Q4 Year-End Report

2018

STRAX

STRAX delivers a record year with sales of MEUR 107 and net income of MEUR 17

- The Group's sales for the period January 1 – December 31, 2018, amounted to MEUR 107.0 (100.1), corresponding to a growth of 6.9 percent, with a gross margin of 24 (28) percent.
- The Group's result for the period January 1 – December 31, 2018, amounted to MEUR 16.7 (1.8) corresponding to EUR 0.14 (0.02) per share. Equity as of December 31, 2018 amounted to MEUR 34.3 (21.0) corresponding to EUR 0.28 (0.18) per share.
- EBITDA for the period January 1 – December 31, 2018, amounted to MEUR 6.7 (9.3).
- On November 30, 2018, STRAX divested the mobile phone case protection brand Gear4 to ZAGG Inc, a global leader in mobile accessories for MEUR 33.5 corresponding to a sales multiple of 1, resulting in a capital gain of MEUR 26.3, with potential additional payments of up to MEUR 9 based on 2019 sales development.
- STRAX does not expect sales to materially decline in 2019 despite the sale of Gear4 and gross margins are expected to remain stable in 2019 as compared to 2018.
- STRAX proprietary and licensed brands continued to develop strongly in 2018 creating valuable assets for STRAX.
- Urbanista grew by 18.8 percent (MEUR 14.6 in sales 2018) with improved margins and EBITDA, whilst the licensed brands adidas and bugatti, under TLF, reached a growth of 25.9 percent (sales of MEUR 12.8 in 2018) with significantly improved EBITDA.
- STRAX board of directors called for an EGM on December 28, 2018, which resolved on a distribution of SEK 1.10 per share, corresponding to MEUR 12.8 in total value, with distribution to the shareholders completed on January 30, 2019.

"STRAX delivered a record year in both sales and net income in 2018. Sales growth came on the back of strong performance of our proprietary brands in North America, whilst net income was motivated by the successful divestment of Gear4 to ZAGG. More importantly, from a long-term perspective, we reduced our global headcount and operational cost base by 25% counted on FTE at year end. This was achieved through various measures, from straight job cuts to discontinuation of low impact proprietary brands and the connected devices product segment, as well as the sale of Gear4. All-in-all securing annualized cost savings of MEUR 7, thus directly improving our underlying profitability, without dependency on continued growth".

Gudmundur Palmason, CEO

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

STRAX is a market-leading global company specializing in mobile accessories. 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, Urbanista, and THOR 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 continually monitors the market and channel development to ensure that the proprietary and licensed brands offer relevant product propositions strongly resonating with their target audiences and providing differentiation from the competition.

PROPRIETARY BRANDS

XQISIT

INNOVATIVE PROTECTION, AUDIO, POWER & CHARGING SOLUTIONS

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

urbanista

HIP AUDIO ACCESSORIES WITH SCANDINAVIAN DESIGN

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

THOR® GLASS

GRADE A GLASS SCREEN PROTECTION

Responding to the growing market demand for display protectors, THOR produces a variety of high-quality screen protectors in a mid to high price range. The screen protectors are tailored to each device for best-in-class protection.

LICENSED BRANDS

STREET WEAR INSPIRED PROTECTION

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

FOR ACTIVE USE IN THE GYM AND OUTDOORS

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

CHIC AND REFINED PROTECTION

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

INDUSTRY DEVELOPMENT

STRAX sells into all key retail channels ranging from telecom operators, mass merchants and consumer electronics to lifestyle retailers and also direct to consumers online. In recent times, technological explosions have slowed down with device manufacturers struggling to regularly impress customers with game-changing solutions. As a result the hero 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 hero 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 2018, we saw further expansion into the protective segment, growth in our licensed business and gains in our screen protection.

Audio: In 2018, we saw the power of Amazon's Alexa platform inject life into the speaker market. Building on its success in the USA and UK, Amazon launched Alexa in Germany, France and Spain, 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.

