external partners to collaboratively manage social and environmental risks and opportunities.
A clear vision and shared values form the basis for our behavior and actions at STRAX. They are the expression of our corporate culture, which align with sustainable business principles.

This Report offers an overview of what we are trying to achieve with our sustainable business strategy, together with our progress to date.

STRAX's business model and sustainability context
STRAX is a market-leading global company specializing in mobile accessories and connected devices. STRAX has built a House of Brands to complement its value-added customer-specific solutions and services.

STRAX House of Brands includes proprietary brands: XQISIT, GEAR4, Urbanista, THOR, avo+, FLAVR, Eule and licensed brands: adidas and bugatti.

In addition, STRAX represents over 40 major mobile accessory brands. 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 across 13 countries with its operational HQ and logistics center based in Germany.

70 per cent of STRAX sales comes from the portfolio of proprietary brands and 30 per cent from partner brands. STRAX proprietary brands develop, produce, package and sell products in the mobile accessories and connected devices categories.

STRAX itself does not own any factories and all production is sourced from third party suppliers/factories. The production is to 99 per cent based in South East Asia. The concentration of production in one geographic area when sales are global results in a business model challenge from an environmental perspective related to transportation. Developing and producing your own products further adds requirements on controls on materials used in the products as well as ensuring the third-party factories used adheres to sound business practices.

STRAX strives to optimize the business model and value chain by developing and promoting sustainable products and services. Sustainability aspects are considered throughout the value chain which covers everything from product development and procurement to production, logistics and professional marketing support at the point of sale.

Product development - Product safety, product quality, durability, use of chemicals and materials, packaging solutions and recyclability are important sustainability aspects in STRAX product development.

Procurement - The procurement process entails challenges related to corruption and briberies.

Production - Throughout the production process, the environmental impact of the production techniques, human rights, fair labor practices and health and safety issues are important aspects to consider and take into account.

Logistics - The logistics include challenges related to carbon emissions.

Professional marketing support - It is important that the professional marketing support at the end point of sale align with the company core values as well as contributes to the overall quality assurance.

Principles and practices

STRAX is committed to fulfilling its responsibility as a corporate citizen and to earn the trust and respect of our customers and society in the process. Our vision, our values, and our Code of Conduct reflect our entrepreneurial, social and environmental responsibility. They are the company's binding guidelines, providing specific instructions on forming relationships with customers, colleagues, suppliers and other partners.

STRAX respectfully complies with the Universal Declaration of Human Rights and the International Labor Organization (ILO)'s Declaration on Fundamental Principles and Rights at Work. We are also in full compliance with the Responsible Business Alliance (RBA)'s Code of Conduct. At STRAX we regularly revise our sustainability management policies, as well as internal standards and processes, to ensure their conformance with international standards and customer requirements.

In 2017, STRAX joined the UN Global Compact, aligning with principles concerning human rights, labor issues, environment and anti-corruption. STRAX's framework for sustainability encompasses all ten principles of the Global Compact.

STRAX's Code of Conduct

STRAX´s Code of Conduct is STRAX´s general sustainability policy document and it declares what is expected from every person working for and with STRAX. It also underlines our responsibilities to customers, colleagues, suppliers and other partners. The STRAX Code of Conduct is based on the company's core values and the ten principals provided by the UN Global Compact as well as the other international conventions STRAX complies with.

The STRAX Code of Conduct obliges all employees to uphold high ethical standards in their conduct towards each other and when representing the company. It also aims to ensure a safe working environment, an equal and fair treatment of all employees, a strict quality management and focus on the end user in product development, as well as to prevent, minimize and remedy adverse environmental impacts of the business.

The Code of Conduct is complemented by STRAX Anti-Bribery Policy, STRAX Code of Conduct for Suppliers, rules of corporate governance and other relevant policies.

Business ethics and Compliance

For STRAX, business ethics means more than complying with regulations. As a value-driven organization we believe that adopting a wider ethical approach into our company culture is crucially important. It helps us enhance our reputation and succeed in business.

Anti-corruption and bribery

STRAX procurement process mainly takes place in South East Asia, a market that offers good business opportunities, but is also exposed to serious risks relating to areas such as corruption, bribery and fraud.

STRAX has a zero-tolerance policy on corruption. Our Code of Conduct and Anti-Bribery Policy describe STRAX's commitment to maintaining a high standard of ethics when we do business and our expectations on each employee and partner. We fully support the requirements of the UK Bribery Act as well as similar legislation in all regions in which we conduct business. We have implemented policies and procedures to ensure we are prepared, to the extent possible, to prevent and deter corrupt practices across our business relationships. This also includes monitoring and preventing potential corruption and bribery and to deal with such practices appropriately if they are discovered.

All staff shall be aware of their responsibilities in respect to anti-corruption and bribery and be empowered to act as a line of defence in the identification of any corrupt practices. STRAX's guidelines on gifts and hospitality serves as a support structure for employees to handle such corrupt activities.

STRAX has set a target that all employees should be educated on the topics of bribery and corruption by 2020. 100 per cent of all employees in defined high-risk areas have completed and been educated on the topic of bribery and corruption resulting in 18 per cent of total Group employees.

Sustainability governance

Sustainability and ethics are emphasized throughout STRAX's corporate governance, starting from the Board of Directors, the CEO and the Group Management Team. The Group Management Team has the ultimate responsibility for the implementation and monitoring of STRAX's sustainability work, as well as its subdivisions' compliance with the STRAX Code of Conduct. Management is also responsible for maintaining adequate documentation to demonstrate compliance by partners.

Following a review of the company's existing sustainability policies and guidelines, STRAX introduced a revised Code of Conduct in 2017. A number of targets were set as well as Sustainability Performance Indicators (SPI:s) for monitoring the areas of product compliance, responsible suppliers, carbon management, employees and social conditions. In 2018, STRAX will focus on concluding this process and measure progress on all selected SPI:s. The targets will be updated in pace with the continuing work.

Legal compliance

STRAX is committed to compliance with the laws and regulations in each country in which we operate. The products are designed and tested to meet the appropriate standards for product safety, electromagnetic & wireless connectivity, ergonomics and other regulatory compulsory requirements, when used for their intended purpose.

Whether in areas of corporate governance, fiduciary duty, employee responsibilities, consumer protection, partnership management, or environmental standards, we take our responsibilities seriously; in most cases, legal compliances act as a starting point only, our own policies tend to be more strict than legal compliance requirements.

Reporting concerns

STRAX's employees and partners are encouraged and expected to report incidents of non-compliance with the STRAX's Code of Conduct. Reported information will only be processed to the extent reasonably necessary for the investigation. There will be no retaliation or other negative consequences for individual reporting on such incidents. The STRAX Code of Conduct have instructions for employees on how to raise their concerns within the organization.

Developing sustainable supplier networks

Some of the most material risks and opportunities within STRAX value chain can be found among the upstream suppliers. With over 150 suppliers globally, continual improvements together with our manufacturing partners on sustainability issues are not only crucial to ensure the rights and conditions of the workers that make our products, but also to minimize the adverse environmental impacts of the production.

At STRAX we expect our suppliers to operate ethically correct and in accordance with internationally recognized standards on human rights, labor rights, environment and anti-corruption, adhere to the STRAX Code of Conduct and to uphold the ethical standards that are integral to our Code of Conduct.

A robust framework for sustainability management

As a global business with an extensive supplier base, developing a full understanding of the supplier's sustainability performance is a challenge, even with strict supply chain processes in place.

STRAX adopt the Responsible Business Alliance (RBA)'s Code of Conduct as a guideline for standardizing the approach with suppliers regarding social, environmental and ethical responsibility.

STRAX has also implemented STRAX Code of Conduct for Suppliers to ensure that all of our suppliers know what we expect of them. Alongside the Supplier Code of Conduct, STRAX has an Anti-Bribery Contract with factories and other contractors in Asia with heavy penalties for any bribery or inappropriate influence on STRAX employees or representatives. STRAX has amended employee contracts for all Asian employees, giving STRAX the right to terminate employment immediately, and without notice period, should any briberies have been accepted.

STRAX aim for all suppliers to comply with the requirements regarding anti-corruption and bribery with no serious deviations. In 2017, 98 per cent of suppliers complied with the requirements without serious deviations.

Engaging with suppliers

STRAX intention is to support safe and fair working conditions and the responsible management of environmental and social issues in every part of the supply chain. In order to do so, we support the establishment of a Corporate Social Responsibility (CSR) management structure and incorporate CSR performance as a part of our supplier evaluation criteria to further incentivize their participation in these activities.

STRAX believe in a self-assessment system, that over time corrects behavior and creates a sound culture of improvement, for the factories. This is closely monitored and checked through audits. We also implement third party validation of strategic suppliers' CSR performance to cross reference our internal findings.

STRAX aims to conduct inspections at all major suppliers at least once a year. In 2017 a total of 27 inspections where conducted at major suppliers. Major suppliers are defined by accounting for +90 per cent of Group purchasing.

All suppliers in areas with high CSR-related risks, currently South East Asia, are to participate in STRAX's supplier development program. The program encourages the suppliers' incremental improvement through the provision of best practice CSR improvement recommendations. At year-end 2017, 89 per cent of all suppliers in high-risk areas had participated in STRAX´s supplier development program.

Product responsibility

STRAX is dedicated to provide its customers with safe products that exceed their expectations regarding quality and safety as well as the environmental impact caused by producing and using them.

Quality management system

STRAX develops its product in strict compliance with internationally recognized safety and legal requirements. Regulations setting mandatory safety & reliability standards for certain products are defined during the product development stages for the purpose of preventing or reducing risk of injury or harm to the consumer. These include, but are not limited to, CE, FCC and other recognized regulatory bodies.

STRAX has assembled a Product Safety & Compliance Team which continually monitors product safety issues within the supply chain and reports directly to the Management Team. Together they have developed robust procedures to deter, detect, and prevent non-compliant products from shipping to customers.

The foundation of these procedures is based upon a quality management system and supplier partnership mechanism that ensures adherence to strict standards throughout the supply chain. Procedures have been established for product design and performance as well as raw material selection and regulatory requirements. STRAX ensure the traceability along all instances leading up to the Design Approval Process, which enables us to track products and components to individual suppliers, ensuring supplier accountability. This system also enables us to trace non-standard components that may have safety implications back to their source and thereafter implement root cause analysis and respective solutions.

For product safety certification STRAX engage external experts to identify continual improvement areas and corrective actions, but we also cross-check final results with our internal testing facilities; additionally, we have protocol for product recalls should the need arise.

Materials and substances

STRAX strive to conserve resources and reduce environmental footprint caused by our products through use of recyclable plastics and packaging materials as well as ensuring the recyclability of the products where reasonably possible.

In order to ensure that none of STRAX's products contain any harmful, restricted or unnecessary chemicals, STRAX adhere to strict legal compliance across a range of legislative environments around the world, including the EU RoHS (guidelines to restrict the use of harmful substances in electric/electronic products) and the EU REACH (European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals), and have a multi-layered approach to ensure that our suppliers do as well.

Conflict minerals management

STRAX supports the efforts of human rights organizations to end violence and atrocities in Central Africa. It has been widely reported that the major driver of this violence is the natural abundance of the minerals tin, tungsten, tantalum and gold, now referred to as ”conflict minerals”. In 2016, Amnesty International also shed light on the issue of children working in cobalt mines in the Democratic Republic of Congo.

STRAX undertake due diligence to ensure that conflict minerals are not used in our products. STRAX requires that all new suppliers confirm that materials we purchase do not contain conflict minerals and the suppliers are notified periodically to update this assurance. In addition, we require of our existing suppliers that uses any of the four metals listed above to ensure that they are using approved smelters, as informed by the Conflict Free Sourcing Initiative. Since 2017 STRAX includes cobalt in the requirements and has implemented a Responsible Cobalt Initiative (RCI), with 97 per cent of suppliers completing the self-assessment. In 2018 STRAX will implement a policy to ensure that all suppliers, both upstream and downstream, recognize and align their supply chain policies with the RCI to reduce cobalt in the production. STRAX will continue to measure and evolve the program in 2018.

Our people

STRAX strive to provide a workplace where employees can fulfil their potential in an open and inspirational working environment. For STRAX to develop and retain competent and committed employees, while attracting employees with new skills, is key to continued successful growth.

Living our values

STRAX maintains a strong commitment to high standards in order to deliver a fair, diverse, respectful and safe workplace for all employees. STRAX's Code of Conduct establishes the organization's stance on these topics. All of STRAX's employees are educated in the company's Code of Conduct and informed of their personal responsibility to ensure that they act according to it.

Health and safety management

STRAX is committed to high standards of health and safety management. Ensuring safety awareness, positive attitudes and continual improvement in safety performance requires the commitment and active involvement of all partners, managers, employees and regular contractors at all levels.

STRAX works actively and preventively to improve the company's employee attendance through initiatives such as preventive healthcare, which STRAX strives to offer to all the Group's employees.

In order to make analyses and plans of action, STRAX conducted a survey on employee satisfaction (ESI) in Asia during 2017 with an overall ESI score of 78 per cent. STRAX is planning to survey employee satisfaction for the entire Group in 2018 and has an ESI target score of at least 85 per cent by year 2020.

Diversity and equality

Workplace diversity contributes to the divergence and exchange of ideas, which is critical to STRAX's innovation process and contributes to a healthy management environment. STRAX has a zero-tolerance policy for all forms of discrimination and harassment. We are committed to provide an inclusive and welcoming environment for all members of our employees, clients, volunteers, subcontractors, vendors, and clients.

STRAX regard gender equality of opportunity as an essential part of human resource management. While recognizing that differences between people must be acknowledged and reasonably accommodated, employment practices must ensure that differences do not lead to discrimination in the workplace. The gender division in the entire Group is 42 per cent women and 58 per cent men. 29 per cent of managers were women during the year. The target is that men and women will be represented within a range of 40 per cent in management positions by year 2020.

Environmental impact

Environmental management is an important part of the culture at STRAX. We work systematically to prevent, minimize and remedy adverse environmental impacts of our business activities through a proactive approach and responsible management of its environmental aspects. As part of STRAX's continuous improvement process for environmental management, we are further analyzing our environmental impact to better understand how we can play a larger and more constructive role in contributing to a healthier global environment.

Carbon management

There are clear evidence that global temperatures are rising quickly. There is also a very strong consensus among scientists and policymakers that carbon dioxide emissions from fossil fuels together with other greenhouse gases have a direct impact on the climate. At STRAX, we recognize the impacts of global warming and work to be part of the solution. Carbon management is a relatively new initiative at STRAX. As a first step we have identified five initiatives that we are focusing on:

- Optimize transport emissions by shifting from air to ocean transport modes as much as possible
- Avoid travel emissions by prioritizing alternative technology options such as video conferencing and virtual office use
- Supplier engagement to reduce manufacturing energy and carbon emissions
- Reduce the environmental impacts of our products at the research and design stage
- Use less carbon-intensive materials, such as recycled materials, in the packaging

STRAX is currently in the process of measuring our baseline carbon footprint and setting short and long-term reduction targets. We also aim to engage suppliers collaboratively to reduce CO2 impacts throughout the product lifecycle.

Optimize transport emissions

Transports are STRAX's largest source of greenhouse gas emission. An efficient and CO2-minimizing flow of goods is one of the most important factors for reducing our negative impact on the environment.

To ensure efficient transports, STRAX has a screening process with requirements regarding transportation optimization and efficiency when choosing what carriers to use. By optimizing the transports, and prioritizing transports by sea or train over those by air, STRAX is working to lessen the company's impact on the environment. The target is set that transportation by air should not exceed 70 per cent by year 2020. At year-end 2017, 84 per cent of transports were by air which is a decrease from previous year with 11 percentage points.

STRAX also adhere to reduce emissions from business travel by prioritizing alternative technology options such as video conference and virtual office use, and these priorities have been giving a positive result. In 2017 conference calls and video meetings increased by 300 per cent, and travel by personal and company cars decreased accordingly.

Circular economy

In the context of rapidly reducing global resources, STRAX aim to understand and optimize our role in contributing to a circular economy.

A circular economy aims to mirror the natural world's regenerative system by ensuring resources can be continually recycled and environmental impacts are minimized. For STRAX, this means making products that last longer, are made of environmentally friendly materials, and can be easily repaired or recycled. In this way, we hope to not only benefit the environment, but also achieve cost benefits for us at STRAX and to offer our customers an environmentally friendly product design and better end-of-life management.

STRAX are currently investigating how we can better use the principles of circular economy to deliver value to our customers. Our current approach includes the use of biodegradable plastics in products, use of recycled material in packaging and to ensure recyclability in line with WEEE regulations.

SOCIAL CONTRIBUTION ACTIVITIES FOCUSED ON LOCAL NEEDS

Being a global citizen is essential for how the STRAX Group does business. STRAX believes that the long-term success of the company is dependent on the affluence of the communities in which we operate. Responding to our role as an integral member of the community, STRAX actively promotes social contribution activities focused on local needs.

