

INVITATION TO ACQUIRE SHARES IN EDGEWARE AB (PUBL)

GLOBAL COORDINATOR AND JOINT BOOKRUNNER



JOINT BOOKRUNNER

Handelsbanken Capital Markets

IMPORTANT INFORMATION TO INVESTORS

This offering circular (the "**Offering Circular**") has been prepared in connection with the offering to the public in Sweden, and to institutional investors in Sweden and abroad, and listing on Nasdaq Stockholm of shares in Edgware AB (a Swedish public limited liability company) (the "**Offering**"). In this Offering Circular, "**Edgware**", the "**Company**" or the "**Group**" refers to Edgware AB (publ), the group in which Edgware AB (publ) is the parent company or a subsidiary of the group, as the context may require. The "**Principal Owners**" refers to Creandum KB, Creandum I Annex Fund AB, Amadeus III, Amadeus III Affiliates Fund LP and Amadeus EII LP, as the context may require. The "**Founders**" refers to Joachim Roos, Kalle Henriksson and Lukas Holm. The "**Selling Shareholders**" refers to the Principal Owners, the Founders and Micron Technology, Inc. ("**Micron**"). "**Carnegie**" refers to Carnegie Investment Bank AB (publ). "**Global Coordinator**" refers to Carnegie. "**Handelsbanken**" refers to Handelsbanken Capital Markets, a part of Svenska Handelsbanken AB (publ). "**Joint Bookrunners**" refer to Carnegie and Handelsbanken.

The figures included in the Offering Circular have, in certain cases, been rounded off and, consequently, the tables contained in the Offering Circular do not necessarily add up. All financial amounts are in Swedish kronor ("**SEK**"), unless indicated otherwise, and "**MSEK**" indicates millions of SEK.

Except as expressly stated herein, no financial information in the Offering Circular has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Offering Circular that is not part of the information audited or reviewed by the Company's auditor as outlined herein originates from the Company's internal accounting and reporting systems.

The Offering is not directed to the general public in any country other than Sweden. Nor is the Offering directed to such persons whose participation requires additional offering circulars, registrations or measures other than those prescribed by Swedish law. No measures have been or will be taken in any other jurisdiction than Sweden, that would allow any offer of the shares to the public, or allow holding and distribution of the Offering Circular or any other documents pertaining to the Company or shares in the Company in such jurisdiction. Applications to acquire shares that violate such rules may be deemed invalid. Persons into whose possession the Offering Circular comes are required by the Company and the Joint Bookrunners to inform themselves about and to observe such restrictions. Neither the Company nor the Joint Bookrunners accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. The shares in the Offering have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**") or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. All offers and sales of shares will be made in compliance with Regulation S under the Securities Act. The shares may not be sold, pledged or otherwise transferred to the United States unless in accordance with an exemption from, or in a transaction outside the scope of, the registration requirements in the Securities Act or the applicable state securities legislation. Any reproduction or distribution of the Offering Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. The shares in the Offering have not been approved by any U.S. federal or state securities commission or any other U.S. authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the reliability of the Offering Circular. Any representation of the contrary is a criminal offence in the United States.

This Offering Circular is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) (the "**Order**") or (iii) high net-worth entities falling within Articles 49(2)(a) to (d) of the Order, and other persons to whom it may lawfully be communicated (all such persons together being referred to as "**relevant persons**"). The Offering Circular is only directed at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

The Offering and this Offering Circular are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Offering Circular.

A separate prospectus in Swedish has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980) (Sw. lagen (1991:980) om handel med finansiella instrument). In the event of discrepancies between the Offering Circular and the Swedish prospectus, the Swedish prospectus shall prevail.

STABILIZATION

In connection with the Offering, Carnegie may carry out transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilization transactions may be effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. Carnegie is, however, not required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

Stabilization, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. Within one week of the end of the stabilization period, Carnegie will make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, by example, contain wording such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "to the knowledge of" or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Offering Circular concerning the future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability and general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company's knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company's cash flow, financial condition or results of operations, to differ materially from the results, or fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favorable than the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are strongly advised to read the Offering Circular, including the following sections: "Summary", "Risk factors", "Business overview" and "Operating and financial review", which include more detailed descriptions of factors that might have an impact on the Company's business and the market in which it operates. None of the Company, the Selling Shareholders or the Joint Bookrunners can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Offering Circular may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in this Offering Circular may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, without limitation: changes in general economic conditions, in particular economic conditions in the markets on which the Company operates, absence of attractive products to sell, changes affecting interest rate levels, changes affecting currency exchange rates, changes in competition levels, changes in laws and regulations, and occurrence of accidents or environmental damages.

After the date of this Offering Circular, none of the Company, the Selling Shareholders or any of the Joint Bookrunners assume any obligation, except as required by law or Nasdaq Stockholm's Rule Book for Issuers, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

BUSINESS AND MARKET DATA

The Offering Circular includes industry and market data pertaining to Company's business and markets. Such information is based on the Company's analysis of multiple sources, including reports from Frost & Sullivan.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of industry and market data contained in the Offering Circular that were extracted or derived from such industry publications or reports. Business and market data are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market.

None of the Company, the Selling Shareholders or the Joint Bookrunners assumes responsibility for the correctness of any business or market data included in the Offering Circular. Information provided by third parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

IMPORTANT INFORMATION ABOUT THE SELLING OF SHARES

Note that notifications about allotment to the public in Sweden will be made through distribution of contract notes, expected to be distributed on 9 December 2016. Institutional investors are expected to receive notification of allotment on or about 9 December 2016 in particular order, whereupon contract notes are dispatched. After payments for the allocated shares have been processed by the Joint Bookrunners, the duly paid shares will be transferred to the securities depository account or the securities account specified by the acquirer. The time required to transfer payments and transfer duly paid shares to the acquirers of shares in Edgware means that these acquirers will not have shares available in the specified securities depository account or the securities account until 13 December 2016, at the earliest. Trading in Edgware's shares on Nasdaq Stockholm is expected to commence on or around 9 December 2016. Accordingly, if shares are not available in an acquirer's securities account or securities depository account until 13 December at the earliest, the acquirer may not be able to sell these shares on the stock exchange as from the time trading in the shares commences, but first when the shares are available in the securities account or the securities depository account.

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SUMMARY OF THE OFFERING

Price range

SEK 25 – 30 per share

Application period for the general public

30 November – 7 December 2016

Announcement of offering price

9 December 2016

First day of trading in Edgeware's shares

9 December 2016

Settlement Date

13 December 2016

Other information

Ticker: EDGE

ISIN code: SE0009268360

FINANCIAL CALENDAR

Year-end report for the period January – December 2016	20 February 2017
Annual report 2016	21 March 2017
Annual shareholders' meeting 2017	12 April 2017
Interim report for the period January – March 2017, Q1	4 May 2017
Interim report for the period January – June 2017, Q2	3 August 2017
Interim report for the period January – September 2016, Q3	2 November 2017

CERTAIN DEFINITIONS

Carnegie

Carnegie Investment Bank AB (publ).

Edgeware, the Company or the Group

Edgeware AB (publ), the group in which Edgeware AB (publ) is the parent company or a subsidiary of the group, as the context may require.

Euroclear Sweden

Euroclear Sweden AB.

Founders

Joachim Roos, Kalle Henriksson and Lukas Holm.

Global Coordinator

Carnegie.

Handelsbanken

Handelsbanken Capital Markets, a part of Svenska Handelsbanken AB (publ).

Joint Bookrunners

Carnegie and Handelsbanken.

Nasdaq Stockholm

The regulated market operated by Nasdaq Stockholm AB.

Principal Owners

Creandum KB, Creandum I Annex Fund AB, Amadeus III, Amadeus III Affiliates Fund LP och Amadeus EII LP.

SEK

Swedish krona.

Selling Shareholders

The Principal Owners, the Founders and Micron.

SUMMARY

The summary is drawn up in accordance with information requirements in the form of a number of “paragraphs” which should include certain information. The paragraphs are numbered in sections A–E (A.1–E.7). This summary contains all the paragraphs required in a summary for the relevant type of security and issuer. However, as certain paragraphs are not required, there may be gaps in paragraph numbering sequences. Even if it is necessary to include a paragraph in the summary for the security and issuer in question, it is possible that no relevant information can be provided for that paragraph. In such instances, the information has been replaced by a brief description of the paragraph, along with the specification “not applicable”.

SECTION A – INSTRUCTION AND WARNINGS

A.1	Introduction and warnings	This summary should be read as an introduction to this Offering Circular. Any decision to invest in the securities should be based on an assessment of this Offering Circular in its entirety by the investor. Where statements in respect of information contained in an offering circular are challenged in a court of law, the plaintiff investor may, in accordance with member states' national legislation, be forced to pay the costs of translating the offering circular before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the offering circular or if it does not, together with other parts of the offering circular, provide key information to help investors when considering whether to invest in the securities.
A.2	Consent for use of the Offering Circular by financial intermediaries	Not applicable. Financial intermediaries are not entitled to use the Offering Circular for subsequent trading or final placement of securities.

SECTION B – ISSUER AND ANY GUARANTOR

B.1	Company and trading name	Edgeware AB (publ), reg. no. 556691-7554.
B.2	Issuer's registered office and corporate form	Edgeware's registered office is in Stockholm. The Company is a Swedish public limited liability company founded in Sweden under Swedish law and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:55).
B.3	Description of the Issuer's operations	<p>Edgeware is a Stockholm, Sweden-based, global high-tech company that develops and offers hardware and software systems as well as associated services that, according to the Company, enable effective and scalable TV and video streaming over IP. The Company's solutions are primarily sold to telecom and cable operators as well as OTTs/broadcasters that want to effectively, securely and cost-efficiently make TV and video content available to their viewers.</p> <p>Edgeware's solutions are based on creating a decentralized <i>Content delivery network</i> (“CDN”)¹⁾, where the Company's hardware and software ensure that customers' viewers can stream content from servers at the edge of a network, located closest to the viewer. The server can either be a TV server developed by Edgeware dedicated to video content and customised for installation in networks or a standard server running Edgeware's software. This intelligently designed decentralized system ensures a high level of quality and delivery reliability and reduces the traffic load in the backhaul network (the network between the customers' central data centre and the final part of the network, closest to the viewer).</p> <p>¹⁾ A content delivery network is a geographically distributed network of servers that deliver content (TV, video, web content, etc.) to viewers/end users.</p>

B.4a	Trends	<p>The Company considers the following, in no particular order, to be key trends in its market. If no source is specified, the trends described below are based on the Company's own opinion.</p> <p>Changes in viewing habits</p> <p>Viewers now have access to more TV programmes than ever before, and rather than being restricted to the living room sofa, TV and video viewing is now possible in all environments. Nowadays, viewing takes place on a range of devices, from mobile phones and tablets to computers. Viewers also expect to be able to pause, fast forward, rewind and change device in the middle of a programme.</p> <p>Personalised viewing</p> <p>Historically, all TV and video content was broadcast to everyone via traditional methods such as satellite and terrestrial TV. This has now changed with the advent of TV and video distribution over IP (<i>Internet protocol</i>) networks²⁾. The distribution of TV and video content over IP networks provides each user with a unique stream, which means that the content must be distributed to each viewer each time it is consumed, rather than once for all viewers at the same time on a specific occasion.</p> <p>Quality improvements</p> <p>The quality of TV and video delivered over the Internet is steadily improving³⁾. As the quality of the video distributed improves from SD to HD (high definition), the amount of data distributed over the network increases by a factor of approximately four, and as the quality improves from SD to Ultra HD, the amount of data increases by a factor of 16. Since compression technology is not keeping pace with the constant improvements in the quality of TV and video distributed over IP networks, the amount of data being transported is increasing at a highly rapid rate.</p> <p>Viewing experience</p> <p>Viewers are placing higher and higher demands on providers of TV and video content over IP networks and expect high-quality services⁴⁾. Buffering, technical problems, delays and glitches are issues that can ruin the viewing experience⁵⁾. Accordingly, providers must do everything they can to ensure an optimal viewing experience.</p> <p>²⁾ The Value of Content (Boston Consulting Group, 2016). ³⁾ Cisco Visual Networking Index (2016). ⁴⁾ The Value of Content (Boston Consulting Group, 2016). ⁵⁾ Beyond Entertainment Customer Survey (Conviva OTT, 2015).</p>																																			
B.5	Description of the Group and the issuer's position within the Group	<p>The Group comprises the parent company Edgeware AB (publ) and a wholly owned subsidiary in the US, Edgeware, Inc.</p>																																			
B.6	Major shareholders, control over the Company and notifiable individuals, larger shareholders and control	<p>As of the date of this Offering Circular, Edgeware has 72 shareholders which are comprised of the Selling Shareholders and some current and former employees of the Company. Immediately before the Offering (assuming that the Share Conversion and the Bonus Issue have been effected and that the Offering Price has been determined to the midpoint of the Price Range (SEK 27.50)), Edgeware's largest shareholder is Amadeus III, holding 10,685,016 shares, corresponding to 41.9 percent of the shares and votes, Creandum I Annex Fund AB, holding 5,227,939 shares, corresponding to 20.5 percent of the shares and votes, and Creandum KB, holding 4,586,348 shares, corresponding to 18.0 percent of the shares and votes.</p> <p>Catella Fondförvaltning AB, Grenspecialisten Förvaltning AB, LMK Forward AB, Swedbank Robur Fonder and OstVast Capital Management Ltd have undertaken, provided that certain conditions are met and to the same price as the other investors, to acquire shares in the Offering in accordance with what is stated in the table below. The undertakings correspond to a total of approximately 25 percent of the total number of shares in the Company immediately following the completion of the Offering provided that an Offering Price is determined at the midpoint of the Price Range (SEK 27.50). Thus, the undertakings cover approximately 54 percent of the Offering. The table below is based on the assumption that the Offering Price is determined at the midpoint of the Price Range (SEK 27.50).</p> <table><tr><th>Cornerstone Investor</th><th>Subscription undertaking (in SEK)</th><th>Number of shares¹⁾</th><th>Percent of the number of shares in the Offering (%)¹⁾</th><th>Percent of the total number of shares in the Company after the Offering (%)¹⁾</th></tr><tr><td>Catella Fondförvaltning AB</td><td>MSEK 40</td><td>1,454,545</td><td>10.39</td><td>4.70</td></tr><tr><td>Grenspecialisten Förvaltning AB</td><td>MSEK 50</td><td>1,818,181</td><td>12.98</td><td>5.88</td></tr><tr><td>LMK Forward AB</td><td>MSEK 30</td><td>1,090,909</td><td>7.79</td><td>3.53</td></tr><tr><td>Swedbank Robur Fonder AB</td><td>MSEK 53.1 – 65.3</td><td>2,165,454</td><td>15.46</td><td>7.00</td></tr><tr><td>OstVast Capital Management Ltd.</td><td>MSEK 30</td><td>1,090,909</td><td>7.79</td><td>3.53</td></tr><tr><td>Total</td><td>MSEK 203.1 – 215.3</td><td>7,619,998</td><td>54.41</td><td>24.64</td></tr></table> <p>¹⁾ Based on full subscription in the Offering and the midpoint of the price range in the Offering (SEK 27.50).</p>	Cornerstone Investor	Subscription undertaking (in SEK)	Number of shares ¹⁾	Percent of the number of shares in the Offering (%) ¹⁾	Percent of the total number of shares in the Company after the Offering (%) ¹⁾	Catella Fondförvaltning AB	MSEK 40	1,454,545	10.39	4.70	Grenspecialisten Förvaltning AB	MSEK 50	1,818,181	12.98	5.88	LMK Forward AB	MSEK 30	1,090,909	7.79	3.53	Swedbank Robur Fonder AB	MSEK 53.1 – 65.3	2,165,454	15.46	7.00	OstVast Capital Management Ltd.	MSEK 30	1,090,909	7.79	3.53	Total	MSEK 203.1 – 215.3	7,619,998	54.41	24.64
Cornerstone Investor	Subscription undertaking (in SEK)	Number of shares ¹⁾	Percent of the number of shares in the Offering (%) ¹⁾	Percent of the total number of shares in the Company after the Offering (%) ¹⁾																																	
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B.7	Financial information in summary	The selected consolidated financial information presented below has been derived from Edgeware's audited consolidated financial statements for the years ended 2015, 2014 and 2013, and have been prepared in accordance with IFRS, as adopted by the European Commission, unless otherwise stated. The information has also been derived from the reviewed interim report for the period 1 January – 30 September 2016, prepared in accordance with IAS 34 Interim financial reporting.				
		The Group's income statement				
			1 January – 30 September		1 January – 31 December	
			Unaudited		Audited	
	SEK, thousand		2016	2015	2015	2014
	Operating income					2013
	Net sales		167,647	138,755	203,556	148,175
	Cost of goods and services		–51,827	–43,272	–62,615	–41,428
	Gross income		115,820	95,483	140,941	106,747
	Operating expenses					
	Selling expenses		–41,030	–38,883	–58,128	–37,342
	Administrative expenses		–28,149	–20,548	–28,824	–23,767
	Research and development expenses		–36,697	–28,672	–39,999	–32,767
	Other operating income/expenses		–840	1,361	–689	164
	Operating profit		9,104	8,741	13,301	13,035
	Profit from financial items					
	Financial income		3,437	1,515	1,463	6,130
	Financial expenses		–1,021	–2,635	–795	–2,342
	Pre-tax profit		11,520	7,621	13,969	16,823
	Tax		–3,196	–2,307	–3,173	–6,073
	Profit for the period		8,324	5,314	10,796	10,750
	Attributable to:					
	<i>Parent company's owners</i>		8,324	5,314	10,796	10,750
	Profit per share, SEK					
	Before dilution		12.09	8.19	16.63	16.56
	After dilution		12.07	8.02	16.29	16.42
	Before dilution, after share split				0.78	0.78
	Other comprehensive income:					
	Translation differences for the year, investment in subsidiary		42	–363	–3,776	–2,725
	Tax effect from hedge of net investments		0	–2,875	658	0
	Other comprehensive income, net after tax		42	–3,238	–3,118	–2,725
	Total comprehensive income for the period		8,366	2,076	7,678	8,025
	Attributable to:					
	<i>Parent company's owners</i>		8,366	2,076	7,678	8,025

B.7	Financial information in summary, cont.	The Group's balance sheet	30 September		31 December		
			Unaudited		Audited		
		SEK, thousand	2016	2015	2015	2014	2013
		ASSETS					
		Non-current assets					
		Capitalized development expenses	14,196	10,303	12,598	7,015	4,764
		Equipment	3,960	3,658	4,004	3,068	1,684
		Other non-current assets	3,568	3,178	3,178	842	0
		Deferred tax	14,783	17,977	17,840	20,181	25,920
		Total non-current assets	36,507	35,116	37,620	31,106	32,368
		Current assets					
		Inventories	11,906	16,793	13,671	7,046	6,266
		Accounts receivable	57,996	43,822	55,907	43,839	28,791
		Other receivables	1,542	1,726	3,034	1,128	4,142
		Prepaid expenses and accrued income	8,222	3,458	4,688	5,622	1,525
		Cash and bank balances	22,543	15,993	21,057	17,217	13,036
		Total current assets	102,209	81,792	98,357	74,852	53,760
		Total assets	138,716	116,908	135,977	105,958	86,128
		SHAREHOLDERS' EQUITY AND LIABILITIES					
		Shareholders' equity					
		Share capital	689	649	649	649	649
		Share premium reserve	94,785	82,001	82,001	82,001	82,001
		Translation reserve	-2,508	-3,239	-2,550	-1,766	960
		Retained earnings including profit for the period	-3,499	-16,812	-11,823	-20,584	-31,792
		Total equity	89,467	62,599	68,277	60,300	51,818
		Provisions					
		Other provisions	491	1,200	515	1,200	1,200
		Total provisions	491	1,200	515	1,200	1,200
		Current liabilities					
		Trade payables	10,621	7,031	8,393	6,642	6,786
		Other current liabilities	3,239	13,249	12,595	12,410	11,905
		Accrued expenses and deferred income	34,898	32,829	46,197	25,406	14,419
		Total current liabilities	48,758	53,109	67,185	44,458	33,110
		Total equity and liabilities	138,716	116,908	135,977	105,958	86,128