COMMENTS FROM THE CEO

”STRAX delivered a record year in both sales and net income in 2018. Sales growth came on the back of strong performance of our proprietary brands in North America, whilst net income was motivated by the successful divestment of Gear4 to ZAGG. More importantly, from a long-term perspective, we reduced our global headcount and operating expense by 25% counted at year end. This was achieved through various measures, from straight job cuts to discontinuation of low impact proprietary brands and the connected devices product segment as well, as the sale of Gear4. All-in-all securing annualized cost savings of MEUR 7, thus directly improving our underlying profitability, without dependency on continued growth.

During the fourth quarter sales increased by MEUR 4.7 over same period last year and are up 18% year-over-year (YoY). Sales in 2018 were MEUR 107.0 (100.1) corresponding to a growth of 6.9% YoY and EBITDA amounted to MEUR 6.7 (9.3). Sales growth continues to be driven by our strong performance of proprietary brands in North America, 50.5% YoY growth, and Japan, 49.0% YoY growth, and increased share of proprietary brands contributes to higher share of profitability, 72.3% (71.5%).

The divestment of Gear4 was a catalyst move for STRAX as it solidified our expertise in the mobile accessories space in terms of developing brands that have global appeal. We still hold several proprietary and licensed brands with significant upside potential and we are also in an incubator phase with a couple of new brands, both of which are built around unique and proprietary elements. The recent purchase of Brandvault also marks a significant change of scope at STRAX, by opening up new online markets and opportunities for all our proprietary and partner brands. Our plans aim at generating more than half of our sales online in 3-5 years, through both e-commerce marketplaces and direct brand websites. The significance of this is that we become less dependent on traditional/offline accessories retailers. We will by then, at least partially, become a fully integrated company in the accessories space, doing everything from development, online and offline distribution, marketing and sales to enterprise customers and end consumers, thereby managing end-to-end sales cycle of mobile accessories. This will furthermore provide direct access to invaluable consumer feedback and data. Both of these transactions are significant steps on our mission to future proof STRAX.

STRAX reacted quickly and aggressively to rapidly changing market conditions in 2018. I firmly believe that we enter 2019 with a clearer vision and objectives as well as a solid path to profitability. Our entire organization remains highly engaged and held out strong throughout 2018. I could not be more proud of each of our team members. I remain confident about the rebound of the mobile accessories segment and our house of brands strategy, and ultimately that better times are imminent for our shareholders.”

The Board of Directors and the CEO of Strax AB hereby summit the year-end report for the period January 1 – December 31, 2018

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

Result and financial position January 1 – December 31, 2018

The Group's net sales for the period January 1 – December 31, 2018 amounted to 106 967 (100 065). Gross profit amounted to 25 877 (28 107) and gross margin amounted to 24.2 (28.1) percent, decreasing as a result of one time charges. Operating profit amounted to -2 139 (5 658).

Result for the period amounted to 16 747 (1 787). The result included gross profit 25 877 (28 107), selling expenses -20 875 (-15 491), administrative expenses -8 968 (-7 416), other operating expenses -2 388 (-4 799), other operating income 4 216 (5 258), share of profit of associates - (-186) net financial items 24 075 (-2 103) and tax -5 190 (-1 768).

As of December 31, 2018 total assets amounted to 107 900 (83 169), of which equity totaled 34 265 (21 028), corresponding to equity/assets ratio of 31.8 (25.3) percent. Interest-bearing liabilities as of December 31, 2018, amounted to 29 055 (26 245). The group's cash and cash equivalents amounted to 24 845 (5 689).

Inventories increased by 4 563 compared to December 31, 2017. Main driver is the launch of Vodafone UK, running on a consignment model. Accounts receivables increased by 2 631 compared to year end 2017 and STRAX continues to work on efficient working capital management.

The tax cost in 2018 was affected by 3.6 MEUR due to a tax ruling in Germany relating to 2013. The ruling has been challenged and the amount will be reversed if the STRAX line of argumentation is adhered to.