Sunshine Academy

STRAX partners with a Chinese non-profit organization, Sunshine Academy, on a number of vocational programs. Sunshine Academy is dedicated to love and educate Chinese orphans instilling dignity and life skills to enable an independent life. Sunshine Academy students have a variety of special needs which means they will need support throughout their growing up years as well as their adult life.

Through one of STRAX core manufacturing partners we support a vocational initiative to help Sunshine Academy students build life skills in the work place allowing them to become as self-sufficient as possible and give them opportunities to have a meaningful life.

Captivating International

In November STRAX Asia volunteer team participated in the Sunshine Academy Benefit Fair, a two thousand people fund raising event, by hosting basketball shooting game and also the fresh lemonade pop up drink store. It was a fantastic day for both Sunshine Academy and STRAX.

STRAX supports the Annual Captivating Charity Auction – an event run in partnership with the Shenzhen Charity Federation. The Shenzhen Charity Federation; SHAMTSE; and LOVEQTRA (The Seng Girls Home), funds raised from this year's event will be used to impact the lives of up to 1,000 girls and many of their families in remote locations of Western China. With a focus on solutions such as greenhouses, animal husbandry, health education, vocational school scholarships, and programs helping girls get into their first genuine and safe job.

SUSTAINABILITY RISKS

Stakeholders have ever increasing demands on companies' accountability. The active work with issues concerning the environment, social conditions, human rights and corruption is an integrated part of STRAX's operations. Should STRAX's efforts in these areas prove insufficient, STRAX's sales and market shares could be negatively affected.

Risk	Risk management
Risks in the supply chain	
Some of the more significant sustainability risks and opportunities are found in STRAX's supply chain. The risks include, but are not limited to, corruption and briberies, human rights and fair labor practices, health and safety, and environmental damage. Should STRAX's suppliers break international rules and legislation, or if they should deviate from established standards, STRAX's would risk facing economic damages, negative publicity and legal ramifications.	STRAX expect all suppliers to operate ethically correct and in accordance with internationally recognized standards on human rights, labor rights, environment, anti-corruption and bribery. Principles and values are communicated through STRAX's Supplier Code of Conduct, which applies to all STRAX's suppliers and subcontractors. STRAX supports the establishment of a CSR management structure and incorporates CSR performance as a part of the supplier evaluation criteria to further incentivize their participation in CSR activities.
Product-related risks	
STRAX's ability to offer products that meet stakeholders' expectations regarding quality, safety, use of materials and chemicals, as well as comply with all regional and country-level statutory standards is crucial to maintain customer trust.	STRAX complies with the EU directives; RoHS, REACH and WEEE, and strives to reduce the products' environmental footprint through the use of recyclable plastics and packaging materials as well as ensuring the recyclability of the products when reasonably possible. Product safety issues within the supply chain are continually monitored and STRAX has developed robust procedures to deter, detect, and prevent non-compliant products from shipping to customers. STRAX also undertakes due diligence to ensure that conflict minerals and cobalt materials are not used in our products.
Risks related to business ethics	
With employees in 12 countries and over 150 suppliers around the world, STRAX is, to a varying degree, exposed to the risk of corruption. Unethical behavior would entail legal ramifications and harm the company's reputation.	STRAX has a zero-tolerance policy on corruption. All STRAX's employees are educated in the company's Code of Conduct and made aware of their responsibilities in respect to anti-corruption and bribery. STRAX's guidelines on gifts and hospitality serves as a support structure.
Risks related to social conditions	
Skilled and engaged employees are instrumental to the company's ability to develop according to the long-term strategic plan and to reach the established targets. If STRAX were to fail in providing an attractive working environment it would have a direct negative impact on the company's ability to attract and retain skilled employees.	STRAX maintains a strong commitment to high standards in order to deliver a fair, diverse, respectful and safe workplace for all employees. STRAX's Code of Conduct establishes the organization's stance on these topics. All of STRAX's employees are educated in the company's Code of Conduct and informed of their personal responsibility to ensure that they act according to it.
Environmental risks in the transportation of goods	
With a global network of suppliers and distributors, a significant part of STRAX's value chain's negative impact on the environment stems from the transportation of goods in the form of carbon emissions.	By optimizing the transports, and prioritizing transports by sea or train over those by air, STRAX is working to lessen the company's impact on the environment.

SUSTAINABILITY TARGETS

	Sustainability target	Results of 2017
Supply chain	100% of suppliers are to comply with the requirements of STRAX's Supplier Code of Conduct regarding anti-corruption and bribery with no serious deviations.	98% of suppliers complied with the requirements without serious deviations in 2017.
	All suppliers in high-risk areas (currently South East Asia) are to participate in STRAX' supplier development program.	At year-end 2017, 89% of all suppliers in high-risk areas had participated in STRAX´s supplier development program.
	STRAX aims to conduct inspections at all major suppliers at least once a year.	In 2017 a total of 27 inspections where conducted at major suppliers.
Business Ethics	100% of all employees should be educated on the topics of bribery and corruption by year 2020.	18% of all employees had been educated on the topic of bribery and corruption at year-end 2017 with 100% of employees in high-risk areas.
Social Conditions	The target is that both men and women will represent at least 40% of management positions by year 2020.	The gender division in the entire Group is 42% women and 58% men. 29% of managers were women during 2017.
	The Group's ESI score should be at least 85% by year 2020.	The ESI score for Asia was 78% in 2017. STRAX is planning to survey employee satisfaction for the entire Group in 2018.
Carbon Management	Transportation by air should not exceed 70% by year 2020.	84% of transports were by air in 2017.
	Reduce emissions from business travel by prioritizing alternative technology options (video conference, virtual office use).	In 2017 conference calls and video meetings increased by 300%, and travel by personal and company cars decreased accordingly.
Product responsibility	All suppliers shall recognize and align their supply chain policies in line with the Responsible Cobalt Initiative (RCI).	STRAX initiated an RCI initiative in 2017 with 97% of suppliers completing the self-assessment. STRAX will continue to measure and evolve the program in 2018.
	All products shall meet internationally recognized safety and legal requirements for the markets they are sold into.	In 2017 all STRAX products complied with all local & international regulatory safety standards.

ACCOUNTS

THE BOARD OF DIRECTORS' REPORT, FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

The formal annual report as defined by "Swedish annual accounts act" (ÅRL) consists of the Board of Directors' report, financial statements and notes to the financial statements.

THE BOARD OF DIRECTORS' REPORT

The Board of Directors and the CEO of STRAX AB (publ), corporate identity number 556539-7709, hereby present the annual report and consolidated financial statements for the financial year January 1 – December 31, 2017.

Unless indicated otherwise, the information refers to the group and the parent company.

All amounts are provided in EUR thousands (KEUR) unless indicated otherwise. Figures provided in parentheses refer to comparative figures for the previous year.

This is STRAX

STRAX is a market-leading global company specializing in mobile accessories and connected devices. STRAX has built a House of Brands to complement its value-added customer- specific solutions and services. STRAX House of Brands includes proprietary brands: XQISIT, GEAR4, Urbanista, THOR, avo+, FLAVR, Eule and licensed brands: adidas and bugatti. In addition STRAX represents over 40 major mobile accessory brands. 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 across 13 countries with its operational HQ and logistics center based in Germany. STRAX is listed on the Nasdaq Stockholm Stock Exchange.

Significant events during the year

• STRAX signed a contract with Tessco Technologies Inc., for STRAX proprietary brands in the US.
• STRAX won a multi-tiered tender with mobilcom-debitel in Germany to exclusively supply all sales channels with mobile accessories and consumer IoT products.
• Orange won GSMA GLOMO Awards at Mobile World Congress VR1 in the category of Best Mobile Wearable Technology with a VR headset developed in cooperation with STRAX.
• STRAX launched its first Vodafone branded protection range for three Vodafone devices.
• STRAX acquired all outstanding shares of Telecom Lifestyle Fashion (TLF), its affiliated brand licensing company. TLF is the global exclusive licensee of adidas and bugatti for smartphone accessories.
• STRAX brand GEAR4 continued to extend its footprint in the US and is now sold in more than 6000 stores, distributed through Tessco Technologies and Superior Communications.
• STRAX relaunched Thor, it's screen protection brand with improved packaging, retail training kits and website.
• STRAX acquired all outstanding shares in Mobile Accessory Club and divested its shares in Celcom HK. These transactions did not alter the relationship between Vodafone and STRAX and STRAX has continued to work closely with Celcom HK.
• STRAX brand GEAR4 became the largest mobile accessory case brand in the UK, with a market share of 18.5%, according to GfK.
• STRAX brand GEAR4 won T3 accessory of the year award with its Piccadilly mobile accessory case.

Dividends

The Board has not proposed a dividend for the financial year 2017.

Earnings and financial position

The group's net sales for the period January 1 – December 31 2017 amounted to 100 065 (91 770) corresponding to growth of 9.0 (16.1) percent. Gross profit amounted to

28 107 (25 722) and gross margin amounted to 28.1 (28.0) percent. Operating profit amounted to 5 658 (4 917).

Profit or loss for the year amounted to 1 787 (3 199). The result included gross profit 28 107 (25 722), selling expenses -15 491 (-13 851), administrative expenses -7 416 (-5 168), other operating expenses -4 799 (-7 349), other operating income 5 258 (5 563), net financial items -2 103 (-1 135) and tax -1 768 (-583).

As of December 31 2017 total assets amounted to 83 169 (62 955), of which equity totaled 21 028 (18 159), corresponding to equity/assets ratio of 25.3 (28.8) percent.

The parent company's result for the period amounted to -92 (5 319). The result included gross profit from net sales of 878 (398), administrative expenses -876 (-621), result from shares and participations -92 (5 574) and net financial items –2 (-32). As of December 31 2017 total assets amounted to 77 555 (75 968) of which equity totaled 75 725 (74 316), corresponding to equity/assets ratio of 97.6 (97.8) percent.

Liquidity and financing
Cash and cash equivalents consists of cash and bank balances amounting to 5 689 (3 663) as of December 31, 2017. At the end of 2017 interest-bearing liabilities amounted to 26 245 (16 648). After the end of the financial year, the Group and the parent company increased existing credit lines to secure future growth and capital.

Investments during the period amounted to a total of 11 486 (4 968), of which investments in intangible fixed assets amounted to 3 417 (1 057), tangible fixed assets amounted to 2 396 (2 222) and investments in financial assets amounted to 6 480 (1 811). Divestment of fixed assets amounted to 807 (122).

Significant events after the end of the period
• STRAX was awarded accessory contract with Vodafone UK to become its sole provider of mobile accessories across all of its 450 retail stores, enterprise business units and online channels via a full category vendor managed availability solution.
• STRAX implemented a supply chain financing solution from CrossFlow, a London based fintech company, within its supplier base, resulting in improved working capital through extended supplier payment terms.

Future development
STRAX will play an active role in shaping the mobile accessories industry in all of its targeted geographic markets. We will continue to execute against our strategic framework launched in 2016 while at the same time strengthen the operational platform to enable us to carry out our House of Brands strategy globally with fewer resources. STRAX will experience growth in Western Europe while at the same time invest and grow at an accelerated rate in North America and strategic markets in ROW. STRAX will furthermore invest in the e-commerce channel in an effort to improve margins and diversify its traditional retail customer base. We expect a higher growth rate in 2018 compared to 2017, and the STRAX scalable business model is expected to deliver a higher growth rate in EBITDA compared to growth in sales.

Risk assessment
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 risks 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 and consultants in order to run its operations, and is dependent on a functioning distribution chain, logistics and warehousing.

Corporate governance
Legislation and Articles of Association
STRAX corporate governance is regulated by Swedish law, by the Swedish Companies Act, the Code for Swedish Corporate Governance and the regulations stated in the Listing Agreement of the Nasdaq Stockholm stock exchange. STRAX shall, when conducting business, follow the rules in the company's Articles of Association. More information on Corporate Governance is provided on pages 38-45 and also contains information regarding

the key elements for the Group's internal control procedures and risk management.

Share and ownership structure

The STRAX share is listed on the Nasdaq Stockholm (Small Cap) stock exchange under the ticker symbol STRAX. It is the parent company STRAX AB share that is listed and the reported share capital in the group constitutes the parent company's share of capital. Share capital in the parent company amounts to EUR 12 624 165 distributed among 120 592 332 shares with a quota value of EUR 0.10 each. There is only one type of share and all shares have equal rights to the company's net income and profit, and each share has equal voting rights at the general meeting. There are no restrictions regarding the number of votes a shareholder can vote for at the general meeting. In addition to the legal provisions there are no limitations in the company's Articles of Association regarding the appointment of, or dismissal of Board members or changes to the Articles of Association.

As of December 31, 2017 the company had a total of 1 868 (1 976) shareholders. The 10 largest shareholders' holdings as of December 31, 2017 amounted to 83.2 (85.2) percent of the total number of outstanding shares and votes in the company. There are a total of three shareholders, Gudmundur Palmason, Ingvi T. Tomasson and GoMobile Nu AB who as of December 31, 2017 reported a holding of at least 10% in STRAX through Disclosure Notices.

There are no pre-emption clauses, right of first refusal clauses, or other restrictions in court to transfer shares in the company legally, in the company's Articles of Association or any agreement or other deed involving the company. As far as the company is aware there are no other agreements in, which the company is not involved in such as agreement between shareholders, which possibly may entail restrictions in court regarding transfer of shares in the company.

The company is not involved in any significant agreement containing such conditions that cause effect, change or cease to be valid in the case that control of the company changes, which also includes agreements with the Board of Directors and the employees. Long term, however, a significant change in the control of the company may, for example, result in credit institutions may no longer extend or renew loan agreements, or demand changes in the current conditions upon extending the loan agreement.

Investor relations

STRAX information to shareholders is provided via annual, year-end and interim reports and press releases on the company's website www.strax.com.

Environment

STRAX works systematically to prevent, minimize and remedy adverse environmental impacts of our business activities through a proactive approach and responsible management of its environmental aspects. For further information we refer to the sustainability report on pages 49-57 where we describe the work in more detail.

Proposed distribution of earnings in the parent company (KEUR)

At the disposal of the Annual General Meeting is:

Retained earnings	62 407
Profit or loss for the year 2017	-92
Total	**62 315**

The Board of Directors propose that the loss for 2017, EUR -92 together with the retained earnings, EUR 62 407, totalling EUR 62 315 be transferred to retained earnings.

For further information regarding the company's earnings and financial position, please refer to the income statement, balance sheet, cash flow statement and the corresponding notes to the financial statements.

THE GROUP

Income statements, KEUR	NOTE	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Net sales	4	100 065	91 770
Cost of goods sold	5	-71 958	-66 048
Gross profit		**28 107**	**25 722**
Selling expenses	7	-15 491	-13 851
Administrative expenses[1]	8	-7 416	-5 168
Other operating expenses	9	-4 799	-7 349
Other operating income	11	5 258	5 563
Operating profit		**5 658**	**4 917**
Share of profit of associates		-186	–
Financial income	12	142	30
Financial expenses	13	-2 058	-1 165
Net financial items		**-2 103**	**-1 135**
Profit before tax		**3 555**	**3 782**
Tax	14	-1 768	-583
Profit or loss for the year[2]		**1 787**	**3 199**
Result per share, EUR[3]		0.02	0.03
Average number of shares during the period		117 839 802	115 299 621

Statement of comprehensive income, KEUR			
Profit or loss for the year		1 787	3 199
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income, translation gains/ losses on consolidation		-75	-167
Total comprehensive income for the year		**1 712**	**3 032**

(1) Depreciation for the period Jan 1 - Dec 31, 2017 amounted to 2 567 (1 611).
(2) The result for the year, respectively the total comprehensive income is attributable to the parent company's shareholders.
(3) No dilution exists, as of December 31, 2017, which entails that the result prior to and after dilution are identical. A redemption procedure was carried out during Q1 2016 whereby a split of the existing shares was made whereby the total number of shares temporarily doubled. The redemption procedure was an alternative transaction method for a dividend and the temporary increase in the number of shares has not been taken into consideration in calculating the average number of shares during the period or for the result per share during the period.