B.7	Financial information in summary, cont.	The Group's cash flow statement	1 January – 30 September		1 January – 31 December		
			Unaudited		Audited		
			2016	2015	2015	2014	2013
		SEK, thousand					
		Cash flow from operating activities					
		Operating income	9,104	8,741	13,301	13,035	7,244
		Adjustments for non-cash items:					
		Depreciation/amortization	6,981	4,209	5,969	5,366	2,364
		Share-based premiums	0	225	299	458	161
		Revised assessment of provision for guarantee reserve	-17	0	-685	0	0
		Exchange rate differences	1,801	-2,352	-159	78	-1,222
		Received interest	0	0	0	1	0
		Paid interest	-30	-297	-221	-871	-1,485
		Cash flow from operating activities before changes in working capital	17,839	10,526	18,504	18,067	7,062
		Cash flow from changes in working capital					
		Decrease (+)/Increase (-) in inventories	1,765	-9,747	-9,023	-5,185	-2,133
		Decrease (+)/Increase (-) in accounts receivable	-2,400	17	-12,068	-15,048	-7,597
		Decrease (+)/Increase (-) in other receivables	-3,514	-770	-3,308	-1,926	-2,938
		Decrease (-)/Increase (+) in trade payables	2,229	389	1,751	-144	1,859
		Decrease (-)/Increase (+) in other current receivables	-8,586	7,661	19,491	11,492	4,484
		Cash flow from operating activities	7,333	8,076	15,347	7,256	737
		Investing activities					
		Acquisition of intangible non-current assets	-6,272	-5,841	-9,330	-4,495	-5,390
		Acquisition of tangible non-current assets	-2,264	-2,244	-760	-81	-93
		Cash flow from investing activities	-8,536	-8,085	-10,090	-4,576	-5,483
		Financing activities					
		New loan proceeds	-	-	-	-	10,000
		New share issue	736	-	-	-	-
		Cash flow from financing activities	736	0	0	0	10,000
		Cash flow for the period	-467	-9	5,257	2,680	5,254
		Cash and bank balances at the beginning of the period	21,057	17,217	17,217	13,036	7,203
		Exchange rate differences in cash and bank balances	1,953	-1,215	-1,417	1,501	579
		Cash and bank balances at the end of the period	22,543	15,993	21,057	17,217	13,036

B.7	Financial information in summary, cont.	Key information and data	1 January – 30 September ¹⁾		1 January – 31 December ²⁾		
			2016	2015	2015	2014	2013
			SEK, thousand				
			115,820	95,483	140,941 ³⁾	106,747 ³⁾	90,490 ³⁾
		Gross income, percent	69.1%	68.8%	69.2%	72.0%	70.6%
		Operating expenses	–106,716	–86,742	–127,640	–93,712	–83,246
		Operating expenses/Net sales, percent	–63.7%	–62.5%	–62.7%	–63.2%	–64.9%
		Operating profit (EBIT)	9,104	8,741	13,301 ³⁾	13,035 ³⁾	7,244 ³⁾
		Operating margin (EBIT margin), percent	5.4%	6.3%	6.5%	8.8%	5.6%
		EBITDA	16,077	12,950	19,270	18,401	9,608
		EBITDA margin, percent	9.6%	9.3%	9.5%	12.4%	7.5%
		Profit for the period after tax	8,324	5,314	10,796 ³⁾	10,750 ³⁾	1,931 ³⁾
		Net margin, profit for the period after tax, percent	5.0%	3.8%	5.3%	7.3%	1.5%
		Equity/assets ratio, percent	64.5%	53.5%	50.2%	56.9%	60.2%
		Cash flow from operating activities	7,333	8,076	15,347 ³⁾	7,256 ³⁾	737 ³⁾
		Return on equity (ROE), percent	9.3%	8.5%	15.8%	17.8%	3.7%
		Adjusted EBIT	16,451	8,741	13,301	13,035	7,244
		Adjusted EBIT margin, percent	9.8%	6.3%	6.5%	8.8%	5.6%
		Adjusted EBITDA	23,424	12,950	19,270	18,401	9,608
		Adjusted EBITDA margin, percent	14.0%	9.3%	9.5%	12.4%	7.5%
		Equity assignable to the parent company's shareholders	89,467	62,599	68,277	60,300	51,818
		Equity per share, before dilution	129.9	96.4	105.2	92.9	79.8
		Equity per share, after dilution	129.7	94.5	103.0	92.1	79.6
		Number of employees at the end of the period ⁴⁾	92	88	89	71	63
		Whereof women	13	12	12	8	4
		¹⁾ The following measures are collected from the Company's unaudited consolidated interim report by and for the nine months' period that ended on 30 September 2016, with comparison numbers for the nine months' period that ended on 30 September 2015: Gross income, Operating profit (EBIT), Profit for the period after tax, Cash flow from operating activities, Equity assignable to the parent company's shareholders. All other measures are collected from the Company's internal reporting system. ²⁾ The following measures are collected from the Company's audited consolidated financial reports by and for the financial year that ended on 31 December 2013, 2014 and 2015: Gross income, Operating profit (EBIT), Profit for the period after tax (Net profit for the year), Cash flow from operating activities, Equity assignable to the parent company's shareholders. All other measures are collected from the Company's internal reporting system. ³⁾ Gross income, Operating profit (EBIT), Profit for the period after tax and Cash flow from operating activities for the periods 1 January – 31 December 2013, 2014 and 2015 are audited. Other key ratios are unaudited. ⁴⁾ Number of employees includes employees hired by Business Sweden and consultants with employment-like agreements. As of end of September 2016, number of employees include 9 (5) employees hired by Business Sweden and 8 (4) consultants with employment-like agreements.					
		Operating expenses					
		The Company has chosen to present the key performance indicators operating expenses and operating expenses/net sales as they show the Company's cost profile and its relation to net sales.					
			1 January – 30 September		1 January – 31 December		
			2016	2015	2015	2014	2013
		Selling expenses	–41,030	–38,883	–58,128	–37,342	–32,003
		Administrative expenses	–28,149	–20,548	–28,824	–23,767	–19,370
		Research and development expenses	–36,697	–28,672	–39,999	–32,767	–31,317
		Other operating income/expenses	–840	1,361	–689	164	–556
		Operating expenses	–106,716	–86,742	–127,640	–93,712	–83,246
		Net sales	167,647	138,755	203,556	148,175	128,253
		Operating expenses/Net sales, percent	–63.7%	–62.5%	–62.7%	–63.2%	–64.9%

B.7	Financial information in summary, cont.
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EBITDA and adjusted EBITDA

The company has chosen to report the key ratios EBITDA and EBITDA margin, since these shows the underlying result adjusted for the effect of depreciation/amortization, which provides a more comparable profit measure over time, since depreciation/amortization refers to historical investments. The company has also chosen to report the key ratios Adjusted EBITDA and adjusted EBITDA margin to show the underlying result adjusted for nonrecurring expenses. During 2016, nonrecurring expenses arose in connection with the preparations for a possible IPO. Expenses related to IPO preparations include expenses for the transition to IFRS reporting, internal risk projects, IR expenses, additional review expenses from auditors, attorneys' expenses to qualify the Company for a stock market listing, Nasdaq expenses, recruiting expenses for IR and new board members.

	1 January – 30 September		1 January – 31 December		
SEK, thousand	2016	2015	2015	2014	2013
Operating profit (EBIT)	9,104	8,741	13,301	13,035	7,244
Amortization of capitalized development expenses	4,673	2,553	3,748	2,244	626
Other depreciation	2,300	1,679	2,223	1,886	1,738
EBITDA	16,077	12,950	19,270	17,165	9,608
<i>EBITDA margin, percent</i>	<i>9.6%</i>	<i>9.3%</i>	<i>9.5%</i>	<i>11.6%</i>	<i>7.5%</i>
Adjustments:					
IPO related expenses	7,347	—	—	—	—
Adjusted EBITDA	23,424	12,950	19,270	17,165	9,608
<i>Adjusted EBITDA margin, percent</i>	<i>14.0%</i>	<i>9.3%</i>	<i>9.5%</i>	<i>11.6%</i>	<i>7.5%</i>

Adjusted EBIT

The company has chosen to report the key ratio Adjusted EBIT, since it shows the underlying result adjusted for nonrecurring expenses. During 2016, nonrecurring expenses arose in connection with the preparations for a possible IPO, which provides a more comparable profit measure over time. Expenses related to IPO preparations include expenses for the transition to IFRS reporting, internal risk projects, IR expenses, additional review expenses from auditors, attorneys' expenses to qualify the Company for a stock market listing, Nasdaq expenses, recruiting expenses for IR and new board members.

	1 January – 30 September		1 January – 31 December		
SEK, thousand	2016	2015	2015	2014	2013
Operating profit (EBIT)	9,104	8,741	13,301	13,035	7,244
Adjustments:					
IPO related expenses	7,347	—	—	—	—
Adjusted EBIT	16,451	8,741	13,301	13,035	7,244
Adjusted EBIT margin, percent	9.8%	6.3%	6.5%	8.8%	5.6%

Equity / assets ratio

The Company has chosen to report the key ratio Equity / assets ratio, since it shows the Company's long-term survival rate.

	30 September		31 December		
SEK, thousand	2016	2015	2015	2014	2013
Total assets	138,716	116,908	135,977	105,958	86,128
Shareholders' equity	89,467	62,599	68,277	60,300	51,818
Equity / assets ratio	64.5%	53.5%	50.2%	56.9%	60.2%

Return on equity (ROE)

The Company has chosen to report the key ratio Return on equity (ROE) as it shows how effectively the Company uses its assets to create profits in the Company.

	1 January – 30 September		1 January – 31 December		
SEK, thousand	2016	2015	2015	2014	2013
Shareholders' equity	89,467	62,599	68,277	60,300	51,818
Profit for the period	8,331	5,314	10,796	10,750	1,931
Return on equity	9.3%	8.5%	15.8%	17.8%	3.7%

Financial definitions

	Definitions	Explanation
AMERICAS	North and South America	The Company follows sales by region in order to understand the business better.
APAC	Asia and the Pacifics	The Company follows sales by region in order to understand the business better.
Return on equity (ROE)	Profit for the period as a percentage of equity	The Company has chosen to report the key ratio Return on equity (ROE) as it shows how effectively the Company uses its assets to create profits in the Company.
Gross income	Net sales less cost of goods and services sold	Shows the effectiveness of Edgewater's operations and together with EBIT, provides a complete picture of the operating profit generation and expenses.
Gross margin	Gross profit as a percentage of net sales	This key ratio is used for analysis of the Company's effectiveness and profitability.

B.7	Financial information in summary, cont.		Definitions	Explanation
		EBITDA	Operating profit before depreciations and capitalization of development expenses	The Company has chosen to report the key ratio EBITDA, since it shows the underlying result adjusted for the effect of depreciation/amortization, which provides a more comparable profit measure over time, since depreciation/amortization refers to historical investments
		EBITDA-margin	EBITDA as a percentage of net sales	This key ratio is used for analysis of the Company's value creation.
		EMEA	Europe, Middle East and Africa	The Company follows sales by region in order to understand the business better.
		Increase in net sales	The change in percent of Edgware's net sales between two periods	Edgware believes that increase in net sales is a useful measure, together with adjusted EBITDA margin, in analyzing the Company's value creation.
		Operating profit EBIT	Operating profit before financial items and tax	EBIT provides an understanding for the profit generated by the Company.
		Operating margin % (EBIT)	Operating profit before financial items and tax in relation to net sales	Edgware believes that operating margin is a useful measure, together with net sales growth, in analyzing the Company's value creation.
		Equity/assets ratio	Equity in relation to total assets	The Company has chosen to report the key ratio Equity / assets ratio, since it shows how effectively the Company's longterm survival rate.
		Adjusted EBITDA	EBITDA before non-recurring costs	The Company has also chosen to report the key ratio Adjusted EBITDA to show the underlying result adjusted for the nonrecurring expenses that arose in connection with the preparations for the IPO.
		Adjusted EBITDA margin	Adjusted EBITDA in relation to net sales	Edgware believes that Adjusted EBITDA margin is a useful measure, together with increase in net sales, in analyzing the Company's value creation.
		Adjusted EBIT	EBIT before non-recurring costs	The Company has chosen to report the key ratio Adjusted EBIT, since it shows the underlying result adjusted for nonrecurring expenses that arose in connection with the preparations for the IPO, which provides a more comparable profit measure over time.
		Average growth per year	The change in percent of Edgware's net sales during a certain period	Edgware has chosen to report the key ratio average growth per year as it shows the Company's development over time.
		Net margin	Earnings from the period after taxes in relation to net sales	Measure that shows the value accrued to the shareholders of the Company.
		Non-recurring expenses	Non-recurring expenses includes capital gains and losses, impairment, restricting costs, costs for preparations for the ongoing IPO and other non-recurring costs	Non-recurring expenses are used to report certain key ratios, such as Adjusted EBITDA and Adjusted EBIT.
		Significant events during the period for the historical financial information Edgware's net sales increased by approximately 21 percent during January – September 2016 to SEK 167,647 thousand compared to SEK 138,755 thousand in the corresponding period in 2015. The increase was driven by added sales to existing customers and sales to a number of new customers. Operating profit increased by approximately 4 percent during January – September 2016 to SEK 9,104 thousand compared to SEK 8,741 thousand in the corresponding period in 2015. The increase in operating profit was attributable to increased net sales but was partly offset by increased expenses in research and development and expenses related to the Company's on-going listing. Edgware's net sales increased by approximately 37 percent in 2015 to SEK 203,556 thousand compared to SEK 148,175 thousand in 2014. The increase was driven by breakthrough in the AMERICAS and continued strong growth among existing customers. Operating profit increased by 2 percent during 2015 to SEK 13,301 thousand compared to SEK 13,035 thousand in 2014. The increase in operating profit was attributable to increased net sales but was offset by increased operating expenses. Edgware's net sales increased by approximately 16 percent in 2014 to SEK 148,175 thousand compared to SEK 128,253 thousand in 2013. The increase was driven by increased sales to existing customers but partly offset by decreased sales in the APAC region. Operating profit increased by approximately 80 percent during 2014 to SEK 13,035 thousand compared to SEK 7,035 thousand in 2013. The increase in operating profit was attributable to increased net sales.		
Significant events after 30 September 2016 On 14 November 2016, the extraordinary shareholders' meeting of the Company resolved on a directed issue of 266 new ordinary shares of class B, which increased the share capital with SEK 266 to a total of SEK 688,837, and on a share split, meaning that each share where split into 20, which increased the number of shares in the Company to a total of 13,776,740 (3,572,680 ordinary shares and 10,204,060 preference shares). In addition, the extraordinary shareholders' meeting adopted new articles of association, which included making the Company public. There have been no other significant events since 30 September 2016.				
B.8	Proforma accounting	Not applicable. The Offering Circular does not contain proforma accounting.		
B.9	Profit/loss forecast	Not applicable. The Company has not presented any profit/loss forecast.		
B.10	Audit remarks	Not applicable. There are no remarks in the audit reports.		
B.11	Net working capital	Not applicable. Edgware believes that the existing net working capital is sufficient to meet the Company's needs over the next twelve month period.		

SECTION C – SECURITIES

C.1	Securities offered	Shares in Edgware AB (publ), Reg. No. 556691-7554. ISIN number SE0009268360.
C.2	Denomination	The shares are denominated in SEK.
C.3	Total number of shares in the Company	<p>As of the date of this Offering Circular, there are 13,776,740 shares in the Company (3,572,680 common shares of two classes and 10,204,060 preference shares of seven classes), each with a quota value of SEK 0.05. All shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferrable. Following the Offering, the Company will have only one class of shares. The Offering comprises up to 14,004,468 shares, of which the Company is offering up to 5,454,545 newly issued shares in the Company and the Selling Shareholders are offering up to 8,549,923 existing shares, on the basis that the Offering been subscribed in full and that the final Offering Price is set to the midpoint of the Price Range.</p> <p>In addition, the Principal Owners have issued an option to the Joint Bookrunners, exercisable in whole or in part for 30 days following the first day of trading in the shares on Nasdaq Stockholm, to purchase up to 2,100,667 additional shares at a final Offering Price set to the midpoint of the Price Range, equal to approximately 15 percent of the maximum total number of shares comprised by the Offering, at the Offering Price, to cover any potential over-allotments or other short positions, if applicable, in connection with the Offering.</p>
C.4	Rights associated with the securities	Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company. If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue. The shares carry the right to payment of dividend for the first time on the record date for distribution which falls immediately after the listing. All shares in the Company give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.
C.5	Restrictions in free transferability	Not applicable. The shares are not subject to any restrictions on transferability.
C.6	Admission to trading	Nasdaq Stockholm's listing committee decided on 16 November 2016 to admit the Company's shares to trading on Nasdaq Stockholm, subject to certain conditions, such as that the distribution requirements in respect of the Company's shares being fulfilled no later than on the first day of trading. In case the Company's board of directors ultimately resolves to list the Company's shares, trading in the Company's shares is expected to begin on or about 9 December 2016.
C.7	Dividend policy	Edgware's cash-flow shall in the coming years be used to finance further development and expansion and possibilities for acquisitions whereas no dividends are expected to be paid.

SECTION D – RISKS

D.1	Main risks related to the issuer or the industry	<p>Main risks relating to Edgware and its operations consist of:</p> <ul style="list-style-type: none"> • risks related to the potential for new technology replacing the solutions provided by the Company, which could lead to the Company's products and services becoming obsolete which could have a material negative effect on the Company's operations, financial position or earnings; • the risk that Edgware may in the future carry out acquisitions that could negatively affect the Company's operations and could have a material negative effect on Edgware's operations, operating profit or financial position; • the risk that Edgware may becoming involved in legal or administrative proceedings, including claims related to Edgware's intellectual property rights and claims for damages resulting from Edgware potentially infringing a third party's intellectual property rights. Ongoing and future legal or administrative proceedings could result in significant costs and/or damages, which could have a material negative effect on the Company's operations, financial position or earnings; • the risk that Edgware's methods for protecting the intellectual property rights that the Company is dependent on could be insufficient and should such risks materialise, it could have a material negative effect on the Company's operations, financial position or earnings; • the risk that Edgware is exposed to currency risk that may affect the Company's cash flow, income statement and balance sheet and therefore could have a material negative effect on the Company's operations, financial position or operating profit; • the risk that Edgware's reputation could be damaged, which could result in a loss of sales or growth opportunities for the Company, which could have a material negative effect on Edgware's reputation, operations, financial position or earnings; and • the risk that Edgware's products, which are technologically advanced, may contain undiscovered hardware, software or other defects, which puts the Company's operations at risk with respect to warranty returns, product liability, product defects and other contractual obligations, which could have a negative effect on Edgware's operations, operating profit and financial position.
D.3	Main risks related to the securities	<p>Main risks relating to the Offering and Edgware's shares consist of:</p> <ul style="list-style-type: none"> • the risk that the Offering Price will not correspond to the price at which the shares in Edgware will be traded on the stock market following completion of the Offering and the risk that an active and liquid market is not developed for the Edgware share. If any of these risks were to materialize it could have a material adverse effect on the share price; • the risk that the principal shareholder's interests, following implementation of the Offering, may differ materially from, or compete with, Edgware's and/or other shareholders' interests which could mean that the main shareholders could exercise influence over Edgware in a manner that does not promote the interest of the other shareholders in the best way; and • the risk that shareholders in certain jurisdictions may be subject to restrictions limiting or impeding their opportunity to participate in future new share issues and that such issues, should such shareholders not be able to participate, would mean that their proportional interests in the Company would be reduced.