Significant events during the period

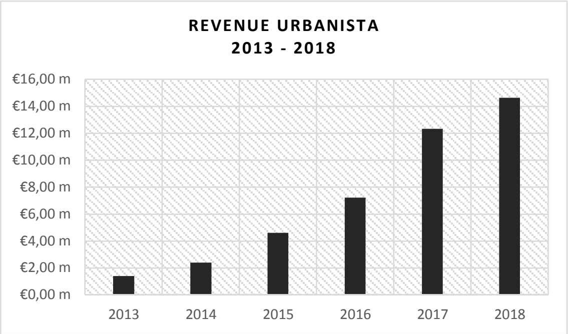
On November 30, 2018, STRAX divested the mobile phone case protection brand Gear4 to ZAGG Inc, a global leader in mobile accessories for MEUR 33.5, resulting in a capital gain of MEUR 26.3, corresponding to a Gear4 2018 sales multiple of 1, with potential additional payments of up to MEUR 9 based on 2019 sales development.

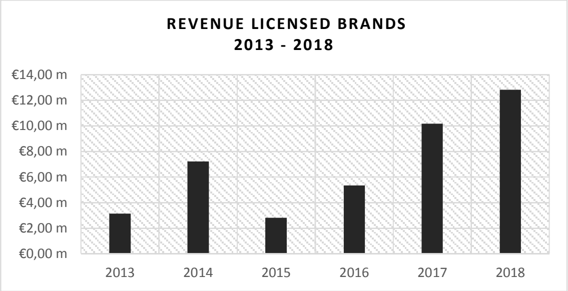
The divestment is a share-based transaction, with US-based ZAGG Inc acquiring all outstanding shares in Gear4 Hong Kong Ltd, a wholly-owned subsidiary of STRAX. The value of the transaction was based on the 2018 Gear4 sales generated by the STRAX group of companies. Eighty percent of the purchase price was paid in cash and 20 percent was paid in shares in ZAGG, which is listed on the Nasdaq US stock exchange. MEUR 26.5 was paid in cash at completion with 3.5 of the total purchase price held in escrow for five months and 3.5 for 18 months. The effective date of the transaction was 30 November 2018.

The purchase price was based on a cash and debt-free basis, and the initial cash flow impact of STRAX will equal the initial purchase price less the escrow of MEUR 7. The shares received as part of the purchase price will be subject to a customary 12-month lock-up period, whereby the shares cannot be freely sold or transferred. The shares can be sold or distributed to STRAX shareholders after the lock-up period and release out of escrow.

STRAX will continue to distribute Gear4 products in several markets, including the UK, where Gear4 enjoys a market-leading position in the mobile case category. STRAX does not expect sales to materially decline in 2019 despite the sale of Gear4 and gross margins are expected to remain stable in 2019 as compared to 2018.

STRAX reduced its global headcount by 25%, coming across all support functions, discontinued and divested brands and segments, as well as restructure of certain sales entities, where market conditions remain unfavorable.





STRAX discontinued several marginal proprietary brands, FLAVR, avo+ and Eule.

STRAX discontinued a proactive management of the connected device segment, whilst continuing to support its core customers with some of their demand for connected devices.

STRAX board of directors called for an EGM on December 28, 2018 which resolved on a proposed distribution of SEK 1.10 per share, corresponding to MEUR 12.8 in total value.

Seasonal and phone launch fluctuations

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

Investments during the period amounted to a total of 2 073 (16 398), of which investments in intangible assets amounted to 206 (346), property, plant and equipment amounted to 1 867 (2 894) and investments in financial assets amounted to - (7 561). Divestment of non-current assets amounted to - (22).

The parent company's result for the period amounted to 71 (-92). The result included gross profit of 1 208 (878), administrative expenses -1 192 (-876) and net financial items 55 (-94). As of December 31, 2018 total assets amounted to 77 686 (77 555) of which equity totaled 75 795 (75 724). Cash and cash equivalents amounted to - (1).