THE GROUP

Balance sheets, KEUR	NOTE	12 31 2017	12 31 2016
Assets			
NON-CURRENT ASSETS			
Goodwill	17	26 560	20 080
Other intangible assets	18	3 893	1 205
Tangible fixed assets	19	2 203	1 645
Shares in associated companies	20	–	807
Other assets	21	593	1 108
Deferred tax assets	22	538	1 632
Total non-current assets		**33 787**	**26 477**
CURRENT ASSETS			
Inventories		10 417	11 435
Tax receivables		752	255
Accounts receivable	23	25 792	12 959
Receivables from associated companies	24	–	3 352
Other assets	21	6 732	4 814
Cash and cash equivalents	25	5 689	3 663
Total current assets		**49 382**	**36 478**
Total assets		**83 169**	**62 955**
Equity and liabilities			
EQUITY	26		
Share capital		12 622	12 326
Other contributed equity		-1 650	-2 854
Retained earnings including profit or loss for the year		10 057	8 688
Total equity		**21 028**	**18 159**
LIABILITIES			
Non-current liabilities			
Tax liabilities		3	3
Other liabilities		615	360
Interest-bearing liabilities		11 230	5 021
Deferred tax liabilities		1 295	732
Total non-current liabilities		**13 143**	**6 116**

THE GROUP

Current liabilities			
Provisions	27	1 320	368
Interest-bearing liabilities		15 015	11 627
Accounts payable and other liabilities		18 367	13 752
Tax liabilities		2 796	3 033
Other liabilities		11 500	9 899
Total current liabilities		**48 998**	**38 679**
Total liabilities		**62 141**	**44 795**
Toal equity and liabilities		**83 169**	**62 955**

THE GROUP'S STATEMENT OF CHANGES IN EQUITY

KEUR	Share capital	Other contributed equity	Retained earnings incl. profit/loss for the year	Total equity
Opening balance January 1, 2016	**28**	**9 444**	**835**	**10 307**
Total comprehensive income 2016			3 032	3 032
Currency Exchange differences			-35	-35
Transferred compensation provided for in the acquisition analysis			5 065	5 065
Costs relating to non-cash issue			-609	-609
Other sub-group STRAX			400	400
Allocation of share company in legal parent company	12 298	-12 298	–	–
Balance as of December 31, 2016	**12 326**	**-2 854**	**8 688**	**18 159**
Total comprehensive income 2017			1 679	1 679
Currency Exchange differences			-	-
Other sub-group Strax			-321	-321
Non cash issue	296	1 204	-22	1 478
Balance as of December 31, 2017	**12 622**	**-1 650**	**10 057**	**21 028**

Further information regarding the group's equity is available in Note 26.

THE GROUP

Cash flow statements, KEUR	NOTE	01 01 2017 12 31 2017	01 01 2016 12 31 2016
OPERATING ACTIVITIES			
Result before tax		3 555	3 781
Adjustment for items not included in cash flow from operations or items not affecting cash flow		5 087	2 741
Paid taxes		-811	-320
Cash flow from operations prior to changes in working capital		**7 831**	**6 202**
Cash flow from changes in working capital			
Increase (–)/decrease (+) inventories		2 196	-2 503
Increase (–)/decrease (+) current receivables		-11 793	1 926
Increase (-)/decrease (+) non-current receivables		1 302	-
Increase (+)/decrease (-) non-current liabilities		195	-
Increase (+)/decrease (-) current liabilities		4 242	-3 464
Cash flow from operations		**3 973**	**2 161**
INVESTMENT ACTIVITIES			
Investments in intangible assets		-346	-1 057
Investments in tangible assets		-2 464	-2 222
Investments in subsidiaries		-6 917	-1 811
Divestment of fixed assets		22	122
Cash flow from financing activities		**-9 705**	**-4 968**
FINANCING ACTIVITIES			
Proceeds from interest-bearing liabilities		17 961	4 621
Amortization of interest-bearing liabilities		-8 588	-2 125
Other financing liabilities		31	
Acquisition of minority interests		-22	
Paid interest expenses		-1 699	-894
Cash flow from financing activities		**7 683**	**1 602**
Cash flow for the period		1 951	-1 205
Exchange rate differences in cash and cash equivalents		75	-108
Cash and cash equivalents at the beginning of the period		3 663	4 976
Cash and cash equivalents at the end of the period	25	5 689	3 663

THE PARENT COMPANY

Income statements, KEUR	NOTE	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Net sales		878	398
Gross profit		**878**	**398**
Administrative expenses	30, 31, 32	-876	-621
Operating income		**2**	**-223**
RESULT FROM FINANCIAL ITEMS			
Results from shares and participations		-92	5 574
Interest income and similar charges	33	48	–
Interest expense and similar charges	33	-50	-32
Result after financial items		**-92**	**5 319**
Current taxes		–	–
Profit or loss for the year		**-92**	**5 319**

STATEMENT OF COMPREHENSIVE INCOME, KEUR

Result for the year	-92	5 319
Other comprehensive income	–	–
Total comprehensive income for the year	**-92**	**5 319**

THE PARENT COMPANY

Balance sheets KEUR	NOTE	2017 12 31	2016 12 31
Assets			
NON-CURRENT ASSETS			
Tangible fixed assets:			
Equipment	34	131	131
NON-CURRENT FINANCIAL ASSETS			
Shares and participations in group companies	35	75 693	75 693
Shares and participations in associated companies	36	–	7
		75 693	**75 700**
Total fixed assets		**75 824**	**75 831**
CURRENT ASSETS			
Receivables:			
Shares and participations held for sale	37	6	22
Other receivables		28	86
Receivables from group companies		1 675	–
Prepaid expenses and accrued income		21	19
		1 730	127
Cash and bank balances	43	1	11
Total current assets		**1 731**	**138**
Total assets		**77 555**	**75 968**

THE PARENT COMPANY

Balance sheets, KEUR	NOTE	2017 12 31	2016 12 31
Equity and liabilities			
EQUITY	38		
Restricted equity:			
Share capital		12 624	12 328
Statutory reserve		785	785
		13 409	**13 113**
Non-restricted equity:			
Accumulated profit/loss		62 407	55 884
Profit/loss for the year		-92	5 319
		62 315	**61 203**
Total equity		**75 724**	**74 316**
LIABILITIES			
Non-current liabilities:			
Interest-bearing liabilities	39	816	–
Current liabilities:			
Interest-bearing liabilities	39	585	634
Accounts payable		20	639
Liabilities to group companies	40	96	115
Other liabilities		17	15
Accrued expenses and prepaid income	41	297	249
		1 015	**1 652**
Total liabilities		**1 831**	**1 652**
Total equity and liabilities		**77 555**	**75 968**

THE PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

KEUR	Share capital	Restricted reserves	Retained earnings incl profit/loss for the year	Total equity
Opening balance January 1, 2016	**3 893**	**785**	**20 252**	**24 930**
Shareholder distribution			-9 538	-9 538
Costs shareholder distribution			-36	-36
Dividend			-999	-999
Non-cash issue	8 435		46 814	55 249
Costs non-cash issue			-609	-609
Total comprehensive income 2016			5 319	5 319
Balance as of December 31, 2016	**12 328**	**785**	**61 203**	**74 316**
Non-cash issue	296		1 204	1 500
Comprehensive income 2017			-92	-92
Balance as of December 31, 2017	**12 624**	**785**	**62 315**	**75 724**

As of December 31, 2017 share capital amounted to EUR 12 625 165 divided into 120 592 332 shares representing a nominal value of EUR 0.10.

Further information regarding the parent company's equity is available in Note 38.

THE PARENT COMPANY CASH FLOWS

Statement of cash flow, KEUR	NOTE	01 01 2017 12 31 2017	01 01 2016 12 31 2016
OPERATING ACTIVITIES			
Profit/loss for the year before tax		-92	5 266
Adjustments for income items from operations not included in the cash flow and do not affect the cash flow:			
Adjustments for other non-cash items		72	-5 511
Paid taxes		–	–
Funds provided from operations prior to changes in working capital		**-20**	**-245**
Details of changes in working capital			
Increase (–)/Decrease (+) in current receivables		-160	9 484
Increase (–)/Decrease (+) in current liabilities		-596	606
Cash flow from operations		**-776**	**9 845**
INVESTMENT ACTIVITIES			
Investments in tangible assets		-1	–
Investments in financial assets		–	-251
Cash flow from investment activities		**-1**	**-251**
FINANCING ACTIVITIES			
Shareholder distribution		–	-9 538
Costs non-cash issue		–	-645
Changes in interest-bearing liabilities		767	593
Cash flow from financing activities		**767**	**-9 590**
Cash flow for the year		**-10**	**4**
Cash and bank at beginning of year		**11**	**7**
Cash and bank at end of year	43	**1**	**11**

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

Conditions when preparing the group's financial reports
Since January 1, 2017, the functional currency of the Parent Company is Euro (EUR), which is also the reporting currency of the Parent Company and the Group. The financial reports are therefore presented in Euro. Assets and liabilities are recognized at historical cost, and financial assets and liabilities are recognized at amortized cost.

Preparing the financial reports in compliance with IFRS requires management to make judgments and estimates, as well as assumptions which affect the application of the accounting principles and the recognized amounts of assets, liabilities, revenue and expenses. The estimates and assumptions are based on historical experiences and a number of factors which under the circumstances are deemed reasonable. The result of these estimates and assumptions are then used to assess the value of assets and liabilities where the value is not evident from other sources. Actual outcomes may deviate from these estimates and judgments.

Estimates and judgments are reviewed regularly. Changes in estimates are recognized in the period the change is made if the change affects only this period, or in the period the change is made and future periods if the change affects both the period in question and future periods.

The accounting principles for the Group described below have been applied consistently for all periods that are presented in the Group's financial reports, unless otherwise is indicated below. The accounting principles for the Group have been applied consistently in reporting and consolidation of the Parent Company and subsidiaries.

New and amended IFRSs
New and amended IFRSs applicable from 2017 have not had any material effects on the financial statements.

New and amended IFRSs issued but not yet effective
IFRS 9 Financial Instruments
In July 2014, the IASB issued IFRS 9 Financial Instruments. The new IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* covering the classification and measurement of financial instruments.

IFRS 9 introduces a new approach for the classification of financial instruments based on the contractual cash flows of the financial instrument and the business model within which is being held. The guidance for recognizing impairments will be based on an expected loss model in the future. IFRS 9 also includes new regulations regarding the application of hedge accounting to be able to reflect better on the entity's risk management activities especially with regards to managing non-financial risks. Moreover, IFRS 9 requires additional disclosures to be made in the notes.

These amendments must be applied to accounting periods commencing on or after January 1, 2018. As a part of the project dealing with the introduction of IFRS 9 at Strax Holding GmbH, the impact of the new standard has been analyzed over the course of the financial year 2017. The effects will not be material.

IFRS 15 Revenue from Contracts with Customers
The new IFRS 15 *Revenue from Contracts with Customers* replaces the current guidance on the recognition of revenue in IAS 18 *Revenue*

and IAS 11 *Construction Contracts*, as well as the related interpretations. IFRS 15 stipulates a uniform and comprehensive model for recognizing revenue from customers. The effects will not be material.

The new standard uses a five step model to determine the amount of revenue and the date of realization. In this model, the first steps are to identify the relevant contracts with the customer and the performance obligations in the contracts. Revenue is then recognized in the amount of the consideration expected for each distinct performance obligation satisfied at a point in time or over time.

In addition to the five-step model, IFRS 15 addresses various special topics such as the treatment of costs for obtaining and fulfilling a contract, presentation of contract assets and liabilities, rights of return, commission business, customer retention and customer loyalty programs. In addition, the disclosures in the notes are significantly expanded. Accordingly, this requires qualitative and quantitative disclosures to be made in the future on contracts with customers, on significant estimates and judgements as well as changes over time.

The new standard must be applied to accounting periods commencing on or after January 1, 2018. Based on analyses performed in 2016, STRAX does not expect significant impacts on its Consolidated Financial Statements. In addition, for certain types of contracts, the timing for recognizing revenue will change, in particular revenue may be recognized earlier if variable consideration components exist or re-allocations of the transaction price between performance obligations take place.

IFRS 16 Leases
On January 13, 2016, the IASB published IFRS 16 Leases. The new standard IFRS 16 will replace the currently applicable standard IAS 17 Leases as well as IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions involving the legal form of lease.*
IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognize right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. As part of a project dealing with the introduction of IFRS 16 at Strax Holding GmbH, the impact of the new standard will be analyzed over the course of 2018 financial year. The company will adopt the standard for the fiscal year beginning as of January 1, 2019.

Operating segments
An operating segment is a component of the Group carrying out business operations from which it can generate revenue and incur expenses and about which separate financial information is available. Further, the result of an operating segment is monitored by the chief operational decision maker, in the case of STRAX, the CEO, to evaluate the result as well as being able to allocate resources to the operating segment.

Classification etc.
Non-current assets are assets that are expected to be realized after more than twelve months from the balance sheet date. Current assets are assets that are expected to be realized within twelve months of the balance sheet date. Liabilities are classified as non-current if the Group at the end of the reporting period has an unconditional right to pay later than twelve months from that date. All other liabilities are recognized as current.

Principles of consolidation
Subsidiaries
Subsidiaries are entities controlled by the Parent Company, STRAX AB. The Group controls the entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are recognized according the acquisition method.
The method means that the acquisition of a subsidiary is viewed as a transaction through which the Group indirectly acquires the assets of the subsidiary and assumes its liabilities and contingent liabilities. The Group's acquisition value is determined through an acquisition analysis in relation to the acquisition. In the analysis both the purchase price of the shares or the operations, and the fair value of the acquired identifiable assets and assumed liabilities and contingent liabilities are determined at the point of acquisition. The purchase price of the shares in subsidiaries and the operations respectively consists of the fair values at the point of acquisition for assets, arisen or assumed liabilities and issued equity instruments which have been given in exchange for the acquired net assets. At

acquisitions (of subsidiaries that are consolidated) where the purchase price exceeds the net-value of identifiable acquired assets and assumed liabilities and contingent liabilities, the difference is recognized as goodwill. When the difference is negative this is recognized in profit or loss. Financial reports for consolidated subsidiaries are included in the Group accounting as of the point of acquisition up until the date where the control ceases to exist. Intra-group receivables and payables, revenue or expenses and unrealized profit or loss, which pertain to intra-group transactions between consolidated group companies are eliminated in the consolidation.

Associated companies
Associated companies are those companies where the Group has a significant influence, but not control, over the operational and financial governance, usually through a share of 20 to 50 percent of the votes. The Groups recognized value of shares in associated companies corresponds to the Groups share in the associated company's equity, as well as goodwill and, if any, remaining surplus value or undervalues. The profit or loss within the Group is recognized as "Share in profit or loss of associated companies", the groups share in the profit or loss in associated companies adjusted for, if any, depreciations, impairments and resolution of acquired surplus value and under values. The Group's share of other comprehensive income in associated companies is recognized separately in the Group's other comprehensive income.

Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currency of Group companies at the exchange rates at the dates of the transactions. Functional currency is the currency in the primary economic areas the companies has operations. Monetary assets and liabilities in foreign currency is revaluated to the functional currency at the exchange rate at the reporting date.

Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Revenue
Revenue and other income are recognized when the goods have been transferred or the services rendered. Goods are considered transferred when significant risks and rewards of ownership have been transferred to the customer.

If the customer has been granted the right to return (which for STRAX includes the customer's right to return products and the right to revoke a purchase agreement), the revenue is recognized at the point in time when the probability of return can be reliably calculated. For this purpose frequencies of returns are calculated based on historical data and used to forecast future return commitments. Revenue is not recognized for the share of which a return is expected, instead a provision is recognized. The size of the provision corresponds to the price of the goods delivered for which a return is expected, adjusted for the cost of handling the return and the losses incurred from the sales of these goods. Revenue is recognized net, i.e. the sum of what the customers pay deducted for V.A.T. and sales reductions (discounts, bonuses, discounts for cash etc.).

Operational costs are recognized as an expense when the services have been rendered or when they are consumed.

Finance income and finance costs
Finance income and costs consists of interest income from bank accounts, receivables and interest-bearing securities, interest expense from loans and exchange rate differences. Interest income from receivables and interest expense from liabilities are calculated through the effective interest method. The effective interest is the interest rate at which the present value of estimated future cash flows during the expected fixed interest period is equal to the recognized value of the asset or liability.

Financial instruments
Recognition and derecognition of a balance sheet item
A financial asset or financial liability is recognized on the balance sheet when the company becomes a party according to the contractual agreements of the instrument. A receivable is recognized when the Group has performed and the other party has a contractual obligation to pay even if the invoice has not yet been sent. Accounts receivables are recognized when an invoice has been sent. Liabilities are recognized when the other party has performed and the Group has a contractual agreement to pay, even if an invoice has not yet been received. Accounts payables are recognized when an invoice has been received. A financial asset is derecognized

when the rights of the contract are realized, due or when the Group no longer has control over the asset. A financial liability is de-recognized when the contractual obligation is fulfilled or otherwise extinguished. Acquisition or sale of financial assets are recognized at the date of transaction, which is the day the Group commits to acquiring or selling the asset.

Classification and measurement
Financial instruments are initially recognized at the instruments fair value with the addition of transaction costs apart from financial instruments which are recognized at fair value through profit or loss where the transaction costs are expensed. The financial instrument is classified on initial recognition based on the purpose for which the instrument was acquired, which in turn affects the accounting going forward.

Accounts receivables
Accounts receivables consist of financial assets that are not derivatives and has determined or affirmable payments which are not listed on an active market. Trade receivables are outstanding amounts from sale of goods or services performed within the regular business activity. They are included in current assets if the due date occurs within twelve months of the reporting date. If the due date is after more than twelve months from the reporting date, they are classified as non-current assets.