SECTION E – OFFERING

E.1	Issue proceeds and issue costs	<p>In connection with the Offering, the Company is making a new share issue which is expected to generate proceeds of approximately MSEK 150, before issue costs.</p> <p>The Company and the Selling Shareholders have agreed to pay the Joint Bookrunners a base commission calculated against the proceeds. The commissions paid to the Joint Bookrunners equal to 4.15 percent of the gross proceeds of the shares sold in the Offering. The total compensation received by the Joint Bookrunners is dependent on the success of the Offering.</p> <p>The Company's total costs for the issuance of new shares in connection with the Offering are estimated to approximately MSEK 10, which entails that the net proceeds from the new issue in the Offering is expected to amount to around MSEK 140.</p>
E.2a	Motive and use of proceeds	<p>The Offering and listing will broaden the Company's shareholder base, increase Edgware's capital and provide Edgware with access to the Swedish and international capital markets, and thereby expanding the Company's financing options, which are deemed to promote the Company's continued growth and development. The board and Edgware's management believe, together with the Selling Shareholders, that this new share issue and listing of the Company's shares is a logical and important step in Edgware's development so as to be able to capitalize on growth opportunities and to further strengthen the Company's market position and increase awareness about Edgware and its products and technology.</p> <p>Edgware expects to receive net proceeds of MSEK 140 from the new share issue that will be implemented as part of the Offering. Edgware intends to use the proceeds to:</p> <ul style="list-style-type: none"> • Finance Edgware's continued growth: The Company sees several potential growth areas and intends to use part of the proceeds to capitalize on them. Edgware's main focus will be expanding the Company's sales organization and it intends to double the sales organization over the next two years to increase the Company's geographic coverage. • Finance acquisitions: The net proceeds may also be used to finance potential acquisitions. The Company believes that there is potential for consolidation in the market and has identified and maintains continuous dialogue with a number of acquisition targets that could strengthen Edgware's market position and product offering. • Strengthen the Company's financial position: The Board believes that a stronger financial position could increase the Company's ability to undertake larger and more complex business transactions with customers and partners around the world.
E.3	Offering forms and conditions	<p>The Offering: The Offering is made to the public in Sweden and to institutional investors in Sweden and abroad. The Offering comprises up to 6,000,000 newly issued shares offered by the Company and up to 8,951,587 existing shares offered by the Selling Shareholders. The Offering may comprise up to 2,242,735 additional existing shares if the Over-allotment option is exercised.</p> <p>The Offering Price: The Offering Price is set by a book-building process and is expected to be set within the range of SEK 25–30 per share and is expected to be announced on 9 December 2016 by way of a press release. The Offering Price to the general public will not exceed SEK 30 per share. Brokerage commission will not be charged. The Price range is set by the Selling Shareholders in consultation with Joint Bookrunners, based on the anticipated investment interest from institutional investors.</p> <p>Application: Application for acquisition of shares from the public in Sweden can be made during the period 30 November – 7 December 2016 and shall relate to a minimum of 300 shares and a maximum of 30,000 shares in even trading lots of 50 shares. Application is binding. Institutional investors in Sweden or abroad apply for subscription in accordance with specific instructions.</p> <p>Allotment: Allotment of shares will be determined by the Selling Shareholders in consultation with the Joint Bookrunners.</p> <p>Settlement: Settlement is expected to occur on 13 December 2016.</p>
E.4	Interests and conflict of interests	<p>Carnegie and Handelsbanken act as Joint Bookrunners in connection with the Offering. The Joint Bookrunners provide financial advisory and other services to the Company and the Selling Shareholders in connection with the Offering. From time to time, the Joint Bookrunner provide services in the ordinary course of business to the Selling Shareholders and parties affiliated to the Selling Shareholders in connection with other transactions.</p>
E.5	Selling shareholder/ Lock-up agreements	<p>Under the Placing Agreement which is expected to be entered into on or around 8 December 2016, the Selling Shareholders, certain shareholding members of the board of directors and certain shareholding employees within the Group, including executive management, will undertake, with certain exceptions, not to sell their respective holdings for a certain period after trading on Nasdaq Stockholm has commenced (the "Lock-up period"). The Lock-up period for the Selling Shareholders will be 180 days, and the Lock-up period for the shareholdings of members of the board of directors and certain shareholding employees within the Group, including executive management, will be 360 days. At the end of the respective Lock-up periods, the shares may be offered for sale, which may affect the market price of the share. Joint Bookrunners may make exceptions from these undertakings. Exemptions from the lock-up undertakings will be determined from case to case, and may be of personal as well as business character. Pursuant to the agreement, the Company will undertake, with certain exceptions, towards the Joint Bookrunners not to, e.g. resolve upon or propose to the shareholders' meeting an increase of the share capital through issuance of shares or other financial instruments for a period of 360 days from the first day of trading of the Company's shares on Nasdaq Stockholm without a written consent from the Joint Bookrunners.</p>
E.6	Dilution effect	<p>The new share issue in the Offering can result in an increase in the number of shares in the Company up to 32,645,607, corresponding to a dilution of 18.4 percent.</p>
E.7	Costs imposed on investors by the issuer or offerer	<p>Not applicable. Brokerage commission will not be charged.</p>

RISK FACTORS

An investment in Edgeware's shares involves various risks. A number of factors affect, or could affect, Edgeware's business, both directly and indirectly. Described below, in no particular order and without claim to be exhaustive, are the risk factors and significant circumstances considered to be material to Edgeware's business and future development. The risks described below are not the only risks to which Edgeware and its shareholders may be exposed. Additional risks that are not currently known to Edgeware, or that Edgeware currently believes are immaterial, may also adversely affect Edgeware's business, results of operations or financial condition. Such risks could also cause the price of Edgeware's shares to fall significantly, and investors could potentially lose all or part of their investment.

In addition to this section, investors should also take into consideration the other information contained in the Offering Circular in its entirety. The Offering Circular also contains forward-looking statements that are subject to future events, risks and uncertainties. Edgeware's actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below and elsewhere in the Offering Circular.

RISKS RELATED TO EDGEWARE, ITS BUSINESS AND INDUSTRY

Risks related to the potential for new technology replacing the solutions provided by the Company, which could lead to the Company's products and services becoming obsolete

The Company develops and offers hardware and software systems and associated services in order to deliver an, in the Company's view, effective and scalable TV and video streaming over IP networks. The TV and video distribution market has undergone a strong development in recent years, and there is a risk that in the future new technological solutions will replace the solutions provided by the Company, which could lead to the Company's technology becoming obsolete and mean that there is no value in developing the Company's technology any further. An associated risk is the risk that Edgeware will not be able to adapt as fast as its competitors, or at all, to new or emerging technology and the change in customer needs than the Company. If the market were to evolve in a direction meaning that the Company's technology were to become obsolete, this could have a material negative effect on the Company's operations, financial position or earnings.

Edgeware may in the future carry out acquisitions that could negatively affect the Company's operations

In the future, Edgeware may acquire companies to supplement Edgeware's current product portfolio or to gain access to new markets and increase the Company's sales to selected customer categories. Edgeware has evaluated, and expects to continue to evaluate, potential strategic transactions to support the Company's long-term strategy. There is a risk that the Company will be unable to find suitable candidates for acquisition or that the Company will be unable to complete acquisitions on acceptable terms and

conditions, or at all. Acquisitions may also be regarded as something negative by the financial market or investors.

In addition, all acquisitions undertaken by Edgeware could lead to difficulties in integrating personnel and operations from acquired companies and in retaining and motivating key employees from acquired companies. Acquisitions and integration of operations could disrupt Edgeware's current business activities, entail obligations and liabilities, increase Edgeware's expenses and have a material negative effect on the Company's operations, operating profit or financial position. Furthermore, future acquisitions could reduce Edgeware's cash and cash equivalents and increase its indebtedness, and any of these risks could have a material negative effect on Edgeware's operations, operating profit or financial position.

Edgeware risks becoming involved in legal or administrative proceedings, including claims related to Edgeware's intellectual property rights and claims for damages resulting from Edgeware potentially infringing a third party's intellectual property rights

There is a risk that Edgeware becomes involved in legal or administrative proceedings, which could relate to claims for damages or other claims for payment, including claims from customers or competitors for breaches of competition laws. Preparations prior to, engaging in and any outcome of initiated proceedings could be protracted and costly. The outcome of such proceedings is difficult to predict. The negative outcome of more extensive legal or administrative proceedings, regardless of whether it is based on a judgement or a settlement, could mean that Edgeware is ordered to make significant payments. In addition, costs in connection with disputes and arbitration proceedings could be significant.

The Company is the registered holder of two domain names: edgeware.se and edgeware.tv. However, the Company is not the

registered holder of any trademark registrations for the Edgware trademark. Since 22 January 2016, the UK company Vesper Technologies Limited is the registered holder of the EU trademark EDGEWARE, meaning that this company has protection for the Edgware trademark in the entire EU. Vesper Technologies Limited is also the registered holder of EDGEWARE as a national trademark in the UK and has submitted an application for trademark protection for EDGEWARE in the US. However, two different companies currently are registered holders of the Edgware trademark in the US in different categories. Since the Company is not a registered holder of any trademark protection for the Edgware trademark, and other companies have approved registrations for the Edgware trademark in the EU and US, there is a risk that the Company may not be able to continue using the Edgware trademark in its operations in the EU and US. As part of this, the Company has initiated an action for annulment with the European Union Intellectual Property Office (“EUIPO”) regarding the approved registration of the EU trademark. If the EUIPO rejects this action, the Company will be impeded from continuing to use the Edgware trademark within the EU and this could have a material negative effect on the Company’s operations, financial position or earnings.

Edgware’s competitors or other persons may have already been granted, or in the future may be granted, patents related to one or more components of the Company’s technology. If any claims are brought against Edgware for patent infringement, the Company could bring upon itself considerable costs for engaging in the charges and could be ordered to discontinue the sale of products based on the patent in question as long as the proceedings regarding the patent are continuing. If a dispute were to result in a judgement to the effect that Edgware had infringed a valid patent, a court could order the Company to pay significant damages or licence fees to the owner of the patent and/or discontinue the use of all technology and products causing the infringement. This could entail significant disruptions to Edgware’s operations and result in high costs for developing and implementing alternative technology or products that do not cause any infringement, or obtaining licences from patent holders. It could also mean that Edgware’s customers make claims under guarantees against the Company. There is a risk that a successful patent-infringement claim from a third party could entail that Edgware is unable to develop competitive alternatives at a reasonable cost, or that the Company fails to obtain a licence from a patent holder on commercially acceptable conditions, or at all.

Ongoing and future legal or administrative proceedings could result in significant costs and/or damages, which could have a material negative effect on the Company’s operations, financial position or earnings.

The demand for Edgware’s products is dependent on the general economic climate and is primarily affected by the development in TV and streaming

Edgware conducts its business in a large number of markets in the world and, similar to other companies, is affected by the general global economic, financial and political climate. Demand for Edgware’s products is dependent on such factors as general macroeconomic circumstances, for example, recession, inflation, deflation, a general weakening in the market for TV and streaming services and changes in customers’ purchasing power. Global economic conditions and negative changes in the economies in Europe, the US and the world in general, such as the trend in GDP,

could therefore have a negative effect on Edgware’s operations, financial position and earnings. Uncertainty surrounding the economic outlook, including political turmoil, that impacts customers’ purchasing habits could have a material negative effect on customers’ purchases of Edgware’s products and a negative effect on Edgware’s sales and gross margins. For more information about gross margins, see – *Edgware’s gross margin may fluctuate over time and there’s a possibility that the current gross margin level of the Company’s products cannot be sustainable.*

Edgware is dependent on the development of new products and improvements to the Company’s existing products and product-development activities require substantial resources for research and development

Edgware’s future success depends on its ability to develop and improve products to keep pace with technological advances in the market. The Company endeavours to maintain close collaborations with its customers to ensure that products have the desired functionality. There is however a risk that the Company’s research and development activities will not be technologically and/or commercially successful. If Edgware does not manage to make the product and technological advances as necessary or if the Company’s work does not lead to the successful launch of a sufficient number of competitive products, this could have a material negative effect on its operations, operating profit and financial position. Also, if Edgware’s competitors introduce new or improved products or technology, Edgware’s existing products or technology could become uncompetitive or obsolete.

In addition, research and development projects often suffer delays due to unforeseen problems, which could lead to lower delivery volumes, fewer product features than originally deemed desirable and higher production costs than originally budgeted for, which could result in the Company missing market opportunities. Delays to product development could also prevent Edgware from maintaining its position in relation to its competitors, which could potentially deny the Company an important competitive advantage. Furthermore, there is a risk that new products or product improvements that Edgware launches do not achieve a significant degree of market acceptance or are not accepted by the Company’s partners, which could result in less successful leveraging of opportunities than expected. Such delays or shortcomings in the development and delivery of new products or low market acceptance could lead to a material negative effect on Edgware’s operations, operating profit or financial position.

Edgware is dependent on the development, market acceptance and knowledge of the Company’s products and technology

Edgware’s future growth is dependent on the commercial success of the Company’s products and services. It is difficult to predict both the extent and timing of signing commercial agreements and the introduction of new areas of application for the Company’s solutions. The market for the Company’s technology and products could change and the sales cycle could vary significantly from customer to customer, for example, depending on Edgware’s ability to maintain the competitiveness of the Company’s products and services.

In addition, there is a risk that the customers that the Company targets will not choose Edgware’s technology for technical, cost, service-related, commercial or other reasons. Customers and partners that the Company targets could establish competing products and services themselves by using other technology or applications

or develop their own technology or applications and thus consider it to be difficult or uninteresting to continue to use, adapt to or move over to Edgware's technology.

If Edgware fails to increase awareness of its products and services and if Edgware's future and existing partners and customers do not choose, purchase or implement Edgware's technology to the same extent, this could have a material negative effect on the Company's operations, financial position or earnings.

Edgware operates in a competitive market and the Company could fail to compete successfully

The Company has competitors in both existing markets and in new markets. Edgware's competitors vary in size from being smaller or of equal size to Edgware to larger, multinational companies and many of them may have significantly greater financial, technological and operational resources, including resources for research and development, marketing and sales finances, than Edgware has. In the future, Edgware could also be exposed to competition from other large, well-established and financially strong players that could acquire, invest in or establish joint ventures with suppliers that, compared with Edgware, have similar or competing technology, and existing suppliers could choose to merge. Tougher competition could lead to increased price pressure, lower profit margins, increased costs for research and development and/or higher expenses for sales and marketing. Further, the Company has neither the personnel nor the financial resources to focus on all potential market opportunities.

Edgware's position in existing markets could be rapidly weakened by competitors developing new and/or superior products or technology. Current and potential competitors could also be companies that are more well-known, have a larger customer base and could be successful in increasing their market shares. A weakened market position and/or tougher competition could have a material negative effect on the Company's operations, financial position or earnings.

Edgware is dependent on its relationships with important customers

Edgware's operations have historically been dependent on long-term relationships with certain large customers. The Company's largest customer accounted for 29 percent of the Company's net sales and the Company's three largest customers accounted for 51 percent of the Company's net sales during 2015. Such companies' general perception of Edgware could be negatively affected if Edgware were to fail in its performance under one of the Company's contracts or agreements within the stipulated time limit, or even at all, or if these companies are unable, or in any degree less willing to work together with Edgware in general. Furthermore, such large customers could breach or cancel their agreements with Edgware or enter into agreements with Edgware's competitors. If any of the major customers also were to encounter financial difficulties or otherwise become unable to fulfill their obligations under an agreement, it could lead to significant consequences for Edgware since Edgware's earning could be significantly less than expected.

Should Edgware be unsuccessful in maintaining its relationships with important customers, it could lead to a loss of sales, which could ultimately have a significantly negative effect on Edgware's operations, operating profit or financial position.

Edgware is dependent on intellectual property and the Company's methods for protecting such rights could be insufficient

Edgware's operations and business strategy are linked to the Company's technology used in its products and services. Edgware relies on a combination of patent, copyright and trademark laws, trade secrets, confidentiality agreements and contract clauses to protect the Company's intellectual property rights.

There is a general risk that the Company will not obtain IPR protection for important components of its technology or that the Company will not obtain or maintain IPR protection in key jurisdictions, such as the US and the EU. In addition, there is a risk that new products or technology developed by Edgware cannot be patented, that issued patents do not give the Company any competitive advantages, or that the patents will be contested by third parties, that the time required for obtaining an issued patent is longer than the lifetime of the technology, or that patents owned by other parties could reduce the Company's ability to develop and conduct its business.

The relevant government authorities could also reject trademark applications submitted by the Company. Although applications could be approved, third parties could attempt to contest or challenge such registrations. Non-registration of trademarks could limit Edgware's ability to use the Company's trademarks and conduct marketing in these jurisdictions.

Edgware's efforts to protect the Company's intellectual property rights might be insufficient and various players could attempt to plagiarise or gain access to and use the Company's technology without authorization. Monitoring unauthorised use of technology is complicated and costly and the results of any enforcement measures are uncertain. For this reasons, there is a risk that the measures taken by the Company could prove to be insufficient in preventing unauthorised parties from utilising its technology.

There is a risk that the Company's measures to maintain the confidentiality of business secrets and confidential information are insufficient in preventing unauthorised parties from obtaining such information.

It is difficult to monitor unauthorised use of Edgware's technology and there is a risk that the Company's intellectual property rights are currently being infringed or that Edgware does not discover unauthorised use of such rights in the future, particularly if Edgware expanded its operations to new markets. In addition, measures for protecting Edgware's intellectual property rights may be costly and divert Edgware's resources and management's attention, and the measures may not be successful. Furthermore, Edgware's current and potential competitors could, in certain cases, be able to allocate significantly more resources to defending their intellectual property rights than Edgware can. Accordingly, there is a risk that Edgware could be unable, in a manner equal to the Company's major competitors, to prevent third parties from infringing or abusing the Company's intellectual property rights.

Should any of the aforementioned risks materialise, this could have a material negative effect on the Company's operations, financial position or earnings.

Exposure to currency risk may affect Edgware's cash flow, income statement and balance sheet

Currency risk pertains to the risk of exchange-rate fluctuations having a negative effect on the Company's income statement, balance sheet or cash flow. The Company reports in SEK and SEK is the Company's main functional currency. Currency exposure

arises when products and services are purchased or sold in currencies other than the local currency for the agreements (transaction exposure), and when balance sheets and income statements from Edgware's US subsidiary are translated to SEK (conversion exposure). Edgware's global operations give rise to significant cash flows in currencies other than SEK. Edgware is primarily exposed to fluctuations in EUR, USD and MXN in relation to SEK. In 2015, a 10 percent decrease in EUR/SEK would have decreased Edgware's operating profit, excluding currency hedging, by MSEK 12.1. The corresponding amount for a 10 percent decrease in USD/SEK was MSEK 1.0 and in MXN/SEK the fluctuation was MSEK 1.7. Consequently, any fluctuations in exchange rates could have a material negative effect on the Company's operations, financial position or operating profit.