Significant events after the end of the period

STRAX increased its ownership in Brandvault Global Services Ltd from 10 percent to 100 percent. Brandvault is a business focused on sales through e-commerce marketplaces globally.

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

Dividend

The board proposes no ordinary dividend for the financial year 2018. In January 2019 a distribution of MEUR 12.8 to the shareholders was completed through a mandatory redemption program. Considering the upcoming additional payments relating to the completed sale of Gear4 further distributions could be proposed during 2019, and would be subject to approval by an EGM.

STRAX is entering a stage where annual ordinary dividends may be implemented as a policy.

Future development

STRAX will play an active role in shaping the mobile accessories industry both offline and online in all of its targeted geographic markets. We will continue to execute against our strategic framework launched in 2016 while 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 retain market share 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 eCommerce channel in an effort to improve margins, diversify its traditional retail customer base and secure growth. STRAX has experienced positive development in sales in recent years. With the operating expense reduction of 25% we expect our profitability to continue to improve whilst 2019 sales remain relatively flat on a like-for-like basis as a result of the Gear4 divestment, although online sales will grow significantly albeit from a low base. Currently the industry is undergoing consolidation and STRAX intends to play an active role in the ongoing consolidation process through acquisitions and partnerships.

Risks and uncertainties

Risk assessment, i.e. the identification and evaluation of the company's risks is an annual process at STRAX. Risk assessment is done in the form of self-evaluation and also includes establishing action plans to mitigate identified risks. The primary risks present in STRAX business activities are commercial risk, operative risk, financial 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.

For further information on risks and risk management, reference is made to the 2017 annual report.

FINANCIAL CALENDAR:

February 28, 2019
Year-End Report 2018

April 2019
Annual Report 2018

May 22, 2019
Interim report January – March 2019

May 22, 2019
Annual General Meeting

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The Board is registered in Stockholm, Sweden.

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

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

Stockholm, February 28, 2019

Bertil Villard
Chairman

Anders Lönnqvist
Director

Gudmundur Palmason
Director/CEO

Ingvi T. Tomasson
Director

Pia Anderberg
Director

This report has not been subject to an audit by the company auditor

Group

Key ratios	2018 (3 months) Oct 1 - Dec 31	2017 (3 months) Oct 1 - Dec 31	2018 (12 months) Jan 1 - Dec 31	2017 (12 months) Jan 1 - Dec 31
FINANCIAL KEY RATIOS				
Sales growth, %	14.3	25.3	6.9	8.3
Gross margin, %	16.1	25.8	24.2	28.1
Equity, MEUR	34.3	21.0	34.3	21.0
Equity/asset ratio, %	31.8	25.3	31.8	25.3
DATA PER SHARE[1]				
Equity, EUR	0.28	0.18	0.28	0.18
Result, EUR	0.15	0.01	0.14	0.02
NUMBER OF SHARES[1]				
Number of shares at the end of the period	120 592 332	120 592 332	120 592 332	120 592 332
Average number of shares[2]	120 592 332	117 762 266	120 592 332	117 839 802
EMPLOYEES				
Average number of employees	190	208	209	215