Trade receivables are initially recognized at fair value and are in the following reporting periods valued at amortized cost with the effective interest method, deducted for any impairment. An impairment is recognized when there are objective indications that outstanding payments are not fully collectable (such as in the event of late payments or insolvency of the customer). Doubtful reserves are accounted for on a separate account. They are eliminated at the same point in time as the corresponding impaired receivable is derecognized.

Cash and cash equivalents
Cash and cash equivalents consists of cash and immediately accessible funds at banks and similar institutions, as well as liquid investments with a duration of less than three months from the time of acquisition with subject to only an insignificant risk of fluctuations in value.

Interest-bearing liabilities
Loans are initially recognized at cost corresponding to the fair value of what has been received less transaction costs and any premiums or discounts. Thereafter the loans are recognized at amortized cost with the effective interest method, which means that the value is adjusted with any premiums and discounts related to when the loan agreement was entered into, and expenses related to the borrowing transaction are accrued over the duration period of the loan. The accruals are calculated on the basis of the initial effective interest rate of the loan.

Accounts payables and other non-interest bearing liabilities
Non-interest bearing liabilities are recognized at amortized cost based on the effective interest rate calculated at initial recognition which, due to the short duration, usually means the nominal amount.

Tangible fixed assets
Tangible fixed assets are recognised at cost with deductions for depreciation and any impairment. Cost includes expenses that can be directly attributed to the acquisition. Costs for repairs and maintenance are recognised as costs in profit or loss in the period in which they arise. In the event that an asset's carrying amount exceeds its estimated re-coverable amount, the asset is written down to its recoverable amount, which is charged to operating profit. In the income statement, operating profit is charged with straight-line depreciation, which is calculated on the original cost and is based on the estimated useful lives of the assets (2-5 years).

Intangible assets
Goodwill comprises the amount by which the cost of the acquired operation exceeds the established fair value of identifiable net assets, as recognised in the acquisition analysis. In connection with the acquisition of operations, goodwill is allocated to cash-generating units. Since goodwill has an indeterminable useful life, it is not amortised annually. Instead, goodwill is subject to impairment testing either annually or when an indication of an impairment requirement arises. The carrying amount comprises the cost less any accumulated impairment losses. A description of the method and assumptions applied when conducting impairment tests is found under Note 14 Intangible Assets on pages 76-77.

Other intangible assets are recognised at cost less accumulated amortisation and any impairment. It also includes capitalised costs for purchases and internal and external costs for the development of software for the Group's IT operations, patents and licences. Amortisation takes place according to the straight-line method based on the estimated useful life of the asset (three to six years).

Impairments
The recognized values of the Group's tangible and intangible assets, including goodwill, are tested each reporting period end in order to asses if there is an indication of a need for an impairment. An impairment is recognized when an asset or the recognized value of a cash generating unit exceeds the recoverable amount. An impairment is recognized through profit and loss.

The recoverable amount is the highest of fair value less cost of sales and the useful value. When calculating the useful value future cash flows are discounted with a discount factor taking the risk free rate and the risk related to the specific asset into account. For an asset which does not generate cash lows and are materially independent of other assets the recoverable amount is calculated for the cash generation unit to which the asset pertains. Goodwill is always tested divided on cash generating units or groups of cash generating units.

Impairments are reversed if there has been a change in the underlying assumptions in the calculation of the recoverable amount. An impairment is reversed only to the extent the assets carrying amount after reversal does not exceed the value the asset would have had if an impairment had never been done. Impairment of goodwill is never reversed.

Inventories
The goods recognized as inventory in compliance with IAS 2 (Inventories) are initially carried at cost. Carrying amount is either determined on the basis of an individual valuation of purchases from the perspective of the market or through the method of average cost. Compensation from suppliers that are classified as a decrease of the initial cost reduces the carrying amount of the inventories.
At the end of the reporting period inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated sales price in operations, deducted for estimated costs of completion and sales. Risks related to average days in stock that exceeds what is normal and/or reduced usefulness is reflected through impairment to net realisable value.

If the reason for impairment to net realisable value no longer exists, a reversal is recognized. Since the inventories of STRAX does not meet the definition of a qualifying asset according to IAS 23 (Borrowing costs), directly related interest on borrowed capital to the inventories are not capitalized.

Lease assets
In the Group, leasing is classified as either financial or operating leases. Financial leasing occurs when all the risks and rewards of ownership has been substantially transferred to the lessee; if that is not the case then the lease is classified as an operating lease. The group only has operating leases. As operating lessee the underlying asset is not recognized in the balance sheet. The leasing fees are expensed on a straight line basis over the leasing period.

Employment benefits
Defined contribution plans
The Group only has defined contribution plans. Obligations concerning defined contribution plans are recognized as expenses during the period when the employee provides service.

Provisions
Provisions are recognized when the Group has an existing legal or informal obligations as a consequence of an occurred event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and where a reasonable estimation of the amount can be done. When the effect of the timing of the payment is significant, provisions are calculated through discounting future expected cash flows at an interest rate before tax which reflects current market assessments of the time value of money and, if applicable, the risks associated with the provision.

Taxes
Income taxes consist of current taxes and deferred taxes. Income taxes are recognized in profit or loss, in other comprehensive income or directly in equity. Current taxes are taxes payable or refundable related to the currency year, through the application of the tax rates which are decided, or practically decided, at the balance sheet date. This includes adjustments of current taxes pertaining to previous periods.

Deferred tax is based on temporary differences between recognized and taxable values of assets and liabilities. The valuation of deferred taxes is based on how the recognized values of assets or liabilities are expected to be realized or settled. Deferred taxes are calculated through the application of the tax rates which are decided, or practically decided, at the balance sheet date. Deferred taxes related to deductible temporary differences and tax loss carry-forwards are recognized only to the extent where it is probable that these can be utilized. The value of deferred tax assets is reduced when deemed it is no longer probable that it can be utilized. Tax legislation contains certain allocation clauses when there are changes in the ownership structures in companies with tax loss carry-forwards. The allocation clauses mean that current tax loss carry-forwards can be depleted at major changes in ownership. The clauses also include limitations to the right to use tax loss carry-forwards against group contributions during a five year qualifying period. The changes in the ownership structure related to the reverse acquisition, where Novestra through an issue for non-cash consideration acquired all of the outstanding shares in STRAX, is of such a nature that the Group deems that the current tax loss carry-forwards should remain. As relatively few legal cases exist to guide within the area, there is a risk that the transaction can be judged otherwise at a trial with the consequence that the loss carry-forwards totally or in part may be depleted.

Contingent liabilities

Contingent liabilities are disclosed when there is a potential commitment related to occurred events and whose existence is confirmed only by one or more uncertain future events, or when there is an obligation not recognized as a liability or a provision as an out-flow of resources embodying economic benefits is not probable.

Parent Company accounting policies

The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Financial Reporting Board's statements for listed companies were also applied. RFR 2 entails that the Parent Company applies all IFRSs adopted by the EU and statements to the Annual Report of the legal entity as far as possible under the framework of the Annual Accounts Act and the Swedish Pension Obligations Vesting Act and with respect to the connection between accounting and taxation. The recommendation states the exceptions and additions to IFRS that are to be made. Overall, the recommendation entails differences between the Group's and the Parent Company's accounting policies in the areas stated below. The accounting policies for the Parent Company described below were applied consistently to all periods presented in the Parent Company's financial statements.

– Changed accounting policies

Changes to accounting policies applied from 2017 did not have any effect on the Parent Company's financial statements.

– Classification and presentation form

An income statement and statement of comprehensive income are presented for the Parent Company and the Group. The Parent Company's income statement and balance sheet are presented following the format stipulated in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in shareholders' equity and cash-flow statement are based on IAS 1 presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences in the Parent Company's income statement and the balance sheet compared with the presentation of the consolidated financial statements primarily pertain to the recognition of financial income and expenses, fixed assets, shareholders' equity and the existence of provisions as a separate heading in the balance sheet.

– Subsidiaries

Participations in subsidiaries are recognised in the Parent Company in accordance with the cost method. This means that transaction costs are included in the carrying amount of the holdings in subsidiaries. In the consolidated financial statements, transaction costs are recognised directly in profit or loss when they arise.

Contingent consideration is valued based on the probability of the consideration being paid. Any changes to the provisions/receivable are added to/deducted from the cost. In the consolidated financial statements, contingent considerations are measured at fair value with changes in value recognised in profit or loss.

Bargain purchases corresponding to future losses and costs are reversed during the expected periods in which the losses and costs arise. Bargain purchases arising for other reasons are recognised as a provision to the extent that the purchase does not exceed the fair value of the acquired, identifiable non-monetary assets. The portion that exceeds this fair value is recognised in profit or loss immediately. The portion that does not exceed the fair value of acquired, identifiable non-monetary assets is recognised in profit or loss systematically over a period calculated as the remaining weighted average useful life of the acquired identifiable assets that are depreciable. In the consolidated financial statements, bargain purchases are recognised directly in profit or loss.

Compliance with standards and legislation
Strax consolidated financial statements are prepared in accordance with International Financial reporting Standards, IFRS, as published by the International Accounting Standards Board (IASB) as adopted by the European Union (EU). The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups was also applied.

The Parent Company applies the same accounting policies as the Group except in the cases described below under the section entitled "Parent Company accounting policies." The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors and President on 17 May 2018.

2. RISK EXPOSURE AND RISK MANAGEMENT

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 risks 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 and consultants in order to run its operations, and is dependent on a functioning distribution chain, logistics and warehousing.

Control Activities
To ensure that the company's business is conducted efficiently and that financial reporting gives a true and fair picture at any one time, STRAX operations incorporate a number of control activities. These involve regular monitoring of risk exposure and monthly follow up of results as well as regular monitoring of STRAX IT environment, security and functionality. STRAX CEO is overall responsible for the risk management.

Competition
STRAX operates in a competitive market. In some cases, STRAX competes with players that are able to offer a more complete range of products and services, and which are larger, have better access to financing and greater financial, technical, marketing and human resources. STRAX future competitive environment is dependent, among other things, on its ability to meet current and future market needs. There is a risk that STRAX will be unable to successfully develop/deliver new, competitive goods and services, or that costly investments, restructuring initiatives and/or price reductions may need to be carried out in order to adapt operations to a new competitive environment. Increased competition from existing or new players, or a diminished ability to meet demand for its products and services, could have a material adverse effect on STRAX operations, operating profit, financial position and outlook.

Higher barriers to entry
In recent years several consolidations have taken place in markets on which STRAX is active, a development that has led to new players and increased competition, and has thus also raised the barriers to entry for the markets of relevance to STRAX. There is a risk that there will be barriers to entry in the future making it impossible for STRAX to establish itself in certain markets. Should such a risk materialize, this may lead to STRAX operations, operating profit, financial position and outlook being adversely affected.

Manufacturers and suppliers
In its production, STRAX is dependent on its partnerships with suppliers and manufacturers working properly. Should the partnerships with manufacturers and suppliers deteriorate in the future, this may lead to STRAX operations, operating profit, financial position and outlook being adversely affected.

Partnerships and licensing
STRAX manufactures many of its products under license or through partnerships with other parties. Should such licensing or partnership agreements be altered or discontinue in the future, this could have an adverse impact on STRAX operations, operating profit, financial position and outlook.

Intellectual property rights
A substantial part of STRAX operations and business strategy is linked to STRAX products and technology. STRAX relies on a combi-

nation of patent and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect STRAX intellectual property rights. There is a risk that STRAX will be unable to secure patent or trademark protection, or will be unable to maintain confidentiality of trade secrets to the extent desired by the company, which may mean that an unauthorized party could benefit from important rights belonging to STRAX. In addition, there is a risk that STRAX could become involved in legal or administrative intellectual property rights proceedings, with the risk that large claims for damages or other demands for payment will be brought. It is difficult to predict the outcome of such proceedings. In the event of a negative outcome in a major judicial or administrative proceeding, significant liability may be imposed on STRAX, irrespective of whether such liability is based on a judgment or settlement. Should any of the above risks materialize, this may have a materially adverse effect on STRAX operations, financial position and earnings.

Credit risk
STRAX has exposure to its customers, primarily in the form of outstanding accounts receivable, and may be adversely impacted if a customer becomes insolvent or goes bankrupt. STRAX usually extends credit to its customers, which may at times grow to represent a large portion of STRAX net sales. Therefore, STRAX is subject to a risk that its customers will not pay for the products and services they have bought, or will pay later than expected. This risk increases during periods of economic downturn and uncertainty. There is thus a risk that STRAX customers will not be able to pay as expected for the products and services they have bought, which may have a materially adverse impact on STRAX operations, earnings and financial position.

Supply chain and inventory management
Inventory represents a significant proportion of STRAX assets and handling, storage and relocation of inventory is costly. An efficient supply chain and efficient inventory management are therefore important to STRAX operations. Inefficiency in inventory management (e.g. in the form of errors or omissions in forecasts or orders placed by STRAX or its customers) may result in an excessive or insufficient stock of a particular product or product group. An overly broad product range may lead to surplus stocks, thereby subjecting STRAX to the risk that the inventory may have to be written down. Insufficient stock, contrariwise, may result in additional costs for STRAX to fulfill its obligations to customers, or to cater to increased demand (e.g. in the form of having to purchase materials and components at higher prices, or the costs associated with express freight). During inventory management, it is also possible that products and components will be damaged or otherwise affected in such a way that their value is impaired, thereby necessitating an inventory write-down. An inefficient supply chain and inventory management may have a materially adverse impact on STRAX operations, financial position and earnings.

Internal restructuring
STRAX continually evaluates the need for internal restructuring in order to streamline its operations. Should past, present or future restructuring efforts not bring about the expected results, this may have an adverse impact on STRAX operations, operating profit, financial position and outlook.

Customer relationships
As a supplier of products and services, STRAX is dependent on its customer relationships in order for the company to succeed in marketing and selling its products and services. If STRAX relationships with current or future customers deteriorate, the company's customer base, and therefore also STRAX operations, operating profit, financial position and outlook may be adversely affected.

Regulatory requirements
Certain parts of STRAX operations are conducted in areas that are subject to laws and regulations issued by a variety of authorities. Such regulations may include standards that certain products are required to meet, or regulations and laws affecting how STRAX may manufacture its products or conduct its business. Should new regulations be issued that entail stricter requirements or altered conditions governing the manufacture of products or how STRAX conducts its operations in general, this may have a materially adverse effect on STRAX operations, financial position and earnings.

Key personnel, employees and consultants
STRAX future success is to some extent dependent on the Company's senior executives and other key personnel who contribute their expertise, experience and commitment. The Company has entered into employment agreements with key personnel on terms that the Company considers to be in line with market terms. There is a risk that the Company will

not succeed in retaining or recruiting qualified personnel in the future. If the Company is unable to retain senior executives and other key personnel, or to recruit new senior executives or other key personnel to replace officers who leave the Company, this may have a materially adverse effect on the Company's operations, financial position and earnings.

Financing risk

The majority of the Group's financing is covenant-based, i.e. the loan agreement contains financial terms that STRAX has undertaken to honor as the borrower. This means that the costs of existing loans may go up considerably in the event of deviations from the financial terms stipulated by the agreement, or, in the event of persistent or repeated deviations, that the agreement may be terminated or restricted with regard to its scope. The Group is dependent on existing loans and credit facilities continuing to exist in order to finance its operations. The Group has both a short-term and long-term liquidity plan in place to ensure its immediate and future solvency, although there is a risk that it will not be possible to obtain financing when needed, or that such financing can only be obtained at significantly elevated costs.

Currency risk

Currency risk refers to the risk that changes in exchange rates will adversely impact the Group's financial position. Currency risk can be broken down into transaction exposure and translation exposure.

Transaction exposure arises as a result of companies within the Group effecting transactions in a currency other than the local currency, for example by importing products for sale on the domestic market and/or by selling products in a foreign currency. The Company may be subject to adverse effects when translating net income and net assets in such foreign subsidiaries to the Group currency, EUR.
Significant declines in the value of a foreign currency against the SEK may therefore have adverse effects on STRAX earnings and financial position; likewise, currency pair fluctuations, in particular USD/EUR, USD/GBP and EUR/GBP, have an impact on the Group's cash flow, earnings and financial position.

Management of Financial Risks and Derivatives

Capital Risk Management

The group's main objectives with respect to capital management are to maintain and ensure an optimal capital structure in order to reduce capital costs, to generate liquid assets, to actively manage net current assets, and to comply with financial covenants.
In order to ensure that the equity ratio is in line with the required amount on the dates when it is re-viewed for compliance, additional controls were established in the fiscal year 2017. These controls are intended to ensure that the working capital and thus the total assets of the Strax Group develop in line with objectives through both potential grooming transactions and better coordinated purchasing and sales. In view of the dynamic nature of the level of debt, the Strax Group expects that sufficient operating cash flow will be generated to meet all obligations arising from existing liabilities in a timely manner.
The group manages its capital structure on the basis of the equity ratio and makes adjustments, if necessary, taking account of changes in economic conditions. The group's strategy in 2017 is to maintain an equity ratio of at least 25%. At the end of fiscal 2017, the group's equity ratio was 25%, compared to 29% the year before.