The Company's contracting parties could fail to fulfill their contractual obligations, which could have a material negative effect on the Company's operations, financial position or earnings

A large portion of the Company's hardware products are not made by the Company, although they are manufactured to the Company's unique specifications and data. The physical manufacturing of the Company's products is performed by a subcontractor at a production site in Sweden. The Company is dependent on the availability, production, quality assurance and deliveries of this subcontractor to manufacture sell and deliver the Company's hardware products. Incorrect or delayed delivery or non-delivery could entail that Edgware's deliveries are, in turn, delayed, incomplete or incorrect or do not take place, which could result in reduced sales and have a negative effect on the Company's customer relationships. For example, in 2007 the Company was subject to delivery delays and higher prices on material components due to a fire at a major international subcontractor which also were one of the Company's suppliers. Delivery shortcomings could thus have a material negative effect on the Company's operations, financial position or earnings. The Company's partners and customers could also fail to fulfill their obligations to the Company, for example, the obligation to sell and/or deliver the Company's products and services to customers or to pay for products that are delivered complete and in time. Should the Company's counterparties fail to fulfill their obligations to the Company, this could have a material negative effect on the Company's operations, financial position or earnings.

After having completed sales to customers, Edgware could encounter difficulties in receiving payment for its accounts receivable and could be exposed to risks related to accounts receivable that are not possible to recover, which could have a negative effect on the Company's cash flow. These difficulties are at risk of increasing in connection with establishment of new markets and/or when the customer base expands. There is also a risk that the Company's cash flow will weaken with the average payment time for Edgware's customers increasing when the Company expands to new markets. There is a risk that Edgware will not be able to avoid impairment of accounts receivable or writing off doubtful receivables in the future. Such impairment or write-offs could have a negative effect on Edgware's operating profit for the period in which they occur.

Edgware operates in a global environment and is consequently exposed to political uncertainty, local business risks and the laws, rules and regulations in several countries

Edgware operates in a global environment and is consequently exposed to various risks, such as the introduction of new or

amended laws, rules or regulations. Trade restrictions implemented in the countries where Edgware operates, for example, in the US, or in other countries where Edgware may conduct operations in the future, as well as sanctions or other measures imposed by associations and organizations, such as the EU and the UN, could restrict the Company's operations, delay or impede planned investments or in some other manner have a negative effect on Edgware's financial results. Edgware's operations are also exposed to risks associated with its business activities, such as:

- the implementation or application of stricter product rules and standards as well as the costs associated therewith,
- exposure to various legal standards and enforcement measures as well as the costs involved in complying with these standards,
- being subject to various tax systems, including regulations pertaining to internal pricing and tax deductions on transfers and other payments to or from a subsidiary,
- being subject to several, potentially overlapping regulations and rules, particularly concerning export and import controls, anti-corruption and bribery,
- customs duties, levies, export controls, import restrictions and other trade barriers,
- variations in pricing restrictions, and
- exchange controls and restrictions on the reversal of funds.

The Company is subject to anti-bribery legislation and regulations in the countries where it operates. Examples of such legislation and regulations include the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act (the "**FCPA**"), which prohibits companies and their intermediaries from making or receiving improper payments.

There is a risk that Edgware may not succeed in developing and implementing systems, policies and procedures for managing these risks or in complying with the applicable regulations without incurring significant costs. Should any of these risks be realised, this could have a material negative effect on Edgware's operations, financial position or operating profit.

Edgware is dependent on senior executives and key employees as well as on maintaining its relationships with retailers

Edgware's technology is complex and the Company is dependent on its senior executives and key employees, including its competent sales representatives and employees with technical expertise and in-depth knowledge of the Company technology and industry. There is a risk that Edgware may not be able to retain or hire such employees to the extent necessary in order for the Company to be successful in a competitive market. Should Edgware not succeed in retaining key employees or recruiting highly qualified employees, this could have a negative effect on the Company's operations or earnings and impede the future expansion of the product development, sales and support operations.

In many markets, Edgware also works with partners selling their own solutions in which Edgware's products and services are an integrated part. If Edgware were unable to find competent partners or if, for some reason, several agreements with retailers were terminated within a short period of time, Edgware may have difficulties replacing such partners or retailers, which could have a material negative effect on the Company's operations, financial position or earnings.

Should Edgeware's reputation be damaged, this could result in a loss of sales or growth opportunities for the Company

Edgeware depends on its reputation. Edgeware's reputation can impact the purchasing decisions of new and existing customers. For example, quality, operational and logistical problems or the loss of a prominent customer or supplier could damage Edgeware's reputation and thus have a negative effect on Edgeware's ability to retain its existing customers or attract new customers. Edgeware is also exposed to the risk that its employees or other individuals linked to Edgeware could conduct themselves in a manner that is unethical, criminal (including but not limited to breaches of applicable anti-corruption or anti-bribery legislation) or that violates Edgeware's internal guidelines and policies pertaining, for example, to compliance with anti-corruption and anti-bribery legislation. Customers and suppliers may associate Edgeware with such conduct, which could have a material negative effect on Edgeware's reputation, operations, financial position or earnings.

Edgeware's products are technologically advanced and may contain undiscovered hardware or software defects, which puts the Company's operations at risk with respect to warranty returns, product liability, product defects and other contractual obligations

Edgeware's products are technologically advanced and complex and, as such, their use is considered mission critical when it comes to customer's ability to provide TV and streaming services. Edgeware's products may contain undiscovered hardware or software defects, bugs or security vulnerabilities. Certain defects in Edgeware's products may only be discovered once the product has already been installed and used by the customer. Any errors, bugs, defects or security vulnerabilities discovered in Edgeware's products could result in a loss of income, returns, a loss of customers, damage to the Company's brand and reputation, or increased costs due to reparation or service and warranty costs, which could have a material negative effect on the Company's operations, operating profit and financial position.

The Company has also entered into service and delivery agreements with its partners and customers. There is a risk that the Company may fail to fulfill its contractual obligations to its partners or customers, such as the obligation to provide service and support. Should the Company fail to fulfill its obligations to its partners or customers, this could have a material negative effect on the Company's operations, financial position and earnings.

Furthermore, Edgeware must be able to meet certain requirements arising as a result of product liability and breach of warranty. Regardless of the facts of the case, responding to such charges is a costly procedure and could divert management's attention and have a negative effect on the market's perception of Edgeware and its products. Should Edgeware's liability and product insurance prove to be insufficient or the Company be unable to take out insurance on acceptable terms or at all, this could have a negative effect on Edgeware's operations, operating profit and financial position.

Sales to countries with less developed legal systems and political and social uncertainty

Edgeware sells and license its products and services to countries with less developed legal systems and political and social uncertainty, such as Brazil and Costa Rica. These sales could increase, either through an upswing in sales in current markets such as Brazil and Costa Rica or through entry into new markets which are facing this type of uncertainty. As a result, the Company could be

affected by factors that are beyond its control, such as political and social uncertainty, financial instability and corruption. Accordingly, Edgeware's operations are exposed to various degrees of political risk and regulatory uncertainty, such as corruption and unforeseen changes in the application of law. The political and economic instability in these countries could have a material negative effect on the Company's operations, financial position or earnings.

Edgeware's sales to countries with less developed legal systems entails that the Company is exposed to legal systems that in various degree differ from the Swedish legal principles. Rules and legal principles may differ with respect to substantive law, for example, with regard to license and tax regulations, as well as court procedures and execution of judgment. The Company's ability to exercise or enforce its rights and obligations may vary in different countries and may differ from what would have been the case if these rights and obligations were subject to Swedish legislation. The Company may also be subject to requirements from government authorities, customers or a third party. Should the Company become involved in a legal dispute with a government authority or be forced to defend or enforce its legal rights, the legal procedures involved may become costly and time-consuming. Furthermore, the outcome of such disputes is always uncertain and notwithstanding the outcome, such legal procedures could have a material negative effect on the Company's operations, financial position or earnings.

Although Edgeware's products are technologically advanced, there is a risk that they could be copied by a third party

Edgeware's products comprise both components and software, including software with open source code that is available to third parties. There is a possibility that Edgeware may not be able to prevent a third party from copying all or part of the Company's products and functions, particularly when they are not protected by valid patents or other intellectual property rights. Although Edgeware currently considers the likelihood of the Company's competitive situation being damaged due to copying to be low, the number of copies could increase or occur at a faster rate after the introduction of new technology than what is currently the case. Should this occur, it could have a material negative effect on Edgeware's operations, operating profit or financial position.

Edgeware is dependent on well-functioning IT systems

Edgeware is dependent on the effective, uninterrupted operation of various IT system in order to conduct its business, including product development, sales and purchasing. A significant breakdown or other disruption to these IT systems could impact the Company's general ability to conduct its operations, including developing products, conducting efficient sales or invoicing and delivering products to customers. There is also a risk that the Company's employees and other partners may not act in accordance with the Company's instructions and guidelines for ensuring adequate IT security.

In the event that Edgeware falls short in providing its customers with products and services, Edgeware may be liable. The Company's operations also necessitate the use and storage of information about employees and customers. The IT environment in which Edgeware operates is also regulated by far-reaching laws, rules and regulations, including but not limited to data secrecy and data protection, which often undergo various changes. Sometimes these laws, rules and regulations may be inconsistent between the various jurisdictions where Edgeware operates. Edgeware's measures to maintain the secrecy and integrity of personal data and protected information, as well as the Company's security precautions

with respect to its systems and other security procedures, may be insufficient and it is therefore a risk for unlawful infringement or that personal data or protected information are being disclosed. This could damage Edgware's reputation and cause the Company to be liable for damages, thereby resulting in increased costs and/or a loss of income.

Should any of these events occur, this could have a material negative effect on Edgware's operations, financial position or earnings.

Edgware's gross margin may fluctuate over time and there is a possibility that the current gross margin level of the Company's products may not be sustainable

Edgware's profitability depends on its gross margin remaining strong. There are a number of factors that could, in both the short and long term, change the Company's possibilities to maintain its current gross margin. These factors include, for example, changes in the distribution of income between products and services, changes in the composition of the Company's customer base, the markets where the Company operates and its product range. The reason for this is that customers in certain markets may only be willing to pay a limited price for the Company's products and services compared with current levels and that the competitive situation in the Company's markets may force the Company to lower its prices and thereby its gross margin.

Furthermore, the Company's gross margin may be affected if newly introduced products do not sell at the same margin as its existing products and the cost for purchasing may increase for both existing and future products. There is also a risk that the margins could decline should Edgware be unable to reduce and/or control its costs for purchasing to the same extent as it has in the past. Changes in sales volumes, exchange rate fluctuations, changes in the distribution chain and increased warranty costs could also have a negative effect on Edgware's gross margin.

Should any of the aforementioned risks materialise, this could have a material negative effect on the Company's operations, earnings or financial position.

Edgware's ability to forecast sales volumes is limited due the short order and delivery cycles of the Company's products

Edgware's sales volumes are based on continuous orders of products and services and the Company has not entered into any long-term agreements with its customers containing obligations with respect to purchase volumes. The Company has entered into certain customer agreements, generally extending for 1-3 years, in which the Company undertakes to deliver a certain volume of products and/or services. The Company's standard delivery time for products is between four and twelve weeks. Accordingly, the Company's order stock – as well as the ability to forecast income based on the order stock – is typically only four to twelve weeks. Edgware's procedures to attempt to anticipate future sales volumes, which are based on internal forecasts and non-binding customer assessments, may therefore differ from the actual result. Major discrepancies between the forecast and actual results with respect to incoming orders, including difficulties in supplying order volumes in accordance with its contractual obligations, could have a material negative effect on Edgware's operations, operating profit or financial position.

Edgware's insurance cover could prove to be inadequate to protect Edgware against all liabilities that may arise in its operations

Edgware has insured its operations against customary losses and/or potential liability in relation to claims from third parties. The risks encompassed are damage to property, business interruptions, remuneration and benefits to employees, profession liability, product liability and recalls. Certain types of losses are not generally covered by insurance since they are deemed impossible to insure or are excluded from the insurance policies in question. This may include, for example, damage caused by war or terrorism and professional or personal liability in the event of negligent, intentional or criminal acts. Furthermore, most of Edgware's insurance policies (insured amounts) are limited to certain maximum amounts per claim, a series of claims and to a total amount during a certain insurance period. Compensation is also generally dependent on the insured party having paid the excess amount or deductible and on the maximum amount of an insurance policy not already having been paid. In the event of an uninsured loss, a loss that exceeds the specified limit or the incidence of consequential losses, this could have a negative effect on Edgware's operations, financial position or earnings.

Edgware's tax situation could change due to successful challenge of the Company's past or current tax positions

Edgware operates in Sweden and through a subsidiary in the US and has employees in Belgium, the Netherlands, Germany, Spain, India, Brazil, Mexico, Singapore, Hong Kong and other countries. The tax strategies utilized are based on interpretations of the current tax laws, treaties and regulations of the various jurisdictions involved and the requirements of the relevant tax authorities. Edgware obtains advice regarding these requirements from independent tax professionals when needed. However, there is a risk that Edgware's interpretation and application of current tax laws, rules, legal practice and official practice may have been or continue to be incorrect or that the aforementioned tax laws, rules, legal practice or other practice could change, including, but not limited to, that tax interpretations regarding employees and consultants of Edgware abroad could change, possibly with retroactive effect. Edgware and its subsidiaries may, at any given time, be subject to tax audits and investigations. There is a risk that such tax audits and investigations could result in additional taxes being imposed, particularly if Edgware's sales operations in countries outside Sweden and the US were to be deemed permanent establishments, if transactions between the Swedish parent company and its US subsidiary were deemed not to have been at arm's length or if share transactions with employees and board members or their shareholding in Edgware were to result in Edgware being charged with social security contributions. In the event that Edgware's interpretation of tax laws treaties and regulations or their applicability is incorrect, if one or more governmental authorities successfully make negative tax adjustments in regards to one of Edgware's business units or if the applicable laws, treaties, regulations or governmental interpretations thereof or administrative practice in relation thereto change, including with retroactive effect, Edgware's past or current tax positions may be challenged. In the event tax authorities were to succeed with such claims, this could result in an increased tax cost, including tax surcharges and interest which could have a material adverse effect on Edgware's business, financial condition and results of operations.

Since the laws, treaties and other regulations on taxation, as well as other fiscal charges, have historically been subject to frequent changes, further changes are expected in the future in the jurisdictions where Edgware operates, possibly with retroactive effect. Any such changes could have a significant impact on Edgware's tax burden, as well as a material adverse effect on Edgware's business, financial condition and result of operations.

Tax losses could be restricted or cancelled as a result of future changes in Swedish tax law or, under the current rules, as a result of change of control

At 31 December 2015, Edgware had tax loss carry forwards of MSEK 82 in the Swedish operations and the entire tax loss carry forwards have been activated in the balance sheet. In addition, the US subsidiary has additional tax loss carry forwards that have not been activated in the balance sheet due to uncertainties whether Edgware will generate taxable profit in the US against which the US tax loss carry forwards could be offset.

In June 2014, the Swedish Committee on Corporate Taxation delivered proposals to the Swedish Government on the introduction of a new system for corporate taxation in Sweden. The Committee's proposals included that any tax losses carried forward in a company as of a given date should be reduced by 50 percent as a one-off occurrence. The proposed reduction was heavily criticised during the submissions process. The Swedish Government has announced that the proposal should be further reviewed. As of the date of this Offering Circular, it is unknown whether any reduction of existing tax losses carried forward will be proposed by the Swedish Government and when such a reduction would be introduced.

Tax losses may be restricted or cancelled either as a result of future changes to Swedish tax law or, under the current rules, as a result of change of control through which one or several shareholders together hold shares acquired during a specific time frame, representing more than 50 percent of the votes calculated in a certain manner. Such a change of control would cancel historical tax loss carry forwards, to the extent they exceed 200 percent of the acquisition cost for the decisive influence (under a special calculation where contributions and other transfers of values may reduce the purchase price in a certain manner). The cancellation or restriction on the use of the Company's tax loss carry forwards may have a significant impact on the Company's tax burden, including a potential imposition of tax surcharges, and could have a material adverse effect on the Company's business, financial condition and result of earnings.

RISKS RELATING TO THE OFFERING

An active, liquid and orderly trading market for Edgware's shares may not develop, the price of its shares may be volatile, and investors could lose a portion or all of their investment

The shares have not previously been subject to trading on an exchange. It is therefore difficult to predict the level of trading or the interest the Company's shares will receive. The price at which the shares will be traded and the price at which the investors may realize their investment will be influenced by a large number of factors, some specific to Edgware and its operations and some general to quoted companies. Admission to trading on Nasdaq Stockholm shall not be taken as implying that there will be a liquid market for the shares. There is a risk that the price for the shares will be very volatile in connection with the listing and if an active and liquid market does not develop or, if developed, that it sustains, it may result in

difficulties for the investors to resell the shares. There is also a risk that the market price can differ substantially from the share price under the Offering. If any of these risks were to materialize it could have a material adverse effect on the share price.

Future issuances of shares or other securities in the Company may dilute the shareholding and affect the price of the shares

In the future, Edgware may need to increase its capital by issuance of new shares to fund its business, including to finance potential future acquisitions and other investments that the Company may decide upon or to strengthen its balance sheet. In addition, Edgware may need to make additional investments in equipment and/or technology and may need to raise additional funds through the issuance of equity, equity-related or convertible debt securities. There is a risk that additional financing will not be available to the Company on acceptable terms when required, or may not be available at all. Existing shareholders' shareholdings may be diluted if the Company resolve to raise additional capital, e.g. by way of a new share issuance, which may affect the price of the shares. If these risks were to materialize, it could have a material adverse effect on the shareholders' invested capital and/or the share price.

Following the Offering, the existing main shareholders will continue to have significant influence over Edgware and the ability to influence matters requiring shareholders' approval

The existing main shareholders will continue to have the potential to significantly influence the outcome of matters submitted to Edgware's shareholders for approval, including the election of board members and any share capital increase, merger or sale of all or substantially all of Edgware's assets. To the best of Edgware's knowledge, no agreements between the largest shareholders exist aside from the Sell down agreement which has been entered into between the Global Coordinator and certain larger shareholders. Nevertheless, the interests of the main shareholders may not be aligned with Edgware's interests or those of the other shareholders, and the main shareholders could exercise influence over Edgware in a manner that does not promote the interest of the other shareholders in the best way.

Edgware's ability to pay dividends is dependent upon its future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors

Edgware does not intend to pay any dividend during the coming years since the development and expansion plans will be prioritized. In addition, the amount of any future dividends that Edgware may pay, if any, will depend upon a number of factors, such as future revenues, financial condition, cash flows, working capital requirements, capital expenditures and other factors. Edgware may also not have sufficient distributable funds, and Edgware's shareholders may not resolve to pay dividends.

Differences in currency exchange rates may adversely affect the value of shareholdings or dividends paid

The shares will only be quoted in SEK and any dividend will be paid in SEK. As a result, shareholders outside Sweden may experience adverse effects on the value of their shareholdings and their dividends, when converted into other currencies, if the Swedish krona depreciates against the relevant currency.

Existing shareholders' future sale of shares could cause the share price to decline

The price of Edgeware's shares could decline if there are substantial sales of shares in the Company, particularly sales by the Company's board members, executive management, and significant shareholders, or when a large number of shares are sold. Sales of substantial amounts of shares by the main shareholders or the perception that such sales will occur, could have an adverse effect on the share price.

Cornerstone Investors may not fulfill their undertakings

Catella Fondförvaltning AB, Grenska Specialisten Förvaltning AB, LMK Forward AB, Swedbank Robur Fonder and OstVast Capital Management Ltd (jointly "**Cornerstone Investors**") have undertaken, provided that certain conditions are met and to the same price as the other investors, to acquire shares in the Offering. The undertakings correspond to a total of approximately 25 percent of the total number of shares in the Company immediately following the completion of the Offering provided that an Offering Price is determined at the midpoint of the Price Range (SEK 27.50). Thus, the undertakings cover approximately 54 percent of the Offering. The Cornerstone Investors' undertakings are however not secured through a bank guarantee, blocked funds or pledge of collateral or similar arrangement. Hence, there is a risk that the Cornerstone Investors will not be able to fulfill their undertakings. Furthermore, the Cornerstone Investors' undertakings are associated with certain conditions relating to, among other things, that the Offering is completed within a certain time frame. In the event that any of these conditions are not fulfilled, there is a risk that the Cornerstone Investors do not fulfill their undertakings, which could have an adverse effect on the completion of the Offering.