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

Group

Summary income statements, KEUR	**2018** (3 months) Oct 1 - Dec 31	**2017** (3 months) Oct 1 - Dec 31	**2018** (12 months) Jan 1 - Dec 31	**2017** (12 months) Jan 1 - Dec 31
Net sales	37 480	32 795	106 967	100 065
Cost of goods sold	-31 443	-24 334	-81 090	-71 958
Gross profit	**6 036**	**8 461**	**25 877**	**28 107**
Selling expenses	-7 202	-4 575	-20 875	-15 491
Administrative expenses[1]	-2 332	-2 375	-8 968	-7 416
Other operating expenses	431	-2 626	-2 388	-4 799
Other operating income	48	2 152	4 216	5 258
Operating profit	**-3 019**	**1 039**	**-2 139**	**5 658**
Shares and participations in associated companies	-	- 470	-	- 186
Financial income	26 390	111	26 392	142
Financial expenses	-1 045	- 873	-2 317	-2 058
Net financial items	**25 347**	**-1 232**	**24 075**	**-2 103**
Profit before tax	**22 326**	**- 194**	**21 936**	**3 555**
Tax	-4 512	-1 536	-5 190	-1 768
PROFIT OR LOSS FOR THE PERIOD[2]	**17 815**	**-1 728**	**16 747**	**1 787**
Result per share, EUR	*0.15*	*-0,01*	*0.14*	*0.02*
Average number of shares during the period	*120 592 332*	*117 762 266*	*120 592 332*	*117 839 802*

Statement of comprehensive income, KEUR				
Result for the period	17 815	-1 728	16 747	1 787
Other comprehensive income, translation gains/losses on consolidation	-45	-173	-213	-75
Total comprehensive income for the period	**17 770**	**-1 901**	**16 534**	**1 712**

[1] Depreciation and amortization for the period January 1 – December 31, 2018, amounted to 3 630 (2 563).
[2] The result for the period, respectively the total comprehensive income is attributed to the parent company's shareholders.

Operating segment (EUR thousands)	**Protection** Jan 1 - Dec 31 2018	2017	**Power** Jan 1 - Dec 31 2018	2017	**Audio** Jan 1 - Dec 31 2018	2017	**Connected devices** Jan 1 - Dec 31 2018	2017	**Other** Jan 1 - Dec 31 2018	2017	**Total** Jan 1 - Dec 31 2018	2017
Net sales	72 749	58 272	11 609	13 790	17 048	17 526	1 202	4 254	4 360	6 222	106 967	100 065
Cost of goods sold	-53 535	-40 223	-9 284	-9 723	-13 370	-13 799	-1 107	-3 466	-3 794	-4 747	-81 090	-71 958
Gross profit	**19 213**	**18 049**	**2 325**	**4 067**	**3 678**	**3 727**	**95**	**788**	**566**	**1 475**	**25 876**	**28 107**
Selling expenses	-15 499	-9 948	-1 876	-2 242	-2 967	-2 054	- 76	- 435	- 456	- 813	-20 875	-15 491
Administrative expenses	-6 659	-4 762	- 806	-1 073	-1 275	- 983	- 33	- 208	- 196	- 389	-8 968	-7 416
Other operating expenes	-1 773	-3 082	- 215	- 694	- 339	- 636	- 9	- 135	- 52	- 252	-2 388	-4 799
Other operating income	3 130	3 377	379	761	599	697	15	147	92	276	4 216	5 258
Operating profit	**-1 588**	**3 634**	**- 192**	**819**	**- 304**	**750**	**- 8**	**159**	**- 47**	**297**	**-2 139**	**5 659**

Group

Summary balance sheets, KEUR	2018 Dec 31	2017 Dec 31
ASSETS		
NON-CURRENT ASSETS		
Goodwill	20 902	26 560
Other intangible assets	902	3 893
Property, Plant & Equipment	1 136	2 203
Shares in associated companies	-	-
Other assets	1 532	593
Deferred tax assets	62	538
Total non-current assets	**24 534**	**33 787**
CURRENT ASSETS		
Inventories	14 980	10 417
Tax receivables	1 244	752
Accounts receivable	28 423	25 792
Receivables from associated companies	-	-
Other assets	13 875	6 732
Cash and cash equivalents	24 845	5 689
Total current assets	**83 366**	**49 382**
TOTAL ASSETS	**107 900**	**83 169**
EQUITY AND LIABILITIES		
Equity	**34 265**	**21 028**
NON-CURRENT LIABILITIES:		
Tax liabilities	3	3
Other liabilities	616	615
Interest-bearing liabilities	8 403	11 230
Deferred tax liabilities	1 149	1 295
Total non-current liabilities	**10 170**	**13 142**
Current liabilities:		
Provisions	1 742	1 320
Interest-bearing liabilities	20 652	15 015
Accounts payable	21 825	18 367
Tax liabilities	6 470	2 796
Other liabilities	12 775	11 500
Total current liabilities	63 465	48 999
Total liabilities	**73 636**	**62 141**
TOTAL EQUITY AND LIABILITIES	**107 900**	**83 169**