	12 31 2017	12 31 2016
Total Assets	**83 169**	**62 955**
Equity	21 028	18 159
Equity ratio	**25%**	**29%**

The increase in total assets is related to the increase in the balance sheet total at the end of the reporting period mainly results from the increase in current and non-current financial liabilities in the context of the financing structure adjusted in October 2017 and the increase in equity as a result of the 2017 annual result.

For the calculation of the equity ratio, cash and cash equivalents amounting to 5 678 (3 642) are deducted from the financial liabilities due to the operating asset. The liabilities from an earn-out obligation of 655 (4 498) are also eliminated from the balance sheet total. This results in an adjusted equity ratio of 27% (33%).

	12 31 2017	12 31 2016
Total Assets	**83 169**	**62 955**
Outsourced operating line	-5 689	-3 663
Passivated earn out obligations	-655	-4 498
Adjusted total assets	**76 825**	**54 794**
Equity	21 028	18 159
Equity ratio	**27%**	**33%**

Loan finance granted by banks is dependent on compliance with certain financial covenants; these are to be calculated on the basis of the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). If it fails to do so, UniCredit Bank AG, Bayerische Landesbank, Sparkasse Köln-Bonn, Postbank and Swedbank may calculate penalties and/or terminate the existing financing.

The covenants involve three measurements:
- The equity ratio in %

- Leverage Ratio – Senior net debt/EBITDA

- Borrowing Base

When calculating and reporting on the covenants certain adjustments will take place, after approval by the banks, for example the calculation bases for total assets according to calculated equity ratio above, as well as posts that may affect comparability and one time charges.

Financial Risk Management
As part of its financial risk management, the Strax Holding GmbH provides services to the business areas. In addition, it monitors and controls the financial risks associated with the group's business areas. These risks include market risk (including exchange rate risks, interest rate-induced fair value risks, and price risks), default risk, and liquidity risk.

In order to reduce some of these risks the group used derivative financial instruments during the fiscal year. These primarily include interest rate hedges (interest rate swaps) and currency forwards. The purpose of these derivative financial instruments is to hedge interest rate and currency risk resulting from the Group`s business activities and sources of financing.

The group does not conclude contracts for or trade any financial instruments, including derivative financial instruments, for speculative purposes.

The group's risk management is focused on the unpredictability of developments on the financial markets and aims to minimize potential negative effects on the group's financial position. The group uses isolated derivative financial instruments to minimize certain risks.

Risk management is carried out centrally by the finance department. The group finance department identifies, assesses, and hedges financial risks in close cooperation with the operational units of the group. Management provides both the principles for cross-departmental risk management and guide-lines for specific departments on how, for example, to handle foreign exchange risk, interest rate and credit risk, the use of individual derivative and non-derivative financial instruments, and the investment of excess liquidity.

Market Risk

Foreign Exchange Risk with Sensitivity Analysis

The group is internationally active and is therefore exposed to foreign exchange risk based on changes in the exchange rate for various foreign currencies, mainly the US dollar, British pound, Swiss franc, Danish, Swedish and Norwegian krone, Hong Kong dollar and other Chinese Renminbi. The risks arising from US and Hong Kong dollars and Chinese renminbi are the result of purchases in Asia.

Foreign exchange risks arise from expected future transactions and assets and liabilities recognized in the balance sheet.

The sensitivity analysis only includes outstanding monetary positions denominated in a foreign currency, with conversion adjustments at the end of the period in line with a 10% change in the exchange rate.

Rate change +10%												
(Currency relationship Euro / foreign currency after tax)												
	PROFIT OR LOSS						**EQUITY**					
KEUR	**SEK**	**USD**	**GBP**	**HKD**	**Other**	**Total**	**SEK**	**USD**	**GBP**	**HKD**	**Other**	**Total**
2017-12-31	-295	76	-345	-334	-300	**-1 198**	-295	76	-345	-334	-300	-1 198
2017-12-31 after tax	-197	51	-230	-223	-200	**-799**	-197	51	-230	-223	-200	-799
2016-12-31	-145	-188	-244	-110	-268	**-955**	-145	-188	-244	-110	-268	-955
2016-12-31 after tax	-97	-125	-163	-73	-179	**-637**	-97	-125	-163	-73	-179	-637

Rate change -10%												
(Currency relationship Euro / foreign currency after tax)												
	PROFIT OR LOSS						**EQUITY**					
KEUR	**SEK**	**USD**	**GBP**	**HKD**	**Other**	**Total**	**SEK**	**USD**	**GBP**	**HKD**	**Other**	**Total**
2017-12-31	242	-61	283	273	245	**982**	242	-61	283	273	245	982
2017-12-31 after tax	161	-41	189	182	163	**655**	161	-41	189	182	163	655
2016-12-31 after tax	119	154	200	90	221	**784**	119	154	200	90	221	784
2016-12-31	79	103	133	60	147	**523**	79	103	133	60	147	523

Interest Rate Risks
The group currently only has current account overdraft facilities as well as current and non-current money market loans with variable interest rates. There are interest rate risks if interest rates rise.
Taking account of current developments results in the following sensitivity analysis.

Rate increase

Income effect at 1% interest

KEUR	Profit or loss	Equity
31 12 2017	225	225
31 12 2017 after tax	150	150
31 12 2016	70	70
31 12 2016 after tax	47	47

Liquidity Risk Management
The group continuously monitors the risk of a liquidity shortage through liquidity planning. Liquidity planning takes account of the incoming and outgoing cash flows of financial assets and the expected cash flows from operating activities. The cash flow forecasts are prepared at the level of the individual company and combined for the group.

The group's aim is to maintain a balance between the continuous coverage of financing needs and ensuring flexibility through the utilization of current account overdraft facilities and loans. STRAX uses cash pooling techniques – in some cases, cross-border techniques – to manage the group's liquidity effectively. Any remaining short-term liquidity peaks are balanced out through the use of current account overdraft facilities. As of the date the consolidated annual financial statements were prepared, the group had unused lines of credit amounting to 6.363 (2.128) at four different banks.

The amount of other financial liabilities was mainly due to the earn out payment obligations Sowntone Limited. The current financial liabilities includes the used working capital line of 6 363 (8 872) which was utilized on December 31, 2017.

The following maturity analysis table shows the group's financial liabilities by maturity category, based on the residual term as of the balance sheet date.

Balance sheet item per 12 31 2017	up to 1 year	1-5 years	Total
Borrowings	15 015	11 230	26 245
Other financial liabilities	8 528	417	8 945
Trade and other payables	18 367	-	18 367
Total	**41 910**	**11 647**	**53 557**

Balance sheet item per 12 31 2016	up to 1 year	1-5 years	Total
Borrowings	11 626	5 022	16 648
Other financial liabilities	6 448	203	6 651
Trade and other payables	13 752	-	13 752
Total	**31 827**	**5 225**	**37 051**

3. OPERATING SEGMENT 12 MONTHS, THE GROUP

(EUR thousands)	Protection Jan 1 – Dec 31 2017	Protection 2016	Power Jan 1 – Dec 31 2017	Power 2016	Audio Jan 1 – Dec 31 2017	Audio 2016	Connected devices Jan 1 – Dec 31 2017	Connected devices 2016	Other Jan 1 – Dec 31 2017	Other 2016	Total Jan 1 – Dec 31 2017	Total 2016
Net sales	58 272	53 575	13 790	11 991	17 526	13 286	4 254	6 004	6 222	6 914	100 065	91 770
Cost of goods sold	-40 223	-35 862	-9 723	-9 144	-13 799	-9 870	-3 466	-5 571	-4 747	-5 601	-71 958	-66 048
Gross profit	**18 049**	**17 713**	**4 067**	**2 847**	**3 727**	**3 416**	**788**	**433**	**1 475**	**1 313**	**28 107**	**25 722**
Selling expenses	-9 948	-9 538	-2 242	-1 533	-2 054	-1 839	-435	-233	-813	-707	-15 491	-13 851
Administrative expenses	-4 762	-3 559	-1 073	-572	-983	-686	-208	-87	-389	-264	-7 416	-5 168
Other operating expenses	-3 082	-5 061	-694	-813	-636	-976	-135	-124	-252	-375	-4 799	-7 349
Other operating income	3 377	3 831	761	616	697	739	147	94	276	284	5 258	5 563
Operating profit	**3 634**	**3 386**	**819**	**544**	**750**	**653**	**159**	**83**	**297**	**251**	**5 659**	**4 917**

Geographic information

STRAX has a global business, with the greatest part of employees as well as warehouse in Germany.

Below geographic information reflects sales and non-current assets per geographical market based on the location of the assets.

Net sales	**01 01 2017 12 31 2017**	**01 01 2016 12 31 2016**
Western Europe		
Denmark	7	113
France	10 323	10 963
Germany	15 921	18 661
Netherlands	2 756	2 724
Switzerland	15 155	16 294
Austria	11	96
Norway	3 802	3 339
Poland	2 996	3 296
Sweden	7 807	10 496
UK	10 664	14 033
Spain	769	-
North America	19 388	8 297
Rest of the world	10 466	3 458
Total	**100 065**	**91 770**

Total non-current assets	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Western Europe		
Denmark	2	25
France	2 890	2 473
Germany	4 457	4 210
Netherlands	772	615
Switzerland	4 243	3 676
Austria	3	22
Norway	1 064	753
Poland	839	744
Sweden	7 958	8 141
UK	2 985	3 166
Spain	215	-
North America	5 428	1 872
Rest of the world	2 930	780
Total	**33 787**	**26 477**

Customers representing more than 10% of total sales	01 01 2017 12 31 2017		01 01 2016 12 31 2016	
Operator	-	-	13 019	14%
Specialist mobile reseller	-	-	10 783	12%

No customer generated more than 10% of total sales during 2017.

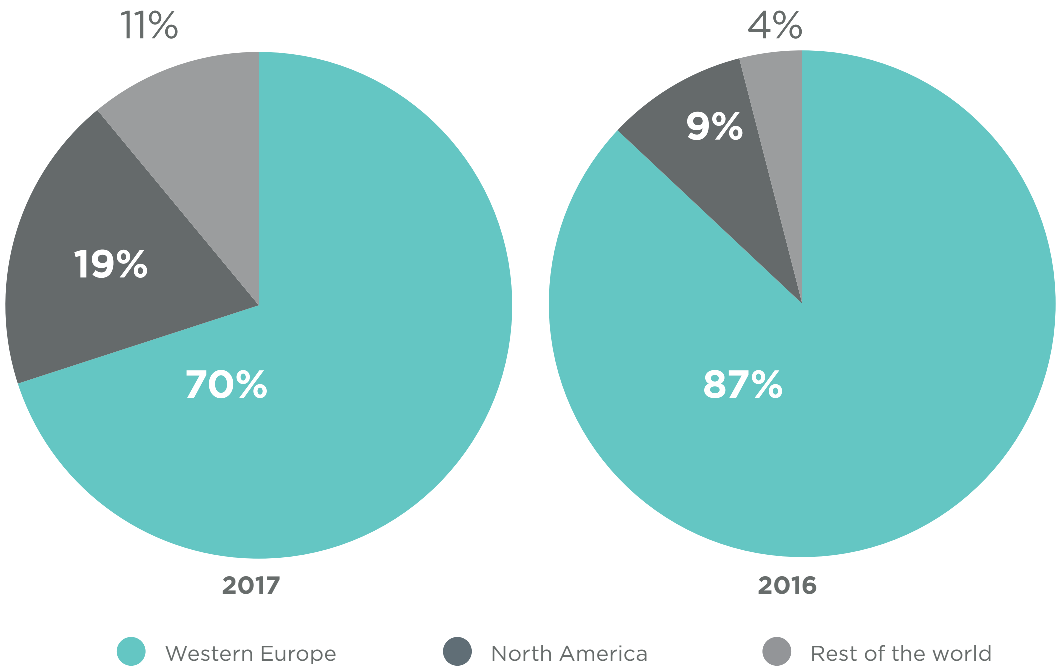
4. NET SALES, THE GROUP

Net sales relates to sale of merchandise.

	01 01 2017 12 31 2017		01 01 2016 12 31 2016	
Revenues per segment	**Revenues**	**%**	**Revenues**	**%**
Protection	58 272	58.2	53 575	58.4%
Audio	17 526	17.5	13 286	14.5%
Power	13 790	13.8	11 991	13.1%
Connected Devices	4 254	4.3	6 004	6.5%
Other	6 222	6.2	6 914	7.5%
Total	100 065	100%	91 770	100%

Sales by region	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Western Europe	70 211	80 015
North America	19 388	8 297
Rest of the world	10 466	3 458
Total	**100 065**	**91 770**

Sales by region



5. COST OF GOOD SOLD, THE GROUP

Cost of goods sold contain all costs Strax incurred in order to generate the salse during the same period. Cost of goods sold Includes shipping costs relating to transportation of sold goods, depriciation of fixed tangible assets, and personell related expenses.

6. OPERATING EXPENSES, THE GROUP

Operating expenses are classified by function.

7. SELLING EXPENSES, THE GROUP

Selling expenses mainly include personnel expenses, rent, material costs as well as depreciation relating to sales activities.

8. ADMINISTRATIVE EXPENSES, THE GROUP

Administrative expenses mainly include personnel expenses, rent, consultancy fees as well as depreciation relating to administration activities.

9. OTHER OPERATING EXPENSES, THE GROUP

Other operating expenses include foreign exchange rate losses to the greater part.

10. EXPENSES BY FUNCTION, THE GROUP

	Cost of goods sold	Selling expenses	Admin-istrative expenses	Other operating expenses	Total
Employee expense	3 398	7 936	2 380	-	13 714
Other external expenses	720	7 410	4 357	4 782	17 269
Depreciation	1 727	145	679	17	2 567
	5 845	**15 491**	**7 416**	**4 799**	**33 550**

11. OTHER OPERATING INCOME, THE GROUP

Other operating income includes foreign exchange rate gains to the greater part.

12. FINANCIAL INCOME, THE GROUP

	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Interest income and similar income	142	30

13. FINANCIAL EXPENSES, THE GROUP

	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Interest expenses and similar expenses	-2 058	-1 165

14. INCOME TAXES, THE GROUP

The expected actual income tax as well as the deferred tax assets and liabilities are recognized as the income taxes for the individual countries. The main components of the income taxes are as follows:

	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Current tax expense/ -income		
Current tax expense/ -income for the period	-1 255	1 273
Current tax expense/ -income from previous years	793	291
Total current tax expense/ -income	**-461**	**1 564**
Deferred tax expense/ -income		
Deferred tax expense/ -income due to temporary difference	-199	251
Deferred tax expense/ -income from loss carry forwards	-1 107	-1 232
Total deferred tax expense/ -income	**-1 306**	**-981**
Total income taxes	**-1 768**	**583**

14. (CONTINUATION)

The tax on income and earnings is comprised of Swedish taxes, well as the corresponding foreign income taxes.

The corporate tax rate in Sweden in the 2017 assessment period was 22%, the same as the previous year. As a result, the group tax rate for 2017 was 22.00% (22%).

As of the respective balance sheet dates, tax assets and tax liabilities are as follows:

	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Income tax receivables (current)	752	255
Income tax receivables (non-current)	538	1 632
Income tax receivables	**1 289**	**1 887**
Income tax liabilities (current)	2 796	3 034
Income tax liabilities (non-current) deferred	1 295	732
Income tax liabilities (non-current)	3	3
Income tax liabilities	**4 094**	**3 769**

Deferred taxes are calculated in line with the tax rate of each company they arise from in 2017 and 2016.

For tax losses carried forward in the amount of 7 010 it is assumed, on the basis of future taxable profits, that these losses can be partly used within the next three years; accordingly, deferred tax assets in the amount of 448 were taken into account.

The deferred tax assets on the above losses carried forward are not recognized or impaired, provided it is not or it is no longer expected that the tax advantages contained in them will be realized. The total deferred tax assets and liabilities resulted in the following balance sheet positions and tax losses carried forward:

	12 31 2017		12 31 2016	
Balance sheet items	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Other intangible assets	-	769	4	-
Property, plant and equipment	-	4	-	-
Inventories	17	-	-	104
Trade receivables	-	95	34	208
Other assets	44	237	40	107
Other liabilities	30	189	-	16
Losses carryforwards	448	-	1 555	-
Deferred tax assets	**538**	**1 295**	**1 632**	**732**
Thereof current	**-**	**-**	**73**	**435**
Thereof non-current	**538**	**1 295**	**1 559**	**297**

The tax expense of 1.768 (583) recognized for fiscal 2017 deviates by 1 030 (-258) from the expected tax expense of 738 (841), which was based on the application of the expected tax rate to the group's earnings before tax. This tax rate represents the expected tax rate of the group parent company and amounted to 22% in 2017 (22%).