Shareholders in the US or other countries outside Sweden may be excluded from future cash offerings of shares

If the Company issues new shares in a cash issue, shareholders have, as a general rule, preferential rights to subscribe for new shares proportionally to the number of shares held prior to the issue. Shareholders in certain countries may, however, be subject to limitations that prevent them from participating in rights offerings, or otherwise makes participation difficult or limited. For example, shareholders in the US may be unable to exercise rights to subscribe for new shares unless a registration statement under the Securities Act is effective in respect of such subscription rights and shares or an exemption from the registration requirements under the Securities Act is available. Shareholders in other jurisdictions outside Sweden may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. Edgeware is under no obligation to file a registration statement under the Securities Act or seek similar approvals under the laws of any other jurisdiction outside Sweden in respect of any subscription rights and shares and doing so in the future may be impractical and costly. To the extent that Edgeware's shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new shares in any future rights issues, their proportional interests in the Company would be reduced.

INVITATION TO ACQUIRE SHARES IN EDGEWARE

The Company and the Selling Shareholders have decided to diversify the ownership structure to promote the growth and continued development of Edgware. For this reason, the Board of directors of Edgware has applied for a listing of the Company's shares on Nasdaq Stockholm.

On 16 November 2016, Nasdaq Stockholm's Listing Committee decided to admit the Company's shares to trading subject to certain conditions, including that customary conditions regarding distribution of shares are met not later than by the first day of listing, which is expected to be 9 December 2016.

Investors are hereby offered, in accordance with the terms and conditions of this Offering Circular, to acquire a total maximum of 14,951,587 shares in Edgware, of which the Company will offer up to 6,000,000 newly issued shares and the Selling Shareholders will offer up to 8,951,587 existing shares.

The price in the Offering will be determined through a book-building procedure. The final price per share in the Offering (the **"Offering Price"**) will be determined in the price range of SEK 25–30 (the **"Price Range"**) by the Edgware Board of Directors and the Selling Shareholders, in consultation with the Joint Bookrunners. The Offering Price is expected to be announced through a press release on or about 9 December 2016.

The Board of Directors intends, by utilising an authorization to issue new shares resolved on by the extraordinary shareholders' meeting on 28 November 2016, to decide on a new share issue, which is expected to provide Edgware with net proceeds of approximately MSEK 140, encompassing a maximum of 6,000,000 newly issued shares and a minimum of 5,000,000 newly issued shares, depending on the subscription price that will be determined in the price range of SEK 25–30 per share. Based on full acceptance in the Offering and a final Offering Price corresponding to the midpoint of the Price Range, SEK 27.50, the Company's share capital (after the Offering) will amount to SEK 1,546,512.9, represented by 30,930,258 shares, of which the newly issued shares of the Offering will correspond to approximately 17.6 percent.

The Selling Shareholders will offer 8,549,923 existing shares, corresponding to approximately 61.1 percent of the shares in the Offering, based on full acceptance of the Offering and a final Offering Price corresponding to the midpoint of the Price Range, SEK 27.50.

The Principal Owners have issued an option to the Joint Bookrunners, which can be utilised in whole or in part for 30 days from the first date of trading in the Company's shares on Nasdaq

Stockholm, to acquire additional existing shares from the Principal Owners, corresponding to approximately 15 percent of the maximum total number of shares encompassed by the Offering, at a price corresponding to the Offering Price, to cover any overallocation in connection with the Offering (the **"Overallotment Option"**). Provided that the Offering is expanded in full and a final Offering Price corresponding to the midpoint of the Price Range, the Overallotment Option will include the right to purchase an additional maximum of 2,100,667 shares from the Principal Owners, corresponding to approximately 15 percent of the maximum total number of shares encompassed by the Offering.

Provided that the Overallotment Option is exercised in full and a final Offering Price corresponding to the midpoint of the Price Range, SEK 27.50, the Offering will encompass a maximum of 16,105,135 shares, corresponding to approximately 52.1 percent of the shares and votes in the Company.

The total value of the Offering, based on the price range of SEK 25–30, amounts to approximately MSEK 374–396 on the assumption of full acceptance. If the Overallotment Option is exercised in full, the total value of the Offering is approximately MSEK 430–456.

The Cornerstone Investors (Catella Fondförvaltning AB, Grenspecialisten Förvaltning AB, LMK Forward AB, Swedbank Robur Fonder and OstVast Capital Management Ltd) have undertaken to directly or indirectly acquire shares in the Offering at the Offering Price, in the number of shares and percentages of the Offering as stated below, based on the number of shares in the Company after the Offering has been completed and based on a final Offering Price corresponding to the midpoint of the Price Range, SEK 27.50.

- Catella Fondförvaltning AB: 1,454,545 shares, 10.39 percent,
- Grenspecialisten Förvaltning AB: 1,818,181 shares, 12.98 percent,
- LMK Forward AB: 1,090,909 shares, 7.79 percent,
- Swedbank Robur Fonder: 2,165,454 shares, 15.46 percent, and
- OstVast Capital Management Ltd: 1,090,909 shares, 7.79 percent.

Each of the Cornerstone Investors' undertakings are conditional on factors including (i) the Company's shares being listed on Nasdaq Stockholm within a certain time, (ii) such Cornerstone Investors being allotted shares in the Offering corresponding to their undertakings (iii) the Offering Price not exceeding SEK 30 (meaning the maximum price of the Price Range).

Stockholm, 29 November 2016

Creandum KB

Creandum I Annex Fund AB

Amadeus III

Amadeus III Affiliates Fund LP

Amadeus EII LP

Joachim Roos

Kalle Henriksson

Lukas Holm

Micron Technology, Inc.

BACKGROUND AND REASONS

BACKGROUND OF EDGEWARE

Edgware was founded in 2004 and has since evolved into a global, high-tech company that develops and offers hardware and software systems as well as associated services that, according to the Company, enable effective and scalable TV and video streaming over IP. The Company's solutions are primarily sold to telecom and cable operators as well as OTTs/broadcasters that want to effectively, securely and cost-efficiently make TV and video content available to their viewers.

Edgware's solutions are based on creating a decentralized *content delivery network*¹⁾ (CDN), where the Company's hardware and software ensure that customers' viewers can stream content from servers at the edge of a network, located closest to the viewer. The server can either be a server developed by Edgware (known as a TV server) dedicated to delivering video content and customised for installation in networks or a standard server running Edgware's software. This intelligently designed decentralized system ensures a high level of quality and delivery reliability and reduces the traffic load in the backhaul network (the network between the customers' central data centre and the final part of the network, closest to the viewer).

Between 2007 and 2015, the Company's net sales grew by an average annual rate of 41 percent²⁾ per year and Edgware's net sales for the 12-month period ending 30 September 2016 amounted to MSEK 232 and the gross margin to 69 percent.

REASONS FOR LISTING THE EDGEWARE SHARE

The Offering and listing will broaden the Company's shareholder base, increase Edgware's capital and provide Edgware with access to the Swedish and international capital markets, and thereby expanding the Company's financing options, which are deemed to promote the Company's continued growth and development. The board and Edgware's management believe, together with the Selling Shareholders, that the issue of new shares and listing of the Company's shares is a logical and important step in Edgware's development so as to be able to capitalize on growth opportunities and to further strengthen the Company's market

position and increase awareness about Edgware and its products and technology.

Edgware expects to receive net proceeds of MSEK 140 from the new share issue that will be carried out as part of the Offering. Edgware intends to use the proceeds to:

- **Finance Edgware's continued growth:** The Company sees several potential growth areas and intends to use part of the proceeds to capitalize on them. Edgware's main focus will be expanding the Company's sales organization and it intends to double the sales organization over the next two years to increase the Company's geographic coverage.
- **Finance acquisitions:** The net proceeds may also be used to finance potential acquisitions. The Company believes that there is potential for consolidation in the market and has identified a number of acquisition targets that could strengthen Edgware's market position and product offering.
- **Strengthen the Company's financial position:** The Company believes that a stronger financial position could increase the Company's ability to undertake larger and more complex business transactions with customers and partners around the world.

See section "*Business overview – Clear strategy for achieving continued growth*" for further information regarding the Company's growth strategy and how proceeds from the new share issue will be used.

For further information, refer to the information in this Offering Circular, which has been prepared by the board of directors of Edgware in connection with the application for listing of the Company's shares on Nasdaq Stockholm and the Offering made in connection therewith.

The board of directors of Edgware is solely responsible for the contents of this Offering Circular. Assurance is hereby given that all reasonable measures have been taken to ensure that, to the board's knowledge, the information in this Offering Circular complies with the actual circumstances and that no information has been omitted that could affect its meaning.

Stockholm, 29 November 2016

Edgware AB (publ)

The board of directors

The board of directors of Edgware is solely responsible for the contents of this Offering Circular. However, the Selling Shareholders confirm their commitment to the terms and conditions of the Offering.

¹⁾ A content delivery network is a geographically distributed network of servers that deliver content (TV, video, web content, etc.) to viewers/end users.

²⁾ The net sales average annual growth is reported in order to show the Company's development over time and is reported as the change in percent of the Company's audited net sales during the stated period. 2007 net sales collected from the Company's audited annual report, prepared in accordance with the Swedish Annual Accounts Act and general guidelines from the Swedish Accounting Standards Board (BFNAR). 2015 net sales collected from the Company's audited consolidated financial statements, prepared in accordance with IFRS, as adopted by the European Commission.

MARKET OVERVIEW

Some of the information presented below has been obtained from external sources, including reports from the independent market analysis company Frost & Sullivan and industry publications and reports available to the general public. Industry publications and reports generally state that the information presented therein has been obtained from sources that are deemed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Although Edgware considers these industry publications and reports to be reliable, the Company has not independently verified them and cannot guarantee their accuracy and completeness. Information provided by third parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The forecasts and forward-looking statements presented in this section do not constitute a guarantee of future outcomes and the actual events and circumstances may deviate significantly from current expectations. A number of factors could result in or contribute to such deviations. For examples, see sections "Important information to investors" and "Risk factors".

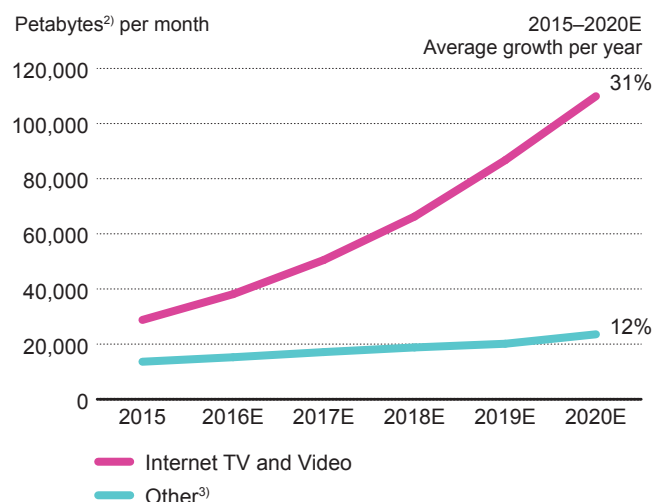
INTRODUCTION

When TV first entered the homes of the masses in the 1960s, it was amazing! Since then, the technology has developed gradually – until gaining new momentum in recent years. Although the few terrestrial TV channels began to face competition from other channels, via cable or satellite, programming remained scheduled, which meant that specific programmes were shown at specific times. In recent years, however, and thanks to the Internet, viewers have been given much more content to choose from and they now have the ability to choose how and when they wish to watch this content. New TV and video providers, such as Netflix and HBO, have further

challenged the established cable and telecom operators, which in turn responded by expanding their offerings.

In order to utilise the full capacity of the Internet and meet viewers' demands of a high-quality viewing experience, the capacity of IP (*Internet Protocol*) networks must be substantially increased or alternative delivery solutions created. This is where Edgware comes in – solving this customer need for increased capacity. This section describes in greater detail the trends and drivers in Edgware's market – in terms of the changing habits of viewers and the drivers and needs of the different market participants – *the market for TV and video distribution over IP networks*.

Video streaming is expected to grow by more than 31% per year between 2015 and 2020¹⁾



¹⁾ Consumer internet traffic (includes internet traffic generated by households, university populations and internet cafés)

²⁾ Petabyte = 10^{15}

³⁾ Includes web, email, data, file sharing and online gaming

The market for TV and video distribution over IP networks is mainly facilitated by people's increasing use of the Internet. For example, Cisco¹⁾ forecasts that 52 percent of the global population will use the Internet on a daily basis by 2020, compared with 40 percent

in 2015, and that the number of Internet-connected devices, such as computers, mobile phones and tablets, will amount to 3.4 per capita by 2020. This is expected to contribute to an approximately 255 percent increase in the average consumption of Internet traffic per capita between 2015 and 2020²⁾. The volume of online video streaming is expected to increase by an average annual rate of 31 percent between 2015 and 2020, and video streaming will account for more than 80 percent of the total traffic volume in 2020³⁾. In 2020, the average viewer is expected to spend approximately 24 hours a week watching TV and video online⁴⁾.

TRENDS

The market for TV and video distribution over IP networks has grown since the early 2000s as viewers have gradually switched from traditional, linear scheduled viewing, delivered via conventional satellite TV, cable TV or terrestrial TV, to online streaming⁵⁾. This shift has been driven by a demand among viewers to watch what they want, when they want, on the device of their choice and the fact that online streaming has enabled new services that deliver a more attractive viewing experience. As a result of this change in consumption habits, all players in the traditional scheduled TV and video distribution chain are now, to a greater degree, focusing on delivering content directly to viewers over IP networks⁶⁾.

The Company considers the following, in no particular order, to be key trends in its market. If no source is specified, the trends described below are based on the Company's own opinion.

¹⁾ Cisco Visual Networking Index (2016).

²⁾ Cisco Visual Networking Index (2016).

³⁾ Cisco Visual Networking Index (2016).

⁴⁾ *The Value of Content* (Boston Consulting Group, 2016).

⁵⁾ *The Value of Content* (Boston Consulting Group, 2016).

⁶⁾ *The Value of Content* (Boston Consulting Group, 2016).

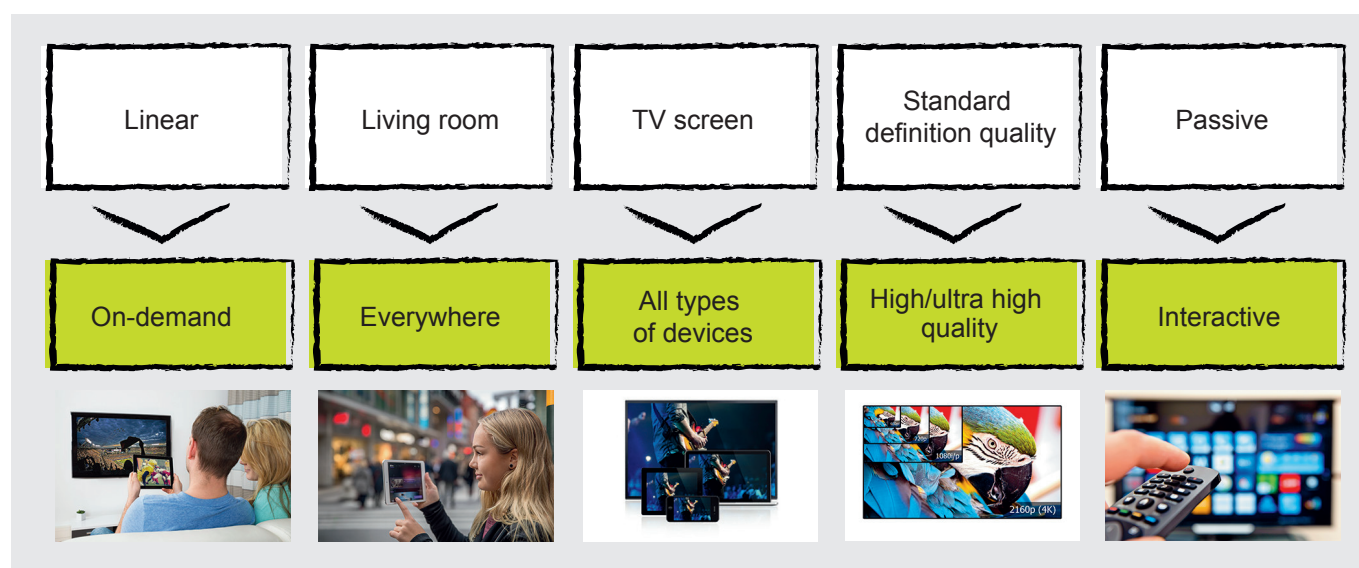
Changes in viewing habits

TV and video viewing has changed radically over the past few years. Scheduled viewing, in which content is broadcast on specific channels at specific times, is increasingly being replaced by video-on-demand (VOD), which allows viewers to choose the content they wish to watch as well as when and on which device they wish to watch it⁷⁾. Viewers now have access to more TV programmes than ever before, and rather than being restricted to the living room sofa, TV and video viewing is now possible in

all environments. Nowadays, viewing takes place on a range of devices, from mobile phones and tablets to computers. Viewers also expect to be able to pause, fast forward, rewind and change device in the middle of a programme.

These changes in consumption habits are causing the amount of data distributed over IP networks to increase at a rapid rate⁸⁾. This places major demands on the networks and distribution, since they must be able to deliver high-quality VOD services without any buffering or delays.

Structural shifts in the market



Personalised viewing

Historically, all TV and video content was broadcast to everyone via traditional methods such as satellite and terrestrial TV. This has now changed with the advent of TV and video distribution over IP networks⁹⁾. The distribution of TV and video content over IP networks provides each user with a unique stream, which means that the content must be distributed to each viewer each time it is consumed, rather than once for all viewers at the same time. Delivering unique streams significantly increases the amount of data transported in the provider's network since each TV and video clip must be transported many times instead of only once.

Advertising is also becoming more personalised since modern streaming systems offer the technology to easily tailor the advertisements shown to the individual viewer. Advertisements are normally tailored to a specific customer group or geographic area in order to increase their relevance, resulting in a better viewing experience and a higher return on marketing investments for advertisers¹⁰⁾.

Quality improvements

The quality of TV and video delivered over the Internet is steadily improving. Cisco predicts that in 2020, 16.4 percent of all TV and video delivered over the Internet will be in Ultra HD (*ultra-high definition*), compared with 2.0 percent in 2015, while SD (standard definition) TV and video will decline from 46.7 percent in 2015 to 20.6 in 2020¹¹⁾. As the quality of the video distributed improves from SD to HD (*high definition*), the amount of data distributed over the network increases by a factor of approximately four, and as the quality improves from SD to Ultra HD, the amount of data increases by a factor of 16. Since compression technology is not keeping pace with the constant improvements in the quality of TV and video distributed over IP networks, the amount of data being transported is increasing at a highly rapid rate.

Viewing experience

Viewers are placing higher and higher demands on providers of TV and video content over IP networks and expect high-quality services¹²⁾. Buffering, technical problems, delays and glitches are issues that can ruin the viewing experience. Statistics show, for example, that one in four viewers will turn off the service if the content starts to buffer¹³⁾. Accordingly, providers must do everything they can to ensure an optimal viewing experience, which places major demands on providers' CDNs (Content Delivery Networks)¹⁴⁾.

⁷⁾ *The Value of Content* (Boston Consulting Group, 2016).

⁸⁾ Cisco Visual Networking Index (2016).

⁹⁾ *The Value of Content* (Boston Consulting Group, 2016).

¹⁰⁾ *The Value of Content* (Boston Consulting Group, 2016).

¹¹⁾ Cisco Visual Networking Index (2016).