Summary of changes in equity, KEUR	
Equity as of December 31, 2016	**18 159**
Comprehensive income Jan 1 - Dec 31, 2017	1 712
New share issue	1 478
Other	- 321
Equity as of December 31, 2017	**21 028**
Comprehensive income Jan 1 - Dec 31, 2018	16 534
Divestment of subsidiary	-2 411
Other	- 886
Equity as of December 31, 2018	**34 265**

Group

Summary cash flow statements, KEUR	2018 (3 months) Oct 1 - Dec 31	2017 (3 months) Oct 1 - Dec 31	2018 (12 months) Jan 1 - Dec 31	2017 (12 months) Jan 1 - Dec 31
OPERATING ACTIVITIES				
Result before tax	22 326	- 194	21 936	3 555
Adjustment for items not included in cash flow from operations or items not affecting cash flow	-23 618	2 717	-20 946	5 087
Paid taxes	- 377	- 52	-1 055	- 811
Cash flow from operations prior to changes in working capital	**-1 667**	**2 471**	**- 64**	**7 831**
Cash flow from changes in working capital:				
Increase (-)/decrease (+) in inventories	- 354	1 322	-7 121	2 196
Increase (-)/decrease (+) current receivables	-4 202	-9 091	-3 323	-11 793
Increase (-)/decrease (+) in non current receivables	68	1 302	- 961	1 302
Increase (+)/decrease (-) current liabilities	11	195	1	195
Increase (+)/decrease (-) in current liabilities	3 446	6 608	8 604	4 242
Cash flow from operations	**-2 698**	**2 806**	**-2 865**	**3 973**
INVESTMENT ACTIVITIES				
Investments in intangible assets	1 367	- 78	1 356	- 346
Investments in non-current assets	- 469	- 645	-2 178	-2 464
Investments in subsidiaries	23 137	-4 393	23 137	-6 917
Costs relating to sale of subsidiaries	-1 588		-1 588	
Divestment of non-current assets	-	- 868	-	22
Cash flow from investment activities	**22 448**	**-5 985**	**20 727**	**-9 705**
FINANCING ACTIVITIES				
Interest-bearing liabilities	2 059	15 594	5 637	17 961
Amortization of interest-bearing liabilities	-1 296	-7 119	-2 827	-8 588
Other Financing Liabilities	-	31	-	31
Acquisition of minority interests	-	- 22	-	- 22
Paid interest and other expenses	- 310	- 679	-1 520	-1 699
Cash flow from financing activities	**455**	**7 805**	**1 291**	**7 683**
Cash flow for the period	**20 204**	**4 626**	**19 153**	**1 951**
Exchange rate differences in cash and cash equivalents	171	61	3	75
Cash and cash equivalents at the beginning of the period	4 469	1 002	5 689	3 663
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**24 845**	**5 689**	**24 845**	**5 689**

NOTE 1 REFERENCES

- Seasonal and phone launch fluctuations, see page 6
- Reporting per business segment see page 9
- For further information on accounting principles reference is made to the 2017 annual report
- For events after the end of the period see page 6

NOTE 2 ACCOUNTING PRINCIPLES

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

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

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

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

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

The same accounting principles are applied as in the annual report for 2017, new standards IFRS 9 Financial instruments, IFRS 15 Revenue from contracts with customers have been implemented without material effects due to the fact the STRAX group have seen historically low default numbers in combination with the fact most of the accounts receivables have been secured with credit insurances. With regards to IFRS 16 Leases, total assets have been calculated to increase by MEUR 2.2 upon first time adoption, in effect as of January 1, 2019.