The reasons for the difference between the expected and the recognized tax expense as well as the expected and the actual tax rate for the group are as follows:

Tax reconciliation	**2017**	**2016**
Profit before tax	3 555	3 821
Expected tax rate	**22.00%**	**22.00%**
Expected tax expenses 2017: 22% (2016: 22%)	738	841
Adjustmet of taxes to different foreign tax rate	-329	-449
Tax effects from additions to and reductions of local taxes	382	464
Tax expense and refunds related to prior years	-723	29
Losses of current year not recognized as an deferred tax asset	399	-
Release of deferred tax asset on taxable losses carried forward	1 277	-
Capture of deferred tax asset on taxable losses of prior years	-475	-539
Tax effects due to changes in tax rate of already recorded tax assets	150	-
Other tax effects	349	-25
Tax expense	**1 768**	**583**
Effective tax rate	**50%**	**15%**

On the German group companies level a tax field audit (Betriebsprüfung) commenced at the beginning of April 2018. The tax years to be audited cover the FY 2013 in which a debt for equity swap took place at the level of Strax Holding GmbH. Whilst the management of this subsidiary discussed the debt for equity swap in the final meeting of the previous tax field audit, the tax filing position taken with respect to the debt for equity swap has not yet been subject to audit. Strax management appreciate that the tax treatment of the debt for equity swap involves a level of judgment and have therefore involved a third party legal advice to assess the issue. The legal advisors support the management assessment. However, there is a risk that the tax authorities disagree with the tax filing position taken by the subsidiary which would imply an increase of the tax base in Germany to an amount of MEUR 10.1 with a tax effect of around MEUR 3.2 (assuming a tax rate for corporate income tax and trade tax of 32%). The equity value of the debt for equity swap amounted to MEUR 10.1.

15. EMPLOYEES AND PERSONNEL COSTS, THE GROUP

Average number of employees and gender distribution:
The average number of employees during the year amounted to 211 (197) of which 118 (111) men and 92 (86) women.

Geographical distribution:	**2017**	**2016**
Western Europe	162	164
USA	8	7
Rest of the world	41	26
Total	**211**	**197**

Gender distribution in the Board of Directors and senior management:
The Board of Directors and other senior management consisted of men as in the previous year.

	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Salaries, other remunerations and social security expenses:		
Salaries and other remunerations:		
The Board of Directors and CEO	540	535
Other Senior management	342	265
Total salaries and other remunerations	**882**	**800**
Social security expenses:		
The Board of Directors and CEO	47	46
(of which are pension costs)	4	3
Other Senior management	140	49
(of which are pension costs)	48	14
Total social costs	**239**	**112**
Total salaries, other remunerations and social costs	**1 121**	**912**

Information on senior management benefits

Senior management
Senior management refers to the management defined as the CEO and the Executive Director, and is accounted for in the Board of Directors & CEO, CFO and CMO. Other senior management has not been defined.

Remuneration to the Board of Directors
According to the decision at the AGM 2017, the Directors' remuneration amounts to a total of 35 (35). The Board remuneration covers the period from the date the Director is elected at the Annual General Meeting until the next AGM. The two directors who are independent in relation to major shareholders are entitled to receive 10 each while the Chairman of the board is entitled to receive 15.

Principles for remuneration to senior management
Senior management have fixed salary for work carried out and is entitled to participate in share-based incentive programs.

Current guidelines for remuneration to senior management
The Annual General Meeting on May 23, 2017, resolved to approve the Board of Directors' proposal regarding guidelines for remuneration of the Management as set forth below. The proposal substantially complies with earlier applied guidelines for remuneration of the Management of the Company. The Board of Directors as a whole serves as a remuneration committee in relation to matters regarding remuneration and other terms of employment for the Management of the Company.

The Board of Directors annually monitors and evaluates on-going, and during the year completed, programs concerning variable remuneration. The Board of Directors also monitors and evaluates the current remuneration structure and levels of remuneration in the Company, the application of the guidelines approved at the Annual General Meeting regarding remuneration of the Management and other employees, and otherwise consider the need for change. According to the Board of Directors, there are reasons for continuing with guidelines for remuneration and variable salary that are consistent with the previous year.

The Company shall offer conditions in line with the market which will enable the Company to recruit and retain competent personnel. The remuneration of the Management of the Group shall consist of fixed salary, variable remuneration, pension and other customary benefits. The remuneration is based on the commitment and performance of the individual in relation to individual objectives and joint objectives for the Company which have been determined in advance. The individual performance is continuously evaluated.

The fixed salary is in general reviewed on a yearly basis and shall be based on the qualitative performance of the individual. The fixed salary of the CEO and the Management shall be in line with the market.

The Company may adopt share-based incentive programs intended to promote the Company's long-term interests by motivating and rewarding the Management of the Company, among others.

The Board of Directors may, if special circumstances are at hand in a certain case, decide to deviate from the guidelines.

Specification of remuneration and other benefits to the CEO and board members:

Person/function	Remuneration 2017	Remuneration 2016
Gudmundur Palmason		
CEO		
Salary	264	259
Pension	4	3
	268	262
Ingvi T. Tomasson		
Executive board member		
Salary	276	276
Pension	–	–
	276	276
Non executive board members:		
Bertil Villard	15	20
Anders Lönnqvist	10	8
Michel Bracké	10	8
	35	36

Salary and other benefits to the CEO
The principles for the variable remuneration for the financial year 2017 were decided by the Annual General Meeting 2017. The employment contract is subject to 24 months' notice by either party and contains no provision regarding lowered retirement age.

Decision process
All remuneration matters concerning management and other potential benefits are considered and decided upon by the Board. The same process applies to potential remunerations regarding consulting fees for members of the Board. Decisions on potential variable result based remuneration to management are referred to the Annual General Meeting.
The remuneration committee consists of the whole Board of Directors.

Pension
Pension is paid in accordance with the ITP plan for all employees, the retirement age is 65.

Severance pay
There are no agreements including severance pay.

16. REMUNERATION TO AUDITORS, THE GROUP

	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Audit	761	311
Related audit assignments	5	149
Tax consultancy	-	-
Other assignments	-	16
Total remuneration to auditors	**766**	**476**

Audit assignment is defined as the audit of the annual financial statements, the administration of the Board of Directors and the CEO and other tasks, which rest upon the auditor as well as consulting and other assistance, which has been initiated by the findings in performing the audit work or implementation of such tasks. All other work is referred to as other assignments.
All remuneration paid was to KPMG AB.

17. GOODWILL, THE GROUP	12 31 2017	12 31 2016
Acquisition-/ Production Costs		
Balance as of January 1	**24 625**	**18 262**
Currency translation differences	-	921
Additions	6 480	5 442
Disposals	-	-
Reclassifications	-	-
Balance as of December 31	**31 105**	**24 625**
Balance as of January 1	**-4 545**	**-4 372**
Currency translation differences	-	-173
Additions	-	-
Disposals	-	-
Reclassifications	-	-
Balance as of December 31	**-4 545**	**-4 545**
Net book value as of December 31	**26 560**	**20 080**

Goodwill by segmentation		
Protection	21 352	14 872
Power	1 167	1 167
Audio	3 882	3 882
Connected devices	159	159
Total	**26 560**	**20 080**

Acquisition of subsidiary, additions to Goodwill	12 31 2017	12 31 2016
TLF B.V.	5 401	-
Sowntone Ltd	1 079	-
AB Novestra	-	5 442
Additions	**6 480**	**5 442**

Based on the provisions of IFRS 3 in conjunction with IAS 36, an impairment test of goodwill is conducted annually. This requires an estimate of the value in use of the cash generating units to which the goodwill is allocated. In order to estimate the value in use the group must estimate the likely future cash flows of the cash generating units and select an appropriate discount rate to determine the present value of these cash flows.

The discount rate applied to the cash flow projection is at 5,60% (previous year: 6,08%). The growth rate used to extrapolate the cash flow projection beyond the period covered by the most recent budget/forecasts is at 1,0% (previous year: 1,0%). The Period over which the management has projected cash flows based on financial budget/forecasts is at 5 years. The values assigned to each key assumption basically reflect past experience, in addition, the positive growth for mobile accessories branch were respected referred to future prospects of ABI research. The parameters described above apply uniformly to all cash-generating units.

The required annual review was conducted on December 31, 2017, and confirmed the recoverability of the capitalized goodwill. In relation to the executed sensitivity test based on reduced future cashflows, an increase of the market risk rate by 10% each and reducing the growth rate of the terminal value down to 0,0% the recoverability of the capitalized goodwill was confirmed. By using the market risk rate and growth rate of the terminal value used in the annual review, the recoverability of the cash generating units was confirmed even if the cash flow is 30,0% (previous year: 40,0%) lower in the future.

Acquisition of Telecom Lifestyle Fashion B.V.

On July 31, 2017 STRAX acquired Telecom Lifestyle Fashion B.V. (”TLF”) with a contractual and financial effective date of August 1, 2017. As a result the Group’s equity interest increased from 1.1 percent to 100.0 percent of the outstanding shares and votes, obtaining control of TLF.

The acquisition of TLF will enable STRAX to long term secure the access to the specific knowledge TLF has in working with licensed major brands, product development as well as marketing and products under licensed brands. Taking control further gives access to the current portfolio of licensed brands including adidas originals, adidas performance as well as bugatti.

Since the acquisition August 1, 2017, for the five months, August 1 - December 31, 2017, TLF contributed to the Group’s revenues to the amount of KEUR 5 415 and profit for the period to the amount of KEUR 747. Should the contribution have been made January 1, 2017 (hypotethically) the Managements view is TLF would in total have contributed with KEUR 9 816 to the Group’s revenues and profit for the period to the amount of KEUR 311.

As an associated company, TLF has since 2011 been reported in the consolidated financial statements of STRAX using the equity method. The equity method is a partial consolidation method with a one line effect in the income statement and balance sheet compared to the line by line consolidation used in a full consolidation.

Both contractual and operational facts resulted in the judgment that TLF was a joint venture in which STRAX had joint control but not control and therefore should be consolidated using the equity method.

As of August 1, 2017, STRAX acquired 100 percent of the outstanding shares in TLF, and STRAX management is of the opinion that this is the point in time when STRAX obtained control of TLF and the company should be full included in STRAX consolidated accounts.

Consideration transferred

The total purchase price, according to the contract amounts to KEUR 5 686, all payable in cash, with an option to pay KEUR 1 500 in shares in STRAX AB, valued at SEK 5.05 per share corresponding to the closing price on the Nasdaq Stockholm Stock Exchange as at July 31, 2017. In December 2017 it was decided to utilize the option and the remaining amount was settled in cash.

Payment of purchase price	
Consideration payable latest December 31, 2017	4 186
Settle with own shares (treated as equity)	1 500
Paid in cash	-3 396
Set-off of receivable with seller	-790
Balance as of December 31, 2017	**-**

Acquisition-related costs

The Group has included a total of KEUR 18 in legal fees and due diligence costs. All acquisition costs have been included in the profit and loss statement under "Administrative expenses".

Identifiable assets acquired and liabilities assumed through the acquisition

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

	KEUR
Property, plant and equipment	49
Intangible assets	3 112
Inventories	1 167
Trade receivables	3 285
Other assets	1 103
Deferred tax assets	462
Cash and cash equivalents	21
Loans and borrowings	-257
Deferred tax liabilities	-767
Contingent liabilities	-508
Site restoration provision	-426
Trade and other payables	-6 891
Total identifiable net assets acquired	**349**

Goodwill

Goodwill arising from the transaction has been recognized as follows:

Consideration transferred	5 686
Fair value of pre-existing interest in TLF	64
Fair value of identifiable net assets	-349
Goodwill	**5 401**

The revaluation of fair value of the Group's existing 1.1 percent interest in TLF resulted in a gain of KEUR 54, calculated as the difference of fair value amounting to KEUR 64 and the KEUR 10 carrying value of the investment reported according to the equity method at the date of the acquisition.

The goodwill is attributable to specific knowledge and track record TLF has in working with licensed major brands, product development as well as marketing and products under licensed brands.

Acquisition of Sowntone Ltd

Identifiable assets acquired and liabilities assumed through the acquisition.

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

	KEUR
Other non-current assets	20
Inventories	11
Accounts receivable	72
Other assets	9
Interest-bearing liabilities	-37
Deferred tax liabilities	-13
Accounts payable	-244
Other liabilities	-105
Total identifiable net assets acquired	**-287**

Goodwill

Goodwill arising from the transaction has been recognized as follows:

Consideration transferred	398
Fair value of pre-existing interest in Sowntone	394
Fair value of identifiable net assets	287
Goodwill	**1 079**

The acquisition of STRAX, finalized on April 30, 2016 had the effect that in the accounts the regulations on reversed acquisition shall be applied, which entails that the groups result prior to the acquisition date is comprised of the previous STRAX group (the legal subsidiary's group) and that the acquisition analysis is based on the fair value of Novestra's earlier holding in STRAX. Novestra previously owned 27 percent in STRAX and acquired, through the current transaction the remaining outstanding shares through payment in own shares.

Acquisition analysis:

Market value at acquisition date	24 553
Value current holding in STRAX	**-19 676**
Transferred consideration	4 877
Equity at time of acquisition	19 111
Carrying amount STRAX	-19 676
Fair value acquired net assets	-565
Goodwill	**5 442**
Transferred consideration	4 877

The goodwill amount primarily relates to the listed platform STRAX has been given access to through the reversed acquisition. STRAX AB (former AB Novestra), from an accounting perspective as a subsidiary in the group, has not contributed to the net sales or result since the acquisition, which would also have been the case if the acquisition had been made as of January 1, 2016. The goodwill amount is not deductible from a tax perspective.

The assets acquired at fair value amounted to -565, and represents cash and bank balances, net receivables after deduction of utilized credit facilities amount to -585.

18. OTHER INTANGIBLE ASSETS, THE GROUP

	Software and similar rights	Customer base	Total
Acquisition-/ Production Costs			
Balance as of January 1, 2017	**1 711**	**580**	**2 291**
Currency translation differences	-92	-	**-92**
Additions	3 478	-	**3 478**
Disposals	-	-	**-**
Reclassifications	-	-	**-**
Balance as of December 31, 2017	**5 097**	**580**	**5 677**
Depreciation			
Balance as of January 1, 2017	**-506**	**-580**	**-1 086**
Currency translation differences	32	-	**32**
Additions	-729	-	**-729**
Disposals	-	-	**-**
Reclassifications	-	-	**-**
Balance as of December 31, 2017	**-1 203**	**-580**	**-1 783**
Net book value as of December 31, 2017	**3 893**	**-**	**3 893**
Acquisition-/ Production Costs			
Balance as of January 1, 2016	**864**	**580**	**1 444**
Currency translation differences	41	–	**41**
Additions	1 118	–	**1 118**
Disposals	-312	–	**-312**
Reclassifications	–	–	**–**
Balance as of December 31, 2016	**1 711**	**580**	**2 291**
Depreciation			
Balance as of January 1, 2016	**-670**	**-503**	**-1 173**
Currency translation differences	-13	–	**-13**
Additions	-134	-77	**-211**
Disposals	311	–	**311**
Reclassifications	–	–	**-**
Balance as of December 31, 2016	**-506**	**-580**	**-1 086**
Net book value as of December 31, 2016	**1 205**	**–**	**1 205**

19. TANGIBLE FIXED ASSETS, THE GROUP

	12 31 2017	12 31 2016
Acquisition-/ Production Costs		
Balance as of January 1	**3 598**	**2 396**
Currency translation differences	-187	-41
Additions	2 463	2 168
Disposals	-96	-925
Reclassifications	49	–
Balance as of December 31	**5 826**	**3 598**
Depreciation		
Balance as of January 1	**-1 953**	**-1 613**
Currency translation differences	71	48
Additions	-1 835	-1 244
Disposals	93	856
Reclassifications	-	–
Balance as of December 31	**-3 623**	**-1 953**
Net book value as of December 31	**2 203**	**1 645**

20. SHARES IN ASSOCIATED COMPANIES, THE GROUP	12 31 2017	12 31 2016
Acquisition-/ Production Costs		
Balance as of January 1	**932**	**128**
Currency translation differences	-	5
Additions	-	799
Disposals	-932	-
Reclassifications	-	-
Balance as of December 31	**-**	**932**
Depreciation		
Balance as of January 1	**-125**	**-120**
Currency translation differences	-	-5
Additions	-	-
Disposals	125	-
Reclassifications	-	-
Balance as of December 31	**-**	**-125**
Net book value as of December 31	**-**	**807**

21. OTHER ASSETS, THE GROUP	12 31 2017	12 31 2016
Creditors on the debit side	2 704	766
Assigned cash	-	-
Factoring receivables	323	824
Loans to third parties	-	878
Payments to third parties	855	539
Miscellaneous other financial assets	-	-
Other financial assets	**3 882**	**3 007**
Other tax refund claims	-	69
Prepaid expenses and deferred charges	2 373	528
Prepayments royalties	126	343
Shareholder loans	-	-
Miscellaneous other assets	944	1 975
Other assets	**3 443**	**2 915**
Total other assets	**7 325**	**5 922**
of which non-current	593	1 108
of which current	6 732	4 814

22. DEFERRED TAX ASSETS, THE GROUP	12 31 2017	12 31 2016
Related to tax carry forwards	538	1 555
Other	-	77
Total	**538**	**1 632**

23. ACCOUNTS RECEIVABLES, THE GROUP	12 31 2017	12 31 2016
Balance as of January 1	**395**	**365**
Allocation	34	151
Utilization/ Reversal	-277	-121
Balance as of December 31	**152**	**395**

Total accounts receivables	25 792	12 959
Of which neither overdue nor impaired	18 789	10 140
Overdue	7 155	3 214
Impairment	-152	-395
Overdue not impaired	**7 003**	**2 819**
Up to 30 days	3 523	1 668
30–60 days	1 257	435
> 60 days	2 070	321

In some regions especially Middle East and Asia, some customers have not paid on the terms on original invoices and in some cases pay on extended payment terms. In general the groups accounts receivable is protected with credit insurences and STRAX have seen low default rates.

24. RECEIVABLES FROM ASSOCIATED COMPANIES, THE GROUP	12 31 2017	12 31 2016
Telecom Lifestyle Fashion B.V.	–	2 891
Celcom Hong Kong Limited	–	462
Total	**-**	**3 353**

25. CASH FLOW, AND CASH EQUIVALENTS, THE GROUP

Cash and cash equivalents includes cash and current account balances.

Adjustments for items not included in cash flow from operations or not affecting cash flow	**2017**	**2016**
Depreciations	2 567	1 612
Gains and losses from associated companies	418	143
Paid interest expenses reclassification	1 699	894
Effective interest rate reclassification	217	-
Exchange rate gains	186	92
	5 087	**2 741**

For acquired assets and liabilities reference is made to Note 17, Goodwill. For change in financial liabilities reference is made to Note 29, Financial assets and liabilities by valuation category, the group.

26. EQUITY, THE GROUP

The Group's equity consists of share capital, other contributed capital and retained earnings including profit or loss for the year.

Share capital
The group's share capital consists of the parent company's share capital, share capital in subsidiaries have been eliminated in the group accounts. The share capital amounts to EUR 12 625 164, distributed over 120 592 332 shares. The quota value amounts to EUR 0.10. All shares have the same right to the net assets, and every share has one vote at a general meeting with the shareholders. All shares are fully paid.

Other contributed capital
Other contributed capital is capital paid in by the shareholders.

Retained earnings including profit or loss for the year
Retained earnings including profit or loss for the year consists of accumulated earnings in the parent company and the subsidiary, as well as accumulated effects on profit or loss emanating from consolidation of the group accounts. Previous transfers into the statutory reserve, excluding transferred other contributory equity, are included in their own capital item.

Dividend
The Board of Directors propose that no dividend be paid out for the financial year 2017.

Authorization for the Board of Directors to resolve upon new share issues
On May 23, 2017, the Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to up until the next Annual General Meeting and on one or several occasions and with or without preferential rights for the shareholders, decide on a share issue of a maximum of 6 000 000 new shares for payment in cash, through contribution in kind or by set-off. The reason for the proposal and the possibility to deviate from shareholders' preferential rights in the proposal is, among other things, to facilitate for the company to carry out acquisitions with payment in shares or to otherwise procure the financing of the company in an active and appropriate manner.

Management of capital and dividend policy
Capital consists of reported equity, amounting to 21 028 (18 159) in the group. The Board of Directors' aim is that the company shall have a capital structure resulting in a high return through the use of suitable pledges, while at the same time aiming to maintain a sound financial stability through maintaining a high solidity.

The Board of Directors intend, providing the capital structure and the group's financial obligations permit, propose distribution to the shareholders, through a dividend or other method, depending on which method is most suitable at each individual occasion.

Share buy-back
The Annual General Meeting held on May 23, 2017 renewed the Boards mandate to purchase the company's own shares. The mandate has not yet been utilized to-date.

	12 31 2017	**12 31 2016**
At the beginning of the year	117 762 266	37 187 973
Non-cash issue	2 830 066	80 574 293
Number of registered shares at the end of the year	**120 592 332**	**117 762 266**
Number of shares at the end of the year	*120 592 332*	*117 762 266*
Average number of shares during the period	*117 839 802*	*115 299 621*

STRAX has only one class of shares and all shares are fully paid for. All shares carry an equal right to a share in the company's assets and profits, and each share carries one vote at shareholder meetings. Total share capital amounts to EUR 12 624 164.563374 and the quota value is EUR 0.1047.

27. PROVISIONS, THE GROUP

Balance as of January 1, 2016	**639**
Thereof current	639
Allocation	246
Reversal	-84
Utilization	-433
Balance as of December 31, 2016	**368**
Balance as of January 1, 2017	**368**
Thereof current	368
Allocation	1 320
Reversal	-25
Utilization	-343
Balance as of December 31, 2017	**1 320**
Thereof current	1 320

28. OPERATING LEASES, THE GROUP

Leasing contracts where the company is part.

Binding lease payments according to contract:	12 31 2017	12 31 2016
Future lease payments up to 1 year	1 236	1 219
1–5 years	4 370	3 836
Total	**5 606**	**5 055**

Operating leases mainly relating to office/warehouse rent, company cars and office equipment.

29. FINANCIAL ASSETS AND LIABILITIES BY VALUATION CATEGORY, THE GROUP

Financial assets	**12 31 2017**	**12 31 2016**
Other non-current financial receivables	522	683
Accounts receivable	25 792	12 959
Receivables from associated companies	-	3 352
Other current financial receivables	3 360	2 447
Cash and bank balances	5 689	3 663
	35 363	**23 104**
Financial liabilities		
Other non-current financial liabilities	417	203
Non-current interest bearing liabilities	11 230	5 021
Commitment to buy-back own shares	-	–
Current interest bearing liabilities	15 015	11 627
Accounts payable and other liabilities	18 367	13 752
Other current financial liabilities	8 528	6 448
	53 557	**37 051**

The reported value of financial assets and liabilities is deemed to correspond to their fair value. The long-term interest bearing liabilities have variable interest rates and there is no indication that another interest rate margin would be obtained todate. Other financial assets and liabilities are essentially short-term.

Financial liabilities
There are current and non-current liabilities due to banks. These liabilities are as follows:

	12 31 2017	12 31 2016
Overdraft facility (utilized)	8 837	8 872
Bank Loans	15 258	7 776
Others	2 151	0
Total	**26 245**	**16 648**

The carrying amount is the fair value.

The weighted interest rate is based on the following overview:

	12 31 2017	12 31 2016
Overdraft facility (utilized)	2,93%	3,88%
Bank Loans	4,63%	2,54%

In October 2017, STRAX successfully adjusted its financing structure through an international consortium of banks.

The aim of the refinancing in October 2017 was to build up additional cash reserves for planned growth strategies. The senior facility agreement (SFA) has been repaid linear on the duration of the contracts of the respective banks. As of the reporting date, the SFA comprises four facilities (A, B, C and D) for a total of 15.000 minus repayments. As part of the new loan, STRAX Group received a working capital line of 15.000 in addition to the loan.

Institute	Working Capital Line	Duration in Years	Loan Term (SFA)	Duration in Years
Facility A	2 314	5	4 127	5
Facility B	2 385	5	3 690	5
Facility C	1 744	5	2 312	5
Facility D	2 194	5	3 728	5
	8 637		**13 857**	

All working capital lines are reported in the balance sheet under current financial liabilities.

Changes in liabilities from financing activities (IAS 7)
The following reconciliation presents cash changes in liabilities from financing activities and are disclosed from the opening balance on the statement of financial position to the closing balance on the same statement:

	01 01 2017	Payments in the period	Loan Admission	12 31 2017
Liabilities against credit institutions (current)	11 627	-2 330	3 567	12 864
Liabilities against credit institutions (non-current)	5 021	-6 258	12 466	11 230
Short-term liabilities factoring	-	-	2 151	2 151
Total	**16 648**	**-8 588**	**18 184**	**26 245**

30. EMPLOYEES, THE PARENT COMPANY

Average number of employees and gender distribution
The average number of employees during the year amounted to two (two) of which one (one) was a man.

Gender distribution in the Board of Directors and management:
The Board of Directors and management consisted of men, as in the previous year.

Salaries, other remunerations and social security expenses:	**01 01 2017 12 31 2017**	**01 01 2016 12 31 2016**
Salaries and other remunerations:		
Board of Directors and Managing Director	35	30
Other senior management	206	47
Total salaries and other remunerations	**241**	**77**
Social security expenses:		
Board of Directors and Managing Director	11	9
(of which pension costs)	–	–
Other senior management	113	62
(of which pension costs)	(48)	(23)
Total social costs	**124**	**71**
Total salaries, other remunerations and social security expenses	**365**	**148**

All salaries and other remunerations relate to personnel in Sweden.

Information regarding individual remunerations for the Board of Directors and the management is available in Note 15, Employees and personnel costs, the group.

	01 01 2017 12 31 2017	**01 01 2016 12 31 2016**
Board members:		
Bertil Villard	15	10
Anders Lönnqvist	10	10
Michel Bracké	10	10
	35	30
Management:		
Johan Heijbel, CFO		
Salary	206	47
Pension	48	23
	254	70

Board members receiving remuneration relating to operational positions in the STRAX Group do not receive seperate board remuneration in addition.

31. REMUNERATION TO AUDITORS, THE PARENT COMPANY	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Audit	222	88
Related audit assignments	5	101
Tax consultancy	–	–
Other assignments	-	16
Total remuneration to auditors	**227**	**205**

Audit assignment is defined as the audit of the annual financial statements, the administration of the Board of Directors and the CEO, and other tasks, which rest upon the auditor as well as consulting and other assistance, which has been initiated by the findings in performing the audit work or implementation of such tasks. All other work is referred to as other assignments.

All remuneration paid was to KPMG AB.

32. DEPRECIATION OF TANGIBLE FIXED ASSETS, THE PARENT COMPANY	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Depreciation according to plan by type of asset:		
Equipment	1	3
Total depreciation	**1**	**3**

The total depreciation relates to administration.

33. NET FINANCIAL ITEMS, THE PARENT COMPANY	01 01 2017 12 31 2017	01 01 2016 12 31 2016
Financial income:		
Interest income, associated companies	-	1
Exchange rate gains	48	-
Total	**48**	**1**
Financial expenses:		
Other interest expense	-50	-33
Exchange rate losses	–	–
Total	**-50**	**-33**

34. EQUIPMENT, THE PARENT COMPANY	12 31 2017	12 31 2016
Accumulated acquisition value:		
At the beginning of the year	164	163
Acquisitions	1	1
At the end of the year	**165**	**164**
Accumulated depreciation:		
At the beginning of the year	-33	-30
Depreciation	-1	-3
At the end of the year	-34	-33
Carrying value at the end of the year	**131**	**131**

35. SHARES AND PARTICIPATIONS IN GROUP COMPANIES, AND THE PARENT COMPANY	12 31 2017	12 31 2016
Accumulated acquisition value:		
At the beginning of the year	75 693	10
Acquisition STRAX	–	55 248
Reclassification STRAX	–	20 434
Carrying value at the end of the year	**75 693**	**75 693**

Specification of shares and participations held in group companies:

Name	Corporate Identity No.	Reg. Office	Ownership[1]	Value
Novestra Financial Services AB	556680-2798	Stockholm	100%	10
STRAX Holding GmbH	n/a	Troisdorf	100%	75 683
				75 693

[1] Share of capital and votes.

Shares in subsidiaries under STRAX GmbH:

Subsidaries included in the consolidated financial statements		Currency	Equity interest in % 12 31 2017	12 31 2016	At-Equity Consolidation 12 31 2017	12 31 2016
STRAX Holding GmbH	Troisdorf (Germany)	EUR	100.00%	100,00%	F	F
STRAX GmbH	Troisdorf (Germany)	EUR	100.00%	100.00%	F	F
STRAX Germany GmbH	Troisdorf (Germany)	EUR	100.00%	100.00%	F	F
Mobile Accessory Deals GmbH	Troisdorf (Germany)	EUR	100.00%	100.00%	F	F
BPM Brands Products Marketing GmbH	Troisdorf (Germany)	EUR	100.00%	100.00%	F	F
STRAX UK Ltd.	St. Albans (England)	GBP	100.00%	100.00%	F	F
Sowntone Limited	Essex (England)	GBP	100.00%	51.00%	F	E[2]
Mobile Accessory Club Ltd.	Essex (England)	GBP	100.00%	51.00%	F	F
more... International Ltd.	St. Albans (England)	GBP	100.00%	100.00%	F	F
Strax France sarl	Jouy en Josas (Fran-ce)	EUR	100.00%	100.00%	F	F
Telecom Lifestyle Fashion B.V.	Tilburg (Netherland)	EUR	100.00%	1.11%	F	F
STRAX Norway AS	Sandefjord (Norway)	NOK	100.00%	100.00%	F	F
Strax Sp. z o.o	Warschau (Poland)	PLN	100.00%	100.00%	F	F
Strax Global mobile solution AB	Karlstad (Sweden)	SEK	100,00%	100,00%	F	F
Urbanista AB	Stockholm (Sweden)	SEK	100.00%	100.00%	F	F
STRAX Swiss Logistics	Kloten (Switzerland)	CHF	100.00%	70.00%	F	F
more... accesorios Espana S.L.	Madrid (Spain)	EUR	100.00%	100.00%	F	F
Strax Americas Inc.	Miami (USA)	USD	100,00%	100,00%	F	F
TLF Shenzhen Ltd.	Shenzen City (China)	CNY	100,00%	100,00%	F	-
TLF Hong Kong Ltd.	Hong Kong (China)	CNY	100,00%	100,00%	F	-
Strax Global Services Limited	Hong Kong (China)	CNY	100,00%	-	F	-
Strax Asia Ltd.	Kowloon (China)	HKD	100,00%	100,00%	F	F
Gear4 Limited	Kowloon (China)	HKD	100,00%	100,00%	F	F
Strax Shenzhen	Shenzen City (China)	CNY	100,00%	100,00%	F	F
Strax Mobile ApS	Glostrup (Denmark)	DKK	-	100,00%	F	F
Celcom Hong Kong Limited	Hong Kong (China)	HKD	-	50,12%	-	E[2]

(1) Significant influence due to contractual arrangements or legal circumstances.
(2) No control due to substantive removal or participation rights held by other parties.

F = Full consolidation
E = At equity consolidation

STRAX AB, 556539-7709 is the parent company for the entire group.STRAX AB is listed on the Nasdaq Stockholm stock exchange.

Net sales from TLF group to STRAX group relating to the period January 1 – July 31, 2017 amounts to 1 699. STRAX group have during the same period invoiced TLF group a total amount of 2 270 relating to costs and services.

36. SHARES IN ASSOCIATED COMPANIES, THE PARENT COMPANY

	12 31 2017	12 31 2016
Carrying value:		
At the beginning of the year	7	14 795
Investments	–	–
Disposals	–	–
Reclassification STRAX	–	-20 429
Changes in value through profit/loss	-7	5 641
Carrying value at the end of the year	**-**	**7**

Specification of shares in associated companies , the group.

As of December 31, 2017

Name	Corp. Id. No.	Reg. Office	Equity(2) (100%)	Profit/ loss(2) (100%)	Owner-ship(1)	Carrying value
Swiss Picturebank (Group) AG	n/a	Switzerland	n/a	n/a	25%	-
Total						**-**

As of December 31, 2016

Name	Corp. Id. No.	Reg. Office	Equity (100%)	Profit/ loss(3) (100%)	Owner-ship(1)	Carrying value
Swiss Picturebank (Group) AG)	n/a	Switzerland	n/a	n/a	25%	7
Total						**7**

(1) After dilution and utilization of options etc.
(2) According to IFRS.

37. SHARES AND PARTICIPATIONS, THE PARENT COMPANY

	12 31 2017	12 31 2016
Carrying value:		
At the beginning of the year	22	899
Investments	–	252
Disposals	–	-1 007
Changes in value through profit or loss	-16	-122
Carrying value at the end of the year	**6**	**22**
of which is held for sale	*6*	*22*

For key estimates and assumptions in establishing valuation at fair value, see Note 1, Accounting principles and Note 20, Shares in associated companies, the group.

38. EQUITY, THE PARENT COMPANY

Equity in the parent company consists of restricted equity and non-restricted equity. Restricted equity may not be reduced through dividends to the shareholders.

Restricted equity

STRAX restricted equity consists of share capital and statutory reserve. The statutory reserve may be used to cover incurred losses, after decision taken by a general meeting with the shareholders.

Non-restricted equity

STRAX non-restricted equity consists of the net profit/loss for the year and previous years' accumulated profit/loss, reduced by any statutory reserve provision and after any dividends have been paid out. All income and costs accounted for during a period are included in the net profit/loss, unless recommendation from the Swedish Accounting Standards Council, or within IFRS, require or allows them to be accounted for directly against the equity. The non-restricted equity that is accounted for at the end of each year is available for dividends to the shareholders.

Dividend

The Board of Directors propose that no dividend be made for the financial year 2017.

Authorization for the Board of Directors to resolve upon new share issues

The Annual General Meeting held on May 23, 2017 resolved in accordance with the proposal of the Board of Directors, to authorize the Board to resolve upon new share issues, to acquire and sell the company's own shares and to issue new shares against contribution in kind.

Capital management

For information regarding capital management we refer to Note 26, Equity, the group.

Proposed distribution of earnings in the parent company (KEUR)

At the disposal of the Annual General Meeting is:

Retained earnings	62 407
Profit or loss for the year 2017	-92
Total	**62 315**

Number of shares issued	12 31 2017	12 31 2016
At the beginning of the year	117 762 266	37 187 973
Non-cash issue	2 830 066	80 574 293
Number of shares registered at the end of the year	**120 592 332**	**117 762 266**
Average number of shares during the period	*117 839 802*	*115 299 621*
Reported number of shares at the end of the year	**120 592 332**	**117 762 266**

STRAX has only one class of shares. All shares carry an equal right to the company's assets and profits and each share carries one vote at shareholders' meetings. Total share capital amounts to EUR 12 624 164.563374 and the quote value is EUR 0.1047.

39. INTEREST-BEARING LOANS, THE PARENT COMPANY

	12 31 2017	12 31 2016
Raised loans – credit institutions	1 401	634
Total	**1 401**	**634**

Liabilities to credit institutions are in the form of a SEK bank overdraft, which normally expires and is renewed annually. The interest is due and paid at the end of every quarter. Other liabilities 17 (16) comprise of operating liabilities which normally are due for payment within 10-90 days.

40. LIABILITIES TO THE GROUP, THE PARENT COMPANY

	12 31 2017	12 31 2016
Novestra Financial Services	96	96
STRAX Holding GmbH	–	18
Total	**96**	**114**

The parent company has issued a guarantee to the benefit of Strax Holding GmbH to the amount of MEUR 1.2

41. ACCRUED EXPENSES AND PREPAID INCOME, THE PARENT COMPANY

	12 31 2017	12 31 2016
Personnel related costs	–	-
Other personnel costs	190	181
Costs for annual report, audit and AGM	96	45
Other accrued expenses	11	23
Total	**297**	**249**

42. PLEDGED ASSETS, THE PARENT COMPANY

	12 31 2017	12 31 2016
Pledged assets	–	20 642
Utilised assets	–	-634
Second mortgage	**–**	**20 008**

43. SPECIFICATION TO THE CASH FLOW STATEMENT, THE PARENT COMPANY

	12 31 2017	12 31 2016
Adjustment for income items from operations not included in cash flow and do not affect the cash flow:		
Adjustments for earnings impact of financial instruments at fair value	92	5 514
Write-downs	3	3
Adjustment for reserve long-term liabilities	-23	1
	72	**5 518**

Cash and cash equivalents

The following components are included in cash and cash equivalents:

Cash and bank balances	1	11
	1	**11**

Paid interest and dividends received		
Interest paid	50	33

44. DEFINITIONS AND BRIDGE TO ADJUSTED EBITDA

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 downtrun.
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.
Gross profit	Sales less the cost of goods sold.	Measures how well 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	**01 01 2017 12 31 2017**	**01 01 2016 12 31 2016**
EBITDA		
Operating profit	5 658	4 916
+ Depreciation & amortization	2 563	1 611
+ Share of profit of associates	-186	-
EBITDA	**8 035**	**6 527**
ADJUSTED EBITDA		
EBITDA	8 035	6 527
+ Share of profit of associates	186	-
+ items affecting comparability	381	458
+ currency effects	662	863
ADJUSTED EBITDA	**9 264**	**7 848**
Items affecting comparability		
Listing costs	3	458
One time charges	378	-
Total items affecting comparability	**381**	**458**

45. RELATED PARTIES DISCLOSURE, THE GROUP AND THE PARENT COMPANY

The following additional information about related parties is being provided in addition to what has been described in the annual report.

Companies with common Board members

Apart from specified related parties there are a number of companies in which STRAX and the respective company have common Board members. Information has not been provided in this note because these situations are either not considered to involve influence of the type described in IAS 24, or the transactions refer to immaterial amounts.

Related party transactions

STRAX has purchased corporate law advisory services from Advokatfirman Vinge KB for a total of 24 (13) during the financial year 2017. Bertil Villard, Chairman of the Board of STRAX, was active as attorney and partner of Vinge KB. The services were purchased on market terms, and are not tied to Bertil Villard in person and lie outside the tasks Bertil Villard carries out within the framework of his board assignment, for which he receives board remuneration in conformity with the other board members.

For further information reference is made to Note 15, Employees and personnel costs, the group.

46. SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD, THE GROUP AND THE PARENT COMPANY

STRAX was awarded accessory contract with Vodafone UK to become its sole provider of mobile accessories across all of its 450 retail stores, enterprise business units and online channels via a full category vendor managed availability solution.

STRAX implemented a supply chain financing solution from CrossFlow, a London-based fintech company, within its supplier base, resulting in improved working capital through extended supplier payment terms.

No other significant events have occurred after the end of the financial year 2017 up to the date of this annual report.

The Board of Directors and the CEO hereby verify that the consolidated accounts and annual accounts have been prepared in accordance with the international accounting standards in Regulation (EC) No. 1606/2002 of the European Parliament and of the European Council of July 19, 2002 on the application of international accounting standards and generally accepted auditing standards in Sweden and give a true and fair view of the group's and parent company's financial position and results of operations. The Board of Directors' Report for the group and the parent company gives a true and fair view of the group's and the parent company's operations, position and results, and describes significant risks and uncertainty factors that the parent company and group companies face.

The annual accounts and the consolidated financial statements, including the sustainability report were approved for release by the Board of Directors on May 17, 2018. The consolidated income statement and balance sheet, and the income statement and balance sheet of the parent company, will be presented for adoption by the Annual General Meeting on May 24, 2018.

Stockholm May 17, 2018

Bertil Villard
Chairman

Gudmundur Palmason
Board member & CEO

Ingvi T. Tomasson
Board member

Michel Bracké
Board member

Anders Lönnqvist
Board member

Our audit report was submitted on May 21, 2018

KPMG AB

Mårten Asplund
Authorized Public Accountant

The information in this annual report is such that STRAX AB is required to disclose according to Sweden's Securities Market Act. STRAX AB released the year-end report, including the interim report for the fourth quarter to the media for publication on February 27, 2018 at 8.30 pm through a press release and also on the website www.STRAX.com. The Annual Report was released on STRAX website on May 21, 2018 at 08:55 am with a press release detailing such information at the same time.

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

AUDITOR'S REPORT

To the general meeting of the shareholders of Strax AB, corp. id 556539-7709

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Strax AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 60-112 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill in the Group and participations in Group companies in the Parent Company

See Note 17 and accounting principles on page 75 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

As of December 31st, 2017, the Group reported goodwill of 26,6 MEUR. Goodwill will annually be subject to at least one so-called impairment test that contains both complexity and a significant amount of assesment by the company.

According to the applicable regulation, the test must be carried out according to a certain technique where the company must make assessments of both the future internal and external conditions and plans. Examples of such assessments are future cash flows, which requires assumptions about future market conditions. Another important assumption is which discount rate should be used to take into account that future estimated cash flows are associated with risk.

The Parent Company reported as of 31st December, 2017, participations in Group companies of SEK 75,7 MEUR. In cases where the subsidiary's equity is less than the book value of the shares, an impairment test is carried out where the conditions are the same as in the description above for goodwill.

In view of the above, there are significant assessments that are of importance to the financial reporting.

Response in the audit

We have inspected the company's impairment tests to assess whether they are implemented in accordance with the prescribed technique. Furthermore, we have assessed the reasonableness of the future cash flows as well as the assumed discount rate and growth rate by reviewing and evaluating management's written documentation and plans. We have also interviewed management and evaluated previous years' assessments in relation to actual outcomes.

We have involved our own valuation specialists in the audit team in order to ensure experience and expertise in the field, primarily regarding assumptions related to external markets and competitors as well as assessment of the company's assumptions regarding future cash flows.

An important part of our work has also been to evaluate how changes in assumptions can affect the valuation, that is, performing and taking part in the Group's so-called sensitivity analysis.

We have also checked the completeness of the disclosures in the annual report and assessed whether they are consistent with the assumptions applied by the Group in its impairment test and whether the information is sufficiently comprehensive to understand management's assessments.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-37 and 44-59. The other information comprises of a description of the company,four year summary, words from the CEO and information about the company's products but does not include the annual accounts and consolidated accounts and our auditor's report thereon. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Strax AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act. As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Strax AB (publ) by the general meeting of the shareholders on the 23 of May 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1997.

Stockholm 21 May 2018
KPMG AB

Mårten Asplund
Authorized Public Accountant

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in STRAX AB, corporate identity number 555539-7709

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 27 - 32 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm May 21, 2018
KPMG AB

Mårten Asplund
Authorized Public Accountant

AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in STRAX AB, corporate identity number 555539-7709

Engagement and responsibility
It is the board of directors who is responsible for the sustainability report for the year 2017 on pages 48-57 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

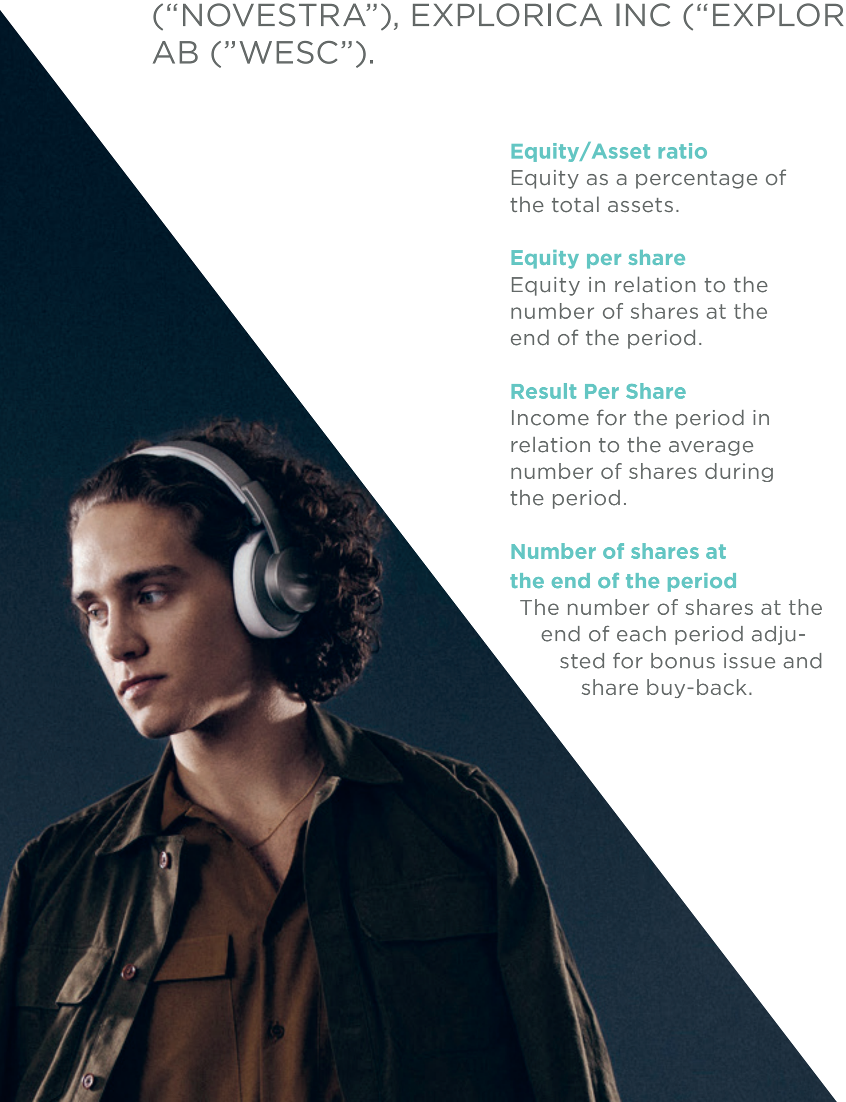
Opinions
A statutory sustainability report has been prepared.

Stockholm May 21, 2018
KPMG AB

Mårten Asplund
Authorized Public Accountant

DEFINITIONS

IN THIS REPORT, ”STRAX” OR ”THE COMPANY” PERTAINS TO STRAX AB (PUBL) AND/OR THE GROUP DEPENDING ON THE CONTEXT. OTHER DEFINITIONS: XQISIT™ (”XQISIT”), GEAR4™ (”GEAR4”), URBANISTA™ (”URBANISTA”), THOR™ (”THOR”), AVO+™ (”AVO+”) AND FLAVR™ (”FLAVR”), AB NOVESTRA (“NOVESTRA”), EXPLORICA INC (“EXPLORICA”) AND WESC AB (”WESC”).



Equity/Asset ratio
Equity as a percentage of the total assets.

Equity per share
Equity in relation to the number of shares at the end of the period.

Result Per Share
Income for the period in relation to the average number of shares during the period.

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.

Average number of shares during the period
Average number of shares during the period calculated on a daily basis adjusted for bonus issue and share buy-back.

Sales
A company’s total operating revenue for the specified period.

Growth in sales
Sales for a specified period in relation to sales during the same period the previous year.

Gross profit
Sales less the cost of goods sold.

Gross margin
Gross profit in relation to sales expressed as a percentage.

Operating profit/loss
Operating income minus operating costs for the specified period before financial items and taxes.

SHAREHOLDER INFORMATION

Annual General Meeting
The Annual General Meeting will be held at 16.00 p.m. on Thursday May 24, 2018 at the law firm Vinge KB, Norrlandsgatan 10, Stockholm, Sweden.

Notice
Notice to the Annual General Meeting was published through a press release on April 24, 2018 and was published in Svenska Dagbladet, and the Notice in its entirety was published in Post- och Inrikes Tidningar (the Swedish Official Gazette) on April 26, 2018.

Participation
To be entitled to participate in the AGM, shareholders must:
be recorded in the register of shareholders maintained by Euroclear Sweden AB (the Swedish Securities Register Center) on Friday May 18, 2018, and
notify the company of their intention to attend the AGM no later than Friday May 18, 2018.

Notification of participation in the Annual General Meeting
Notification can be given by writing to Strax AB, Mäster Samuelsgatan 10, SE-111 44 Stockholm, Sweden, by calling +46 8 545 017 50, or by emailing ir@strax.com.

Nominee-registered shares
Shareholders whose shares are registered in the name of a nominee through the trust department of a bank or similar institution must, in order to be entitled to participate in the AGM, request that their shares are temporarily re-registered in their own names in the register of shareholders maintained by Euroclear Sweden AB. Such registration must be effected on Friday May 18, 2018. Shareholders are requested to inform their nominees in good time prior to this date.

Proxies, etc.
Shareholders who are represented by a proxy must authorize the proxy by issuing a power of attorney. If such authorization is issued by a legal entity, an attested copy of a certificate of registration or similar must be attached. The power of attorney and the certificate may not be more than one year old, however, the power of attorney may have a validity of maximum five years if this is specifically stated. The original authorization and certificate of registration, where applicable, should be sent to STRAX AB, Mäster Samuelsgatan 10, SE-111 44 Stockholm, Sweden, well in advance of the Meeting. A proxy form is available on the company's website (www.strax.com).

Representatives
Shareholders or proxies for shareholders at the Annual General Meeting may take a maximum of two representatives with them to the Meeting. Representatives may be brought to the AMG only if the shareholder of STRAX AB gives notice of their attendance as described above for notification of participation of shareholders.

Other
The economic information can be found in Swedish and English on Strax homepage www.strax.com and may be ordered from:

STRAX AB
Mäster Samuelsgatan 10
111 44 Stockholm, Sweden
Tel: +46 (0)8-545 017 50
Email: ir@strax.com

FINANCIAL CALENDARIUM 2018

May 24, 2018
Interim Report Q1 January 1 – March 31, 2018

May 24, 2018
Annual General Meeting

May 24, 2018
Bulletin from the Annual General Meeting

August 23, 2018
Interim Report Q2 January 1 – June 30, 2018

November 29, 2018
Interim Report Q3 January 1 – September 30, 2018

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STRAX