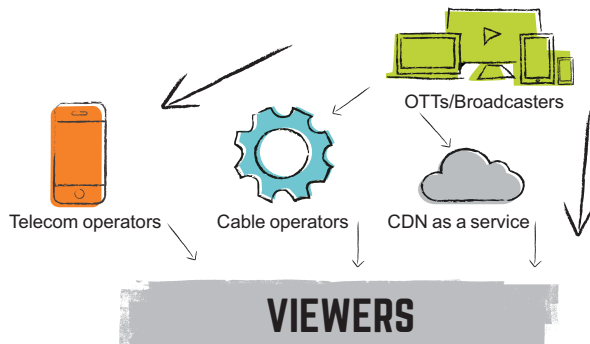
¹²⁾ *The Value of Content* (Boston Consulting Group, 2016).

¹³⁾ Beyond Entertainment Customer Survey (Conviva OTT, 2015).

¹⁴⁾ A content delivery network is a geographically distributed network of servers that deliver content (TV, video, web content, etc.) to viewers/end users.

PLAYERS IN EDGEWARE'S MARKET

Main players in the market



Players and changes in the dynamics of the value chain

In the traditional value chain, telecom and cable operators were the only players delivering content to viewers. TV and video distribution over IP networks has changed the traditional value chain. In the past, content producers and owners, such as HBO and the National Football League (NFL), were forced to turn to TV stations or other distributors to deliver their content to viewers. TV and video distribution over IP networks has made it possible for all players in the emerging value chain to reach viewers directly¹⁵⁾. For example, the content producer HBO now distributes content directly to viewers via VOD services, as does the NFL, which distributes content directly via its NFL Game Pass service. All players in the value chain for TV and video distribution over IP networks have the possibility to distribute content directly to viewers, which results in a greater need for capacity.

Ultimately, it is always the advertisers and/or viewers who pay for the content. The possibility to reach viewers directly through distribution over IP networks means that all players in the value chain are now competing for the attention of advertisers and viewers. As the dependency on other players in the value chain has decreased, all players have come to value exclusivity when it comes to the most popular content since this allows them to differentiate themselves from their competitors and boost their viewership¹⁶⁾.

The different players and their market drivers

Telecom operators: Telecom operators are experiencing declining income in their core markets (fixed and mobile telephony and broadband services) and are attempting to respond to this decline by expanding and packaging their product and service offering, for example, by developing and offering an attractive TV service. To make their TV services more attractive, telecom operators are adding additional functions and applications to their offerings, such as a pause-live, and making extensive investments in unique video catalogues¹⁷⁾ (for example, the Spanish telecom operator Telefónica bought the rights to broadcast all matches of the Spanish football league, La Liga, during the 2015/2016 season for MEUR 600¹⁸⁾). Examples of telecom operators include KPN and Telia Company.

Cable operators: Cable operators are experiencing declining numbers of viewers as a result of increased competition and growing costs due to their efforts to stop customer churn. Competition is largely driven by the fact that telecom operators and OTTs/broadcasters generally offer their own TV services and distribute content directly to viewers¹⁹⁾. Cable operators must now renew their networks to ensure a modern, high-quality network that meets the needs of viewers.

Examples of cable operators include Com Hem and Televisa.

OTTs/broadcasters: OTTs/broadcasters are growing quickly and playing an increasingly important role in the value chain. They produce and deliver content directly to viewers via their own Internet TV services and can also offer their services via telecom and cable operators. To strengthen and expand the range of their content catalogues, many companies purchase content from other players, such as TV stations²⁰⁾. OTTs/broadcasters are also increasingly building their own CDNs in order to ensure their distribution capacity, rather than purchasing this capacity as a service. Examples of OTTs/broadcasters include TVB, Netflix and Viaplay.

CDN as a service: Providers of CDN as a service are players that have built their own networks for distributing TV and video content over IP networks and sell capacity on those networks. Providers of CDN as a service enabled the early expansion of several OTTs/broadcasters. However, CDN as a service companies are now facing increasing competition from players such as telecom operators that are expanding their own CDNs and selling available capacity on their own networks. Competition may also arise in the form of other players in the value chain that choose to build their own CDNs using products from companies such as Edgware. See below for more information.

Examples of providers of CDN as a service include Akamai and Level3.

Distribution channels for TV and video content over IP networks

TV and video content can either be distributed via traditional methods such as satellite, cable or terrestrial networks or over IP networks. Over IP networks, video content can either be distributed via companies that sell CDN as a service or via self-built CDNs, with content providers distributing the content themselves.

CDN as a service

Companies that sell CDN as a service, such as Akamai and Level3, sell capacity on their own CDNs. In several countries, telecom operators are also major providers of CDNs as a service since they sell spare capacity in their own networks. Providers of CDNs as a service typically charge based on the amount of distributed data, the amount of content to be distributed and the number of viewers. Several of these companies also offer services other than TV and video distribution, such as data storage, websites and business services.

CDN as a service is suitable for content providers with a limited number of viewers and a broad geographic spread. The downside of CDN as a service is that buyers of the service do not derive any significant benefits of scale when distributing large volumes

¹⁵⁾ *The Value of Content* (Boston Consulting Group, 2016).

¹⁶⁾ *The Value of Content* (Boston Consulting Group, 2016).

¹⁷⁾ *The Value of Content* (Boston Consulting Group, 2016).

¹⁸⁾ "Telefónica in €600m Spanish TV rights deal for La Liga" (*Financial Times*, 10 July 2015).

¹⁹⁾ *The Value of Content* (Boston Consulting Group, 2016).

²⁰⁾ *The Value of Content* (Boston Consulting Group, 2016).

of content. Moreover, buyers of the service lose control over the quality of distribution as well as insight into their viewers' habits and consumption patterns. Historically, several major providers of CDN as a service have not focused on TV and video distribution, which means that they haven't built systems capable of handling the special requirements associated with video distribution, such as significant variations in demand and increased TV viewership during the evening.

Self-built CDNs

Providers of TV and video content over IP networks can also choose to purchase hardware and software components from a third party, such as Edgware, and build their own CDNs. This allows TV and video providers to distribute content themselves and sell spare capacity in their own CDNs to other players. Some companies with business models based exclusively on selling CDN as a service purchase components from a third party in order to build their CDNs.

Building your own private CDN is an optimal solution for distributing large quantities of data to a large number of viewers. By building a private CDN, TV and video providers are provided with full control over the distribution of content and in-depth insight into the habits of its viewers. Self-built CDNs require an initial investment and an organization to handle the network, but create significant benefits of scale compared with CDN as a service.

Clear trend toward proprietary CDNs

There is a clear trend for providers of TV and video content over IP networks to increasingly build their own CDNs using products from Edgware, for example, instead of purchasing CDN as a service. This trend is the result of the significant benefits of scale created by proprietary CDNs. As the number of viewers increases and the volume of data transported in the network grows, it becomes more expensive to purchase CDN as a service, since providers of CDN as a service typically charge per viewer and quantity of data. The cost for a proprietary CDN is more scalable, meaning that the cost per viewer decreases as the number of viewers and quantity of distributed data increases.

Proprietary CDNs also offer other benefits for content providers, such as full control over the distribution of content, greater insight into viewers' habits and thus the ability to tailor their advertising to the viewer. This trend is reflected in the growth of the market for TV and video distribution over IP networks. One example of this is the fact that Edgware's addressable market (as defined by Frost & Sullivan) grew 22.6 percent in 2015, while the market for CDN as a service grew only 12.5 percent in the same year²¹.

Providers of CDN as a service have clearly picked up on this trend. When Akamai, the world's largest provider²² of CDN as a service, presented its results for the second quarter of 2016, CEO Frank Thomson Leighton described a sharp decline due to several customers deciding to focus on building their own CDNs.

MARKET SIZE AND FUTURE PROSPECTS

Overview

Edgware does not sell all of the components required to build a complete TV service, choosing instead to specialise in the functions for distributing TV and video content. Edgware's products and solutions are used to create and manage TV and video content

libraries, store the content far out at the edge of the network, close to the viewer, format the content so that it can be tailored to the individual viewer and device, and finally distribute the content to the viewer.

Other related functions that are required to build a TV service but are not included in the Company's product range, include primarily functions necessary for handling "raw" content in the form of coding for specific compressed digital formats and digital rights management.










The primary customer groups in the market are telecom and cable operators and OTTs/broadcasters that distribute TV and video content over IP networks. Edgware's customer base also includes providers that offer CDN as a service and have built their own CDNs using products and services from a third party.

Market definition

Edgware's product range includes streaming and management software systems as well as storage and central storage systems. Edgware's streaming software is delivered pre-installed in the Company's purpose-built TV servers, which have been developed specifically to handle TV and video content, and its software for management systems is delivered on standard servers. Storage and central storage systems typically comprise of standard servers manufactured by HP, for example, which Edgware resells.

The market analysis company Frost & Sullivan has estimated the size of Edgware's market and the market's forecasted growth over the coming years. The market analysis company has defined Edgware's addressable market exclusively as the total global sales of streaming and management software systems. Frost & Sullivan chose to exclude all types of hardware – and thus the hardware element of Edgware's self-built TV servers – from its market definition. Standard servers have also been excluded since there are so many possible applications for standard servers and no reliable way of calculating the proportion used for storing and distributing TV and video content. As a result, Edgware's market according to Frost & Sullivan's definition is smaller and growing at a faster rate than according to Edgware's own definition.

Overview of differences in market definitions

Product groups	Installed, delivered and run on	
Streaming software 	TV Server 	Standard server 
Management system software 	Standard server 	
Storage (Hardware) 	Standard server 	
Central storage (Hardware) 	Standard server 	



Included in both Frost & Sullivan's and Edgware's market definition



Not included in Frost & Sullivan's market definition but the products are included in Edgware's product offering

²¹ Frost & Sullivan (2016).

²² <https://www.akamai.com/us/en/resources/content-distribution-network.jsp>.

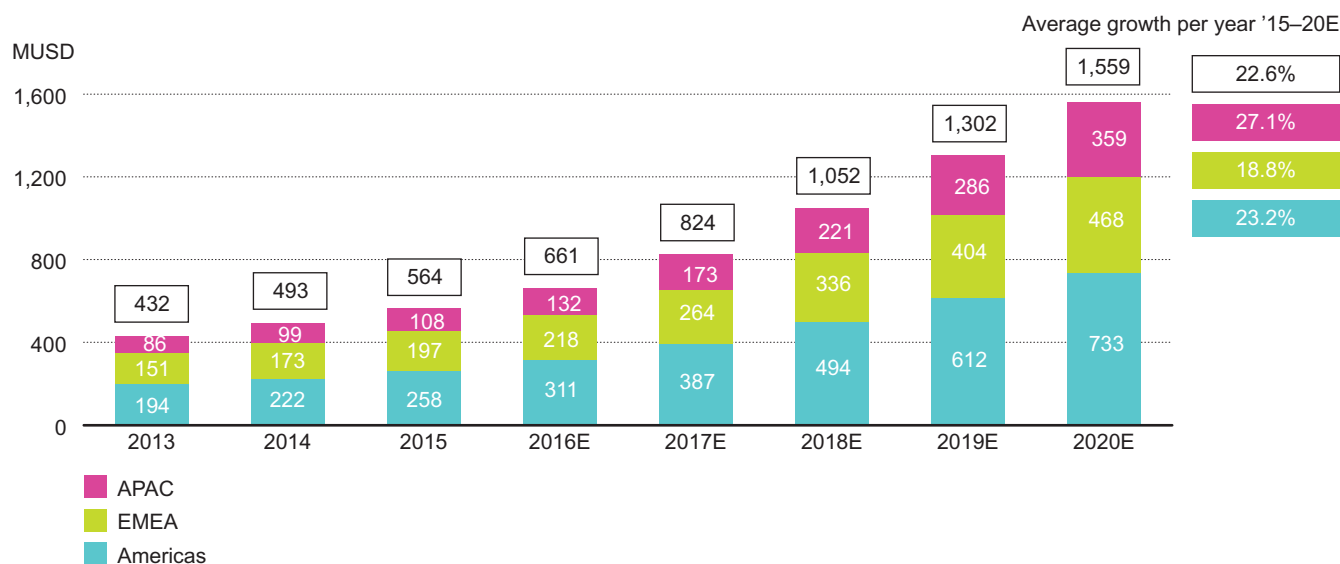
Market size and growth according to Frost & Sullivan

Edgeware's addressable market, as defined by Frost & Sullivan, amounted to MUSD 564 in 2015 and grew approximately 14 percent per year between 2013 and 2015. In 2020, the market will amount to about MUSD 1,600 annually, corresponding to a compound annual

growth rate (CAGR) of approximately 23 percent between 2015 and 2020²³⁾.

Edgeware predicts that its market – including TV servers and standard servers – will be larger and grow at a slower rate as a result of the declining price development for standard servers.

Size and growth of Edgeware's addressable market, as defined by Frost & Sullivan



Regional differences in the market

Edgeware's market, as defined by Frost & Sullivan, is expected to grow by more than 18 percent annually in all regions between 2015 and 2020. The market is expected to grow at a somewhat slower rate in the AMERICAS and EMEA regions compared with the APAC region, primarily due to the fact that IPTV services have a slightly higher penetration rate in first two regions and the enabling broadband internet growth is higher in APAC.





²³⁾ Frost & Sullivan (2016).

COMPETITIVE SITUATION

Below is a description of the Company's view of Edgewares competitive situation and the main barriers to entry provided.

Competitors

Overview of competition in the market for TV and video distribution over IP networks

Criteria	Self-built CDNs			CDN as a service
	Specialists		Generalists	
Example players				
Key focus area	Streaming and caching	Diversified CDN technologies (Encoding, streaming, caching)	End-to-end solutions	Full content management, storage and playout
Customer size	Medium and large enterprises	All sizes	Large enterprises	All sizes
Product and service offering	Product leading CDN technology	CDN technology	Turnkey solutions including managed services	CDN, storage and content management
Engagement model	Part of integration	Part of integration	Full service providers	Part of integration
Scalability of solution	High	Medium	Medium	N/A
Customer responsiveness	High	Medium/High	Low/Medium	Low

CDN as a service

Refer to section "Players in Edgware's market – Distribution channels for TV and video content over IP networks – CDN as a service" above.

Generalists

Generalists such as Cisco, Ericsson and Huawei primarily target large providers (mainly telecom and cable operators) that are simultaneously expanding their networks and establishing TV and video distribution over IP networks for the first time. They sell comprehensive TV solutions for customers and package these solutions with other types of products required to build network infrastructure, such as optical networks. Generalists also offer their customers proactive IT services and network maintenance services on a subscription basis. However, the Company believes that these solutions, taken individually, are not as competitive as those offered by specialists. According to the Company, generalist solutions are also relatively static, making them more difficult to adapt to customers' needs and changes in the market. Most generalists also have an established strategy of focusing more on selling products "as a service", which – according to Edgware – means that they, to a larger degree, compete with providers of CDN as a service rather than with specialists offering customised hardware and software components.

Specialists

The specialist market is fragmented and the players in the market are mostly smaller than generalists and providers of CDN as a service. Specialists focus on specific functions required to build a dedicated CDN. For example, Edgware and Broadpeak focus on streaming and caching, while other specialists are more focused on coding and head-end solutions for handling and formatting raw content early in the distribution process. Edgware's technology is

based on building decentralized CDN networks, which means that its solution is scalable and easy to adapt to customers' needs.

Main barriers to entry for new players

The following are some of the many barriers making it difficult for new players to establish themselves in the market for TV and video distribution over IP networks:

Advanced technology with high product development costs:

Providers of TV and video content over IP networks demand high-performance, reliable, multifunctional and scalable solutions. The solutions must also be secure, experience minimal service interruptions and be adaptable to the needs of the providers. Extensive industry know-how is required to develop solutions that meet these needs. The market is characterised by high technological content and advanced product development requiring financial resources and expertise.

Specialist market: The market is characterised by a high degree of integration, with players frequently collaborating with various kinds of partners in order to, together, offer a comprehensive solution. Successful cooperation is crucial since customers require a fully functioning solution from day one. The infrastructure market for TV and video distribution over IP networks is a niche market and not sufficiently large to be prioritised by the largest infrastructure providers in the datacom and telecom industries.

High degree of ecosystem integration: Selling infrastructure for TV and video distribution over IP networks requires a broad range of pre-integrated ecosystem components, for example, middleware (software that allows several types of software to work together). New players do not have the infrastructure in place to enable them to quickly adapt to various customer needs.

BUSINESS OVERVIEW

OVERVIEW

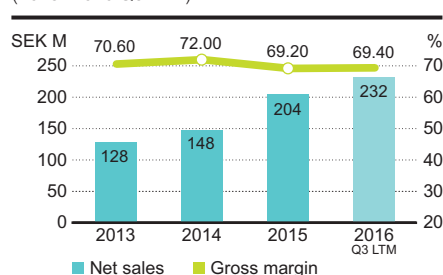
Edgeware is a Stockholm, Sweden-based, global high-tech company that develops and offers hardware and software systems as well as associated services that, according to the Company, enable effective and scalable TV and video streaming over IP. The Company's solutions are primarily sold to telecom and cable operators as well as OTTs/broadcasters that want to effectively, securely and cost-efficiently make TV and video content available to their viewers.

Edgeware's solutions are based on creating a decentralized CDN (Content Delivery Networks)¹⁾, where the Company's hardware and software ensure that customers' viewers can stream content from servers at the edge of a network, located closest to the viewer. The server can either be a TV server developed by Edgeware dedicated to video content and customised for installation in networks or a standard server running Edgeware's software. This intelligently designed decentralized system ensures a high level of quality and delivery reliability and reduces the traffic load in the backhaul

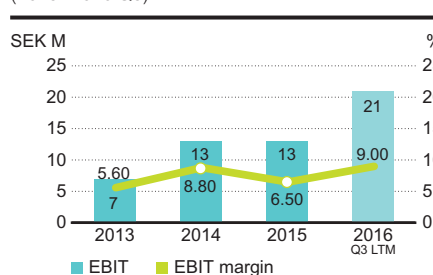
network (the network between the customers' central data centre and the final part of the network, closest to the viewer).

Edgeware was founded in 2004 by Joachim Roos, Lukas Holm and Kalle Henriksson. Venture capital funds Creandum and Amadeus invested in the Company in 2006 and the Company received its first major order from TeliaSonera in 2007. This order was a testament to the customer value created by Edgeware's products and marked the start of the Company's development and growth. Between 2007 and 2015, the Company's net sales grew an average rate of 41 percent²⁾ per year and Edgeware's net sales for the 12-month period ending 30 September 2016 amounted to MSEK 232 and the gross margin to 69 percent. The Company had 92 employees³⁾ as of 30 September 2016, approximately half of whom work in product development. As of the same date, Edgeware's accumulated sales had surpassed SEK 1 billion. Edgeware currently has more than 150 customers in 60 countries and offices in Stockholm and Hong Kong.

Net sales and gross margin
(2013–2016 Q3 LTM)

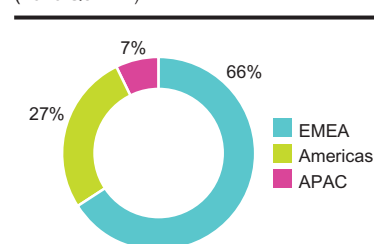


EBIT and margin¹⁾
(2013–2016 Q3)



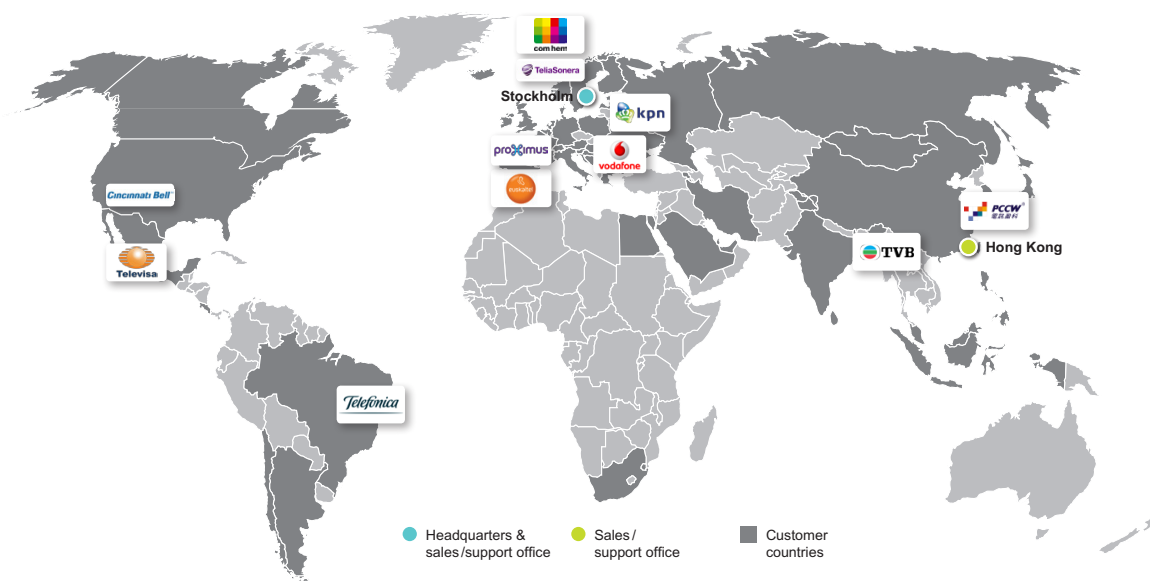
¹⁾ EBIT and margin for 2016 Q3 LTM is adjusted.

Net sales per region
(2016 Q3 LTM)



Geographic presence

SELECTED REFERENCE CUSTOMERS



¹⁾ A content delivery network is a geographically distributed network of servers that deliver content (TV, video, web content, etc.) to viewers/end users.

²⁾ The net sales average annual growth is reported in order to show the Company's development over time and is reported as the change in percent of the Company's audited net sales during the stated period. 2007 net sales collected from the Company's audited annual report, prepared in accordance with the Swedish Annual Accounts Act and general guidelines from the Swedish Accounting Standards Board (BFNAR). 2015 net sales collected from the Company's audited consolidated financial statements, prepared in accordance with IFRS, as adopted by the European Commission.

³⁾ Number of employees includes employees hired by Business Sweden and consultants with employment-like agreements.

Vision, mission and business concept

Vision	Mission	Business concept
"Let's make TV amazing again."	"The transformation of TV."	"Reduce costs and improve quality of the new generation of TV services by distributing playout functions closer to the viewer."

History

Edgeware was founded in 2004 by Joachim Roos, Lukas Holm and Kalle Henriksson, all of whom had extensive experience from the network industry. They had seen how linear TV viewing, meaning viewing of scheduled programming, slowly but surely was being replaced by video-on-demand (VOD), which allows viewers to control their TV experience. The founders realised that this trend created an enormous increase in the amount of data being delivered over the networks. Their vision was to find a solution that could effectively handle this increase in delivered data. The founders realised that the solution was to store data far out at the "edge" of the networks, which is where the name Edgeware comes from.

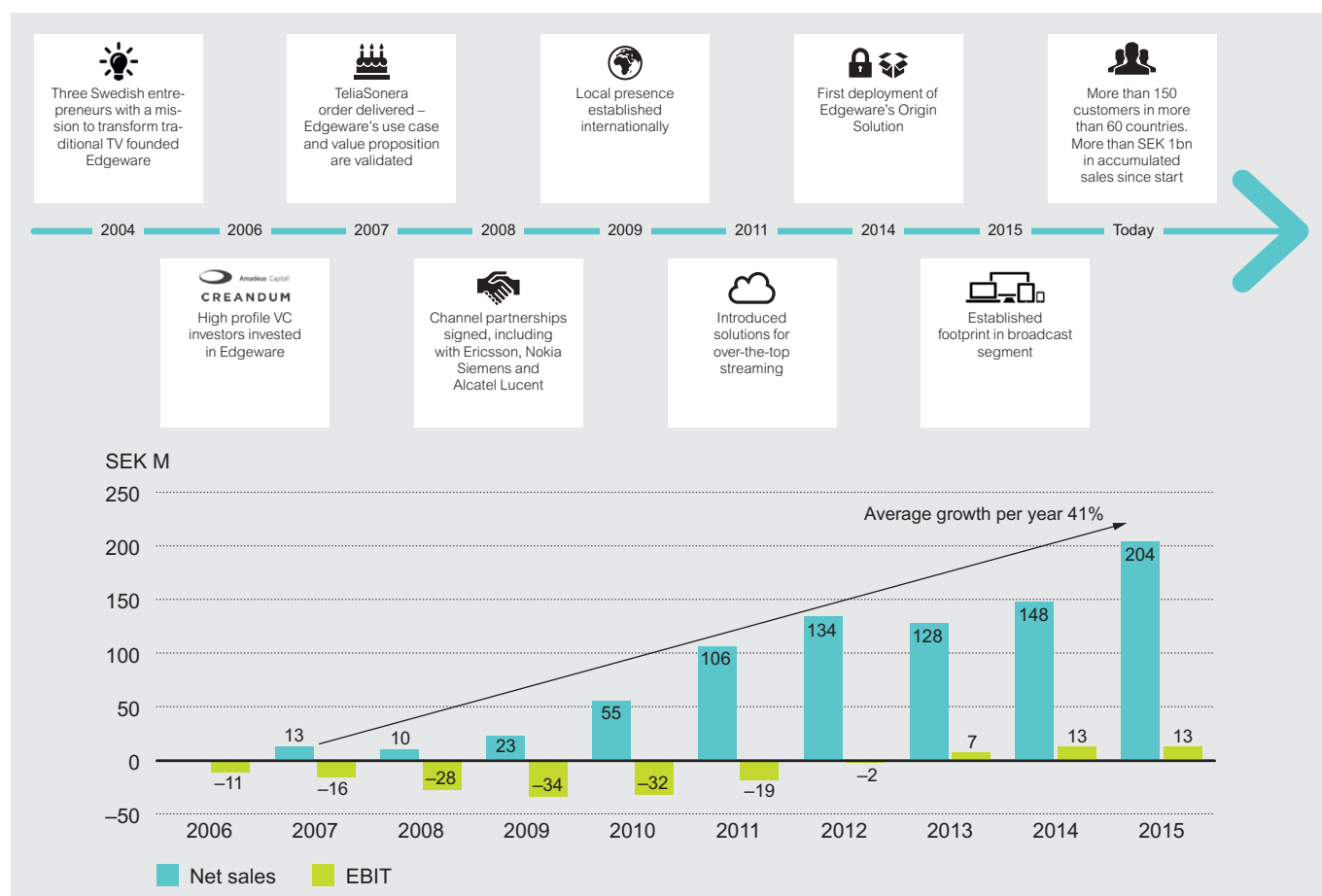
In 2006, Edgeware had its big breakthrough when it presented its first video server at the IBC trade fair in Amsterdam. Earlier the same year, the venture capital funds Creandum and Amadeus had observed the enormous potential of the Company's solution and decided to invest in the business and join the Company's board of directors. The investments enabled the Company's continued growth.

In 2007, Edgeware won tenders with leading telecom and cable operators and the Company delivered a major order to TeliaSonera (now Telia Company) – a customer that has remained a key partner for the Company ever since. The TeliaSonera order was a testament to customer value created by Edgeware's streaming solution. The Company's success with TeliaSonera attracted the attention of a number of leading OEMs, such as Ericsson, Nokia Siemens and Alcatel Lucent, which started marketing and selling Edgeware's solution as part of their broader telecom solutions.

Since 2007, the Company's sales have grown by an average annual rate of 41 percent.⁴⁾ Edgeware has, according to the Company, become one of the world's leading specialist companies in TV and video distribution over IP. Its products have been developed and adapted to attract new customer groups, from telecom and cable operators to OTTs/broadcasters. The first steps have also been taken toward developing a global sales organization. As of 30 September 2016, Edgeware's accumulated sales since the Company was founded had surpassed SEK 1 billion, and the Company had more than 150 customers in more than 60 countries and offices in Stockholm and Hong Kong.

The planned capital contribution in conjunction with the IPO will be invested in developing the Company's sales organization, leveraging potential acquisition opportunities and boosting the Company's financial resources. With the Company's proven technology and solutions as well as the proven customer value, Edgeware is well equipped to take advantage of the future opportunities in TV and video streaming.

Edgeware's history



⁴⁾ The net sales average annual growth is reported in order to show the Company's development over time and is reported as the change in percent of the Company's audited net sales during the stated period. 2007 net sales collected from the Company's audited annual report, prepared in accordance with the Swedish Annual Accounts Act and general guidelines from the Swedish Accounting Standards Board (BFNAR). 2015 net sales collected from the Company's audited consolidated financial statements, prepared in accordance with IFRS, as adopted by the European Commission.

STRENGTHS AND COMPETITIVE ADVANTAGES

Structural shifts in the market enabling streaming technology

Edgware operates in an industry undergoing significant structural shifts. From linear TV, where TV and video content was mass distributed via broadcast towers and satellites to viewers watching scheduled programming at a certain time, the world is now seeing a shift toward VOD. Content is now largely distributed over the Internet via IP (*Internet Protocol*) networks, where each viewer has a unique stream. This allows viewers to choose for themselves *what* content they want to watch, *where* and *when* they want to watch it and *on what* device: TV, mobile, computer or tablet. Several other important shifts are also taking place. Rather than being broadcast in standard quality, TV and video content is now increasingly shown in HD or even Ultra HD. TV viewing is also changing from a passive experience to an interactive, social experience, with viewers interacting with other viewers or programme presenters.

As a result of these trends, the volume of content to be distributed over IP networks is expected to increase significantly over the coming years. The large US network equipment company Cisco estimates that the volume of global video streaming will increase by an average annual rate of 31 percent between 2015 and 2020⁵⁾, from 28.8 petabytes of distributed video data traffic per month in 2015 to 110 petabytes per month in 2020. These structural shifts, which have been enabled by the development of streaming technology for Internet distribution, are also expected to create enormous storage and distribution problems, since the infrastructure of the Internet was never developed and is inadequate in size to cope with the rapidly growing volume of data traffic. Smart, new solutions are required to solve these storage and distribution problems – solutions that Edgware can provide.

Well positioned to capitalize on changing market dynamics

Streaming technology is changing the face of the value chain for TV and video distribution. Previously, producers and owners of video content, such as HBO and Disney, were forced to turn to TV stations or other distributors to deliver their content to viewers. Streaming not only makes it possible for cable and telecom operators to reach viewers directly, but also allows all players in the value chain to distribute content directly to viewers. For example, the cable operator Com Hem now distributes its content directly to viewers via its

TiVo VOD service while Netflix, an OTT provider that started as a DVD rental service, had more than 86 million viewers worldwide⁶⁾ streaming its content as of 30 September 2016. It is the Company's view that Edgware is well positioned to capitalize on the market dynamic enabled by streaming technology. Edgware, whose business concept is to develop optimised solutions for the distribution of video and TV content over IP networks, is a well positioned provider for companies looking to distribute content directly to viewers.

Strong growth in Edgware's market

According to the independent market analysis company Frost & Sullivan, Edgware's addressable market will grow by an average annual rate of 23 percent per year between 2015 and 2020⁷⁾ as a result of the aforementioned trends and changes in market dynamics. It is the Company's view that Edgware's development during the period 2013–2015 has outpaced the market⁸⁾ and according to the Company, Edgware is well positioned to capitalize on this anticipated growth with its, according to the Company, innovative, industry-leading solutions.

Powerful solution based on industry-leading streaming technology

Edgware's solution is based on providing products and services that enable the design of decentralized CDNs. This means that the most popular content is cached, handled and adapted to the viewer as far out in the networks as possible, on Edgware's own TV servers or the customer's own standard servers installed with Edgware's software. This ensures that the content is distributed to the viewer from the closest and most suitable server. Using this solution, the content only needs to be sent over the backhaul network once rather than being sent once to each unique viewer, thereby reducing the number of bottlenecks. This means that there is no need for Edgware's customers to make substantial investments in central data centres or backhaul networks, which are difficult and costly to scale up. A distribution architecture based on a decentralized hierarchy not only provides viewers with a better customer experience, but is also more cost-effective, since it is easy to scale up when needed and utilises the backhaul network more efficiently.

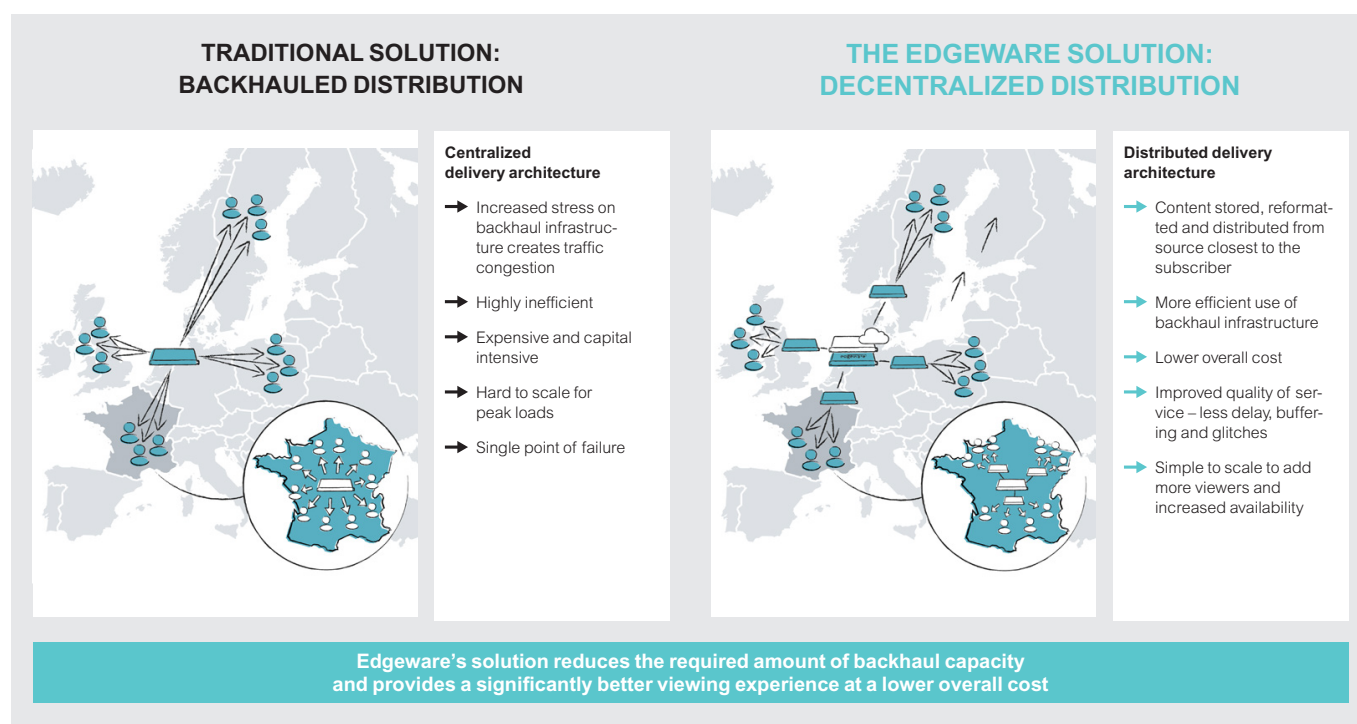
⁵⁾ Cisco Visual Networking Index 2016.

⁶⁾ <https://ir.netflix.com/>.

⁷⁾ Frost & Sullivan 2016. Note that Frost & Sullivan's definition of the market does not include TV servers or standard servers. However, Edgware considers the market to be slightly larger than Frost & Sullivan's definition and its growth rate to be somewhat lower due to falling prices for hardware. See section "Market overview – Market size and future prospects" for more information.

⁸⁾ During 2013–2015, Edgware's net sales increased with 26 percent while the Company's market only increased by 14 percent, see section "Market overview – Market size and future prospects" and "Selected financial information – The Group's income statement".

Schematic image of Edgware's decentralized distribution architecture

**Attractive customer value**

Edgware's solutions are based on high scalability and an optimised architecture, which allows Edgware's customers to deliver streaming services with a high-quality viewing experience. The offering enables in-depth insight into viewers' habits and provides control over the distribution at a low cost.

- **Architecture:** The architecture is based on purpose-built hardware and software, which ensures that functions are optimised for their purpose, thereby creating savings with respect to hardware costs, energy use and data centre storage. Edgware estimates that customers can save up to 50 percent on their net investment by including Edgware's decentralized solutions.
- **Scalability:** Thanks to the scalability and flexibility of the solution, customers are easily able to scale up their distribution capacity to support services for millions of viewers and large volumes of content as the number of viewers and need for capacity increases. In other words, customers do not need to make a substantial initial investment before their streaming service proves to be successful and popular.
- **Viewing experience:** Edgware's solution helps customers guarantee streaming services with a high-quality customer experience, excellent availability and reliability, and minimal delays and buffering, which is crucial if customers are to maintain a highly competitive service offering.
- **Insight and control:** Edgware's solution also allows customers to gain in-depth insight into their viewers' consumption habits and gives them full control over the streaming services. This enables customers to deliver an even better viewing experience by identifying potential improvement areas or operating problems in their services at an early stage as well as being able to offer tailored advertising.

High and profitable growth with the potential for high operating leverage

Edgware's net sales has grown, organically, by an average annual rate of 41 percent between 2007 and 2015 and the Company has delivered a positive operating profit since 2013.⁹⁾ This sales growth is a result of the Company's experienced management team, which has successfully pursued a strategy of organic growth and continuous sales growth among new and existing customers.

Combined with the Company's high and stable gross margins and relatively fixed cost base, this increase in net sales forms the basis for the Company's high operating leverage. The Company's high operating leverage was evident in the 2013 to 2015 period, despite it being slightly offset by the Company's decision to make substantial investments in the expansion of its product-development function, where the number of employees increased from 33 in 2013 to 41 in 2015 and the extraordinary bonuses paid to sales personnel due to the breakthrough in the AMERICAS.¹⁰⁾ The Company intends to continue investing in the expansion of its sales function in order to support this continued growth, even if this results in a slightly lower operating margin during the expansion phase, since it normally takes 1–18 months for a new member of the sales force to reach full efficiency.

CLEAR STRATEGY FOR ACHIEVING CONTINUED GROWTH
Continued strong market growth

Driven by the trends described above, Frost & Sullivan estimates that the growth of Edgware's addressable market will increase going forward. Having grown by an average annual rate of 14 percent per year between 2013 and 2015, Frost & Sullivan expects that the market will grow by an average annual rate of 23 percent between 2015 and 2020. Edgware has historically grown at a

⁹⁾ Financial information for 2007–2012 is collected from the Company's audited annual report, prepared in accordance with the Swedish Annual Accounts Act and general guidelines from the Swedish Accounting Standards Board (BFNAR).

¹⁰⁾ Collected from the Company's internal reporting system.

faster rate than the market, and between 2013 and 2015, when the market grew an average annual rate of 14 percent, Edgware's net sales grew by an average annual rate of 26 percent and its operating profit improved significantly.

Increase sales to existing customer base

Most of Edgware's sales in recent years were derived from the Company's existing customer base. Accordingly, maintaining and increasing sales to these customers is important to the Company's continued success. The Company's sales organization, which includes sales personnel with responsibility for identifying and cultivating new customers as well as sales personnel with responsibility for caring for existing customers, allows for efficient cultivation of the customer base and creates the necessary conditions for Edgware to identify potential added sales opportunities at an early stage. As a result of the prevailing market trends, the Company's customers have an increasing need for capacity and will be forced to expand their networks. Many customers are in the process of expanding their service offerings to include additional, more advanced streaming services and thus require additional capacity as well as expanding their CDNs, which is helping to create significant added sales potential for Edgware.

The Company has added several major new customers to its customer base in recent years, which Edgware expects will further increase its order value. In the Company's experience, customers commonly begin their relationship with Edgware by placing a smaller order to develop an initial streaming service to determine the level of interest in such a service and test Edgware's capacity as a provider. As the service becomes more popular, the order value typically increases, with the customer's success boosting Edgware's sales. The product mix in the customer's order shifts over time to include more software, functions and capacity upgrades, which have a higher gross margin than the initial order. Accordingly, added sales to existing customers typically generate higher margins for the Company.

Development of the sales organization and increased sales to new customers

The Company intends to continue making significant investments in developing and expanding its sales organization to cover more markets, reach more customers and become even better positioned to serve its existing customer base. Edgware has several successful examples of how sales in a certain region or to a particular customer group have gained momentum when individuals were assigned the task of focusing on a specific geographic market or customer group. The Company has been self-financed in recent years and the capital contribution in conjunction with the Offering will now enable a major investment in the sales organization. During the coming years, the Company intends to double the size of its sales organization, with a special focus on its three largest markets in Europe: Germany, France and the UK – three countries the Company has not focused on specifically in the past. The Company is also focusing on advancing its presence in the US, Mexican and Brazilian markets in the AMERICAS (North and South America) and in Japan, India, Hong Kong and Southeast Asia in APAC (Asia-Pacific). These markets are all assessed to offer significant potential.

Leverage the strong embedded operating leverage in the business model

The Company's business model and the high gross margin of the product and service offering create the necessary conditions to

leverage the Company's operating profit as its sales increase. Signs of this could be seen between 2013 and 2015 and more specifically when comparing the 9 month periods ended 30 September 2015 and 2016, where the Company's sales grew by 21 percent and its operating profit by 88 percent. The Company's management has chosen to focus on growth and believes that the full leverage effect on its operating profit will be limited over the coming years since the Company has opted instead to expand its sales organization in order to support continued growth rather than a short-term focus on improving operating margins.

Selective acquisitions

Edgware's market is fragmented, with a large number of small companies, which creates considerable potential for consolidation. The Company sees strong opportunities for consolidation in the market and Edgware continuously assesses M&A possibilities. Edgware is engaged in dialogues with potential acquisition targets, which could result in an expanded product and service offering, enable added sales among new and existing customers as well as create synergies and strengthen the Company's position in the market.

BUSINESS MODEL AND FINANCIAL TARGETS

Business model

Edgware's business model is to develop, market and sell streaming solutions to customers that require effective solutions for distributing TV and video content to viewers over IP. These customers primarily include telecom and cable operators (such as Vodafone and Com Hem) and, increasingly, OTTs/broadcasters (such as TVB, a Hong Kong based broadcaster) have content they wish to distribute directly to their viewers over IP. The Company's solutions are based on a combination of powerful, purpose-built hardware and software installed centrally in the customers' networks as well as far out in the networks, near the customers' viewers as well as associated services.

The Company's hardware and software products, sold as comprehensive system solutions, are priced based on the functions that the customer wants and their distribution and capacity requirements, meaning the volume of video that needs to be distributed and the number of simultaneous viewers. The Company's services are offered as a supplement to its hardware and software products. Service and maintenance services are priced as annual fees based on the list prices of the products and the scope of the customer's service needs. The Company's Professional Service is sold as a consulting service on a project basis.

The Company's solution was developed by the Company's product-development function, which comprised 41 individuals as of 30 September 2016, and is sold through the Company's direct sales organization, which comprised 18 individuals as of the same date, as well as several partners that integrate Edgware's solution into their – typically larger-scale – network solutions.

Financial targets

In preparation for the listing on Nasdaq Stockholm, Edgware's board of directors has adopted the following financial objectives, which are connected to Edgware's strategic initiatives. All statements in this section are forward-looking.

Sales growth	Edgware's target is to achieve annual organic sales growth of more than 20 percent
Profitability	Edgware's target is to achieve a long-term operating margin (EBIT margin) of more than 15 percent
Capital structure	Edgware's capital structure is to enable a high degree of financial flexibility and provide scope for acquisitions. The Company's target is for its net indebtedness to amount to a maximum of two times its EBITDA for the most recent 12-month period
Dividend policy	Over the coming years, Edgware's cash flow will be used to finance its continued development and expansion as well as potential acquisitions, which means that no dividends are expected to be paid

The financial targets above constitute forward-looking statements. Forward-looking statements are not to be viewed as a guarantee of the Company's future results or performance, and actual outcomes may differ significantly from the information provided in the forward-looking statements. Also see section "*Important information to investors – Forward-looking statements*" on the inside cover and the section "*Risk factors*".

EDGEWARE'S PRODUCT AND SERVICE OFFERING

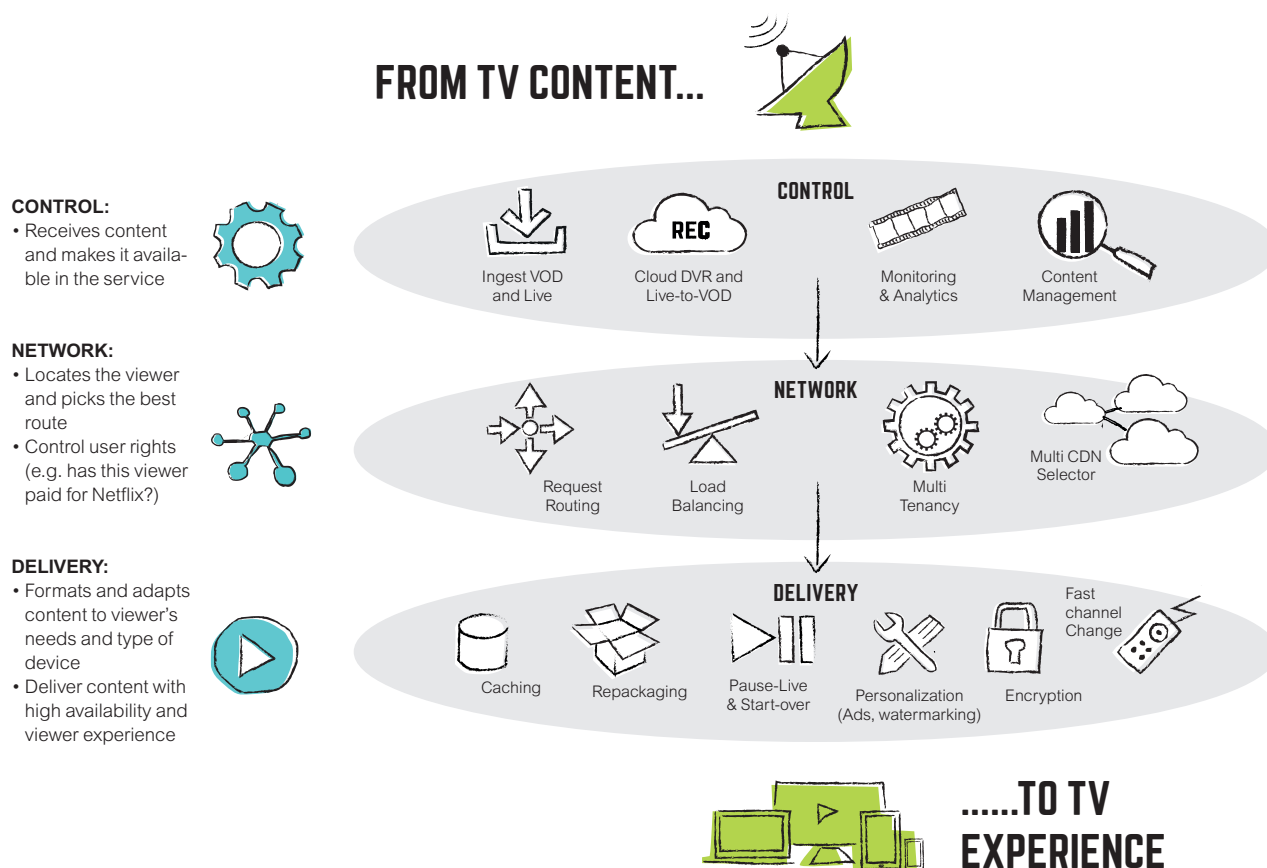
Overview of the product offering

Edgware's solutions enable customers to distribute TV and video content to their viewers over IP, ensuring a high-quality viewing experience via a scalable and cost-efficient streaming network, and to gain in-depth insight into how their viewers consume and experience this content. This is made possible through Edgware's decentralized and hierarchical network infrastructure, which in turn is based on the Company's own hardware and software products.

To deliver a comprehensive streaming service, customers require a number of products and services, alongside Edgware's products, which mainly focus on the distribution of content, are only some of the products needed. Edgware's products mainly comprise hardware and software products that are integrated into customer networks.

- **Control:** Edgware's solution is integrated centrally in the network so that it can handle, store and prepare content for further distribution. This may include, for example, cataloguing the content and matching it with metadata, such as a description of the type of content, language and subtitles.
- **Network:** Responsibility for ensuring that the right viewer receives the right content. The system ensures that a viewer looking for a particular film has the rights to watch the content and routes the viewer request to the server best suited for delivering this content. The best suited server is usually – although not necessarily – the closest server.
- **Distribution:** Edgware's TV servers are located at the far edge of the networks, where content can be stored and quickly distributed to viewers. If a viewer streams a video from his/her iPhone, the content can be repackaged on-the-fly, meaning that the content does not need to be stored in several different formats and versions. Instead, Edgware's system repackages the content as it is distributed to the viewer. The system supports essentially all types of devices, including iPhone, Samsung Smart TV, Android tablets, etc.

Overview of Edgware's product portfolio



Hardware and software

During the 12-month period ending 30 September 2016, 82 percent of the Company's net sales were derived from the sale of hardware and software products and capacity licences. One of Edgware's core products is the Company's own TV servers, which are purpose-built and can be installed both centrally in a customer network and far out in the edge of a network, closer to a customer's viewers.

When customers require more capacity – for example, when the number of viewers using their streaming services increases or the quality of the content in their service improves – they are able to unlock additional streaming capacity on their existing TV servers by acquiring additional streaming and/or capacity licenses.

According to the Company, Edgware's TV servers also provide the customer with increased performance and make it more efficient for the customer to operate the network. A single network is made up of several TV servers orchestrated by powerful, multi-function software. This software determines where in the network hierarchy the TV and video content is to be stored in order to minimise traffic, thereby improve the quality of the content. The software can also repackage the content live and on-the-fly so that it can be shown on all types of devices, for example TV-screens, computers, tablets and mobile phones.

Service offering

The Company's services include Service and Maintenance services as well as, to a smaller extent, Professional Services. The services sales category accounted for 18 percent of the Company's net sales during the 12-month period ending 30 September 2016. Services are rarely sold independently. Instead, they are usually sold together with the Company's hardware and software products. For example, approximately 95 percent of the Company's customers purchase service and maintenance in conjunction with their purchase of hardware and software products. Approximately 20 individuals are involved in delivering the Company's services to customers.

Service and Maintenance

- Service and maintenance of customers' Edgware products
- Regular delivery of system updates
- Support and ensuring that the customer's Edgware products function properly

Professional Services

- Consulting services
- Installation
- Training
- Integration

Case study: Large European telco operator

Customer:

A large European telecom operator, supplying millions of customers with broadband, telephony and TV services

Problem:

Projected streaming demand growing exponentially, driven by subscriber growth and high quality demands

Solution:

Content management and over 160 decentralized TV Servers housed in telco's own network, closer to its viewers

Results:

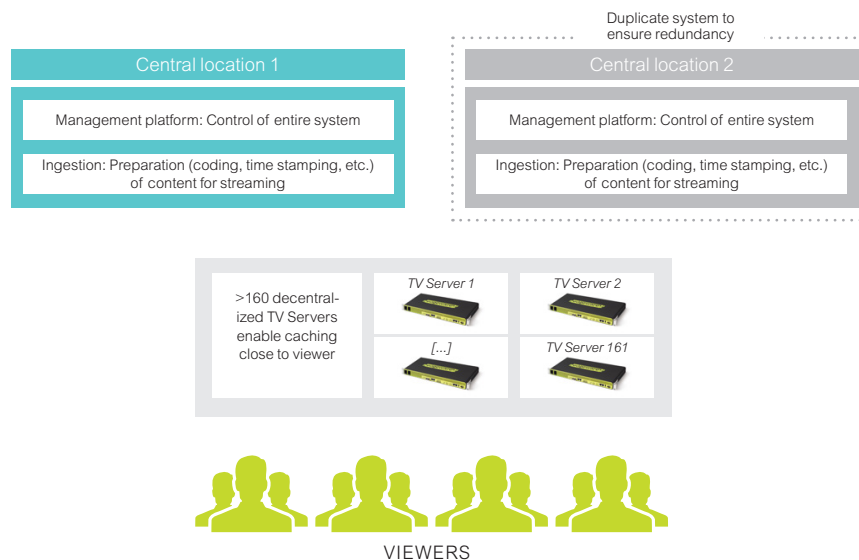
- Complete CDN solution which enables the customer to efficiently offer its streaming service with high quality
- Customer has full control of distribution of its streaming service and deep insights into the viewers' behavior
- Has also become one of the country's largest CDN as a service providers

→ Streaming requirements of >5 Tbits/s today (over 1M viewers) and expected to grow to 20 Tbit/s by 2020

→ Solution currently based on hierarchical caching with >160 decentralized locations

→ System with complete redundancy – mirror management platform and ingestion system in separate location

→ Efficient and scalable solution delivering high quality to viewers



CUSTOMER BASE

Edgware has had a global presence since it was founded and the Company secured its first international customer in 2007 – a customer that still purchases its products and services today. Edgware now has over 150 customers in more than 60 countries, including telecom and cable operators and OTTs/broadcasters:

- **Telecom operators**, which also include broadband providers, accounted for 75 percent¹¹⁾ of Edgware's order intake in 2015. Telecom operators primarily use Edgware's products and solutions to deliver their TV services over IP and normally purchase comprehensive solutions. Examples of customers include KPN in the Netherlands and PCCW in Hong Kong.

¹¹⁾ Hämtat från Bolagets interna rapporteringssystem.

- **Cable operators** accounted for 19 percent¹²⁾ of Edgware's order intake in 2015. The behaviour of these customers typically resembles that of telecom operators. As TV providers, most cable operators already have networks built and they tend to purchase components and functions rather than comprehensive solutions. They also represent the largest customer category in the total market. Examples of customers include Com Hem in Sweden and Televisa in Mexico.
- **OTTs/broadcasters** accounted for 6 percent¹³⁾ of Edgware's order intake in 2015. This is the smallest customer category in the market, but is growing at a faster rate than the other customer categories. Customers in this category use the Company's products to enable their VOD and live streaming services. These customers appreciate high quality, the ability to analyse viewing habits and the delivery quality of the Company's service. Examples of customers include TVB in Hong Kong.

During its first ten years, Edgware has successfully enabled telecom and cable operators to deliver new services over IP and thus to find new sources of income. With new products and services, Edgware now has greater potential to deliver to the OTTs/broadcasters customer category, which distribute content via the Internet. Companies in this customer category are growing considerably and thus require scalable streaming solutions. They also require greater insight into user behaviour and high-quality delivery, which Edgware's products allow.

Edgware has extensive experience of increasing sales to existing customers. Customers normally make small initial purchases in order to assess the demand for their streaming services as well as Edgware's capacity as a provider. As Edgware's technology proves to be effective and the popularity of the service increases, customers place additional, larger orders. Edgware has also noticed that its customers' orders become more profitable with time, as the orders largely include streaming and capacity upgrades, which have higher gross margins than sales of TV servers.

In 2015, the largest customer accounted for 29 percent of total sales, the three largest customers accounted for 51 percent and the five largest customers accounted for 62 percent¹⁴⁾.

SALES AND MARKETING

Edgware has an experienced, global sales team comprising 18 sales representatives as of 30 September 2016. The team has extensive technical experience in the industry and considerable knowledge about each region. The sales representatives are engaged in an ongoing dialogue with the Company's customers and have an in-depth understanding of their needs and demands. Edgware's customers are often recurring customers. In 2015, 24 percent of the Company's order intake was derived from new customers and 76 percent from existing customers¹⁵⁾.

The Company's sales are conducted both directly and via partners, with each channel generating similar profitability. Regardless of sales channel, the Company normally has direct contact with its customers. Historically, a majority of Edgware's sales have been conducted through partners, where, for example, Ericsson has been an important partner where sales through Ericsson represented more than 50 percent of total sales in 2012¹⁶⁾. Since 2012, the share of sales through partners have declined, primarily as a

result of the Company's strategy. According to the Company, sales through partners represented 65, 49, and 53 percent respectively of total sales in 2013, 2014 and 2015¹⁷⁾. The Company has four types of partners:

- **Retailers:** Exclusively retail third-party products.
- **Integration partners:** Build turnkey solutions for customers using third-party components.
- **Ecosystem partners:** Offer products with related functions that require supplementary products to meet customer needs.
- **Retail agents:** Commission-based agents that act as an intermediary between Edgware and the customer.

Partners enable Edgware to enter new markets and reach more customers by allowing the Company to utilise their customer bases. They also lend credibility when dealing with large companies and will according to the Company increase Edgware's chances of selling to leading global companies with long sales cycles.

Unlike existing customers, new customers often use a procurement procedure in which Edgware submits a tender based on various factors, such as the number of customers and channels, the quality of the content, deployment locations, TV services and functions. This means that the sales process for new customers generally takes 6–24 months, compared with 1–6 months for existing customers.

Edgware uses targeted marketing at the global level to create new customer relationships and strengthen its relationships with its existing customers. The aim of this marketing is to increase awareness and knowledge of Edgware's solutions. The primary marketing channels used by the Company are participation in trade fairs as well as digital marketing. Trade fairs include major industry events, such as the International Broadcasting Convention (IBC) in Europe, the National Association of Broadcasters (NAB) in the US and Broadcast Asia in Asia. Digital marketing mainly includes the Company's website, which contains information about the Company's products and solutions, search engine optimisation and remarketing on other websites followed by lead scoring and, finally, contact via the sales organization.

PRODUCT DEVELOPMENT

To meet future needs, Edgware has made significant investments in its product-development organization, which is divided into three functions: R&D, Product Management and CTO. These functions are integrated and engage in an ongoing dialogue with one another, but are responsible for different phases of the product-development process.

The *CTO function* focuses on long-term technical development and product planning. This function continuously receives guidance from the sales function as well as the operations function with respect to customer needs and requests and works proactively to predict future requirements and opportunities. The *Product Management function* focuses on developing and designing products based on the needs of existing customers and on identifying strategic product requirements and opportunities based on input from the CTO function. The *R&D function* is responsible for executing the development plans and objectives established by the product organization and for troubleshooting and analysis of temporary

¹²⁾ Collected from the Company's internal reporting system.

¹³⁾ Collected from the Company's internal reporting system.

¹⁴⁾ Collected from the Company's internal reporting system.

¹⁵⁾ Collected from the Company's internal reporting system.

¹⁶⁾ Collected from the Company's internal reporting system.

¹⁷⁾ Collected from the Company's internal reporting system.

problems. This function is divided into two teams: a larger team that is responsible for the development of the Company's software and smaller team that focuses on the Company's hardware.

Since 2014, the Company's product development has enabled an additional set of the Company's functionalities to be installed on Edgeware's TV servers far out at the edge of the networks instead of in central data centres. This has contributed to lower network