Accounting and valuation of shares and participations

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

NOTE 3 FAIR VALUE: FINANCIAL ASSETS AND LIABILITIES

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

NOTE 4 FAIR VALUE: HIERARCHY

The total sales proceeds emanating from the sale of Gear4 amounted to MEUR 33.5. An amount of MEUR 7 is held back as collateral for seller guarantees, whereof the contract states that MEUR 7 will be settled through payment of shares in ZAGG Inc. This receivable has to the part it will be settled in shares been valued at fair value through profit and loss (*fair value hierarchy level 1*) on the share price of the ZAGG share per the balance sheet date. *STRAX has no other financial instruments recognized at fair value.*

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.
Items affecting comparability	The number of shares at the end of each period adjusted for bonus issue and share buy-back etc.	Calculation bases for all balance sheet per shares based key ratios.
Gross profit	Sales less the cost of goods sold.	Measures how 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.	Measures 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 excluding depreciation and amortization.
ADJUSTED EBITDA	EBITDA adjusted for items affecting comparability and currency effects.	Measures over all profitability from operations and ongoing business activities excluding depreciation and amortization, adjusted for items affecting comparability and currency effects.

Group

Bridge to adjusted EBITDA, KEUR	2018 (12 months) Jan 1- Dec 31	2017 (12 months) Jan 1 - Dec 31
EBITDA		
Operating profit	-2 139	5 658
+ Depreciation & amortization	3 630	2 563
+ Share of Profit of associates	-	- 186
EBITDA	**1 491**	**8 035**
ADJUSTED EBITDA		
EBITDA	1 491	8 035
+ Items affecting comparability	5 578	381
+ Currency effects	- 381	662
- Share of Profit of associates	-	186
ADJUSTED EBITDA	**6 687**	**9 264**

Items affecting comparability		
Listing costs	-	3
One off effect	5 578	378
Total items affecting comparability	**5 578**	**381**

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

Parent Company

Summary income statements, KEUR	2018 (3 months) Oct 1 - Dec 31	2017 (3 months) Oct 1 - Dec 31	2018 (12 months) Jan 1 - Dec 31	2017 (12 months) Jan 1 - Dec 31
INVESTMENT ACTIVITIES				
Net Sales	709	166	1 208	878
Gross profit	**709**	**166**	**1 208**	**878**
Administrative expenses	-732	-218	-1 192	-876
Operating income	**-23**	**-52**	**16**	**2**
Net financial items	95	-25	55	-94
Result after financial items	**72**	**-77**	**71**	**-92**
Current taxes	-	-	-	-
RESULT FOR THE PERIOD	**72**	**-77**	**71**	**-92**

Statement of comprehensive income, KEUR				
Result for the period	72	-77	71	-92
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**72**	**-77**	**71**	**-92**

Summary balance sheets, KEUR	2018 Dec 31	2017 Dec 31
ASSETS		
Non-current assets	130	131
Non-current financial assets	75 694	75 693
Total non-current assets	**75 824**	**75 824**
Shares and participations held for sale	3	6
Current receivables	1 859	1 724
Cash and bank balances	-	1
Total current assets	**1 862**	**1 731**
TOTAL ASSETS	**77 686**	**77 555**
EQUITY AND LIABILITIES		
Equity	**75 795**	**75 724**
Current liabilities	1 891	1 831
Total liabilities	1 891	1 831
TOTAL EQUITY AND LIABILITIES	**77 686**	**77 555**

Summary of changes in equity, KEUR	
Equity as of December 31, 2016	**74 316**
Comprehensive income Jan 1 - Dec 31, 2017	-92
New share issue	1 500
Equity as of December 31, 2017	**75 724**
Comprehensive income Jan 1 - Dec 31, 2018	**71**
Equity as of December 31, 2018	**75 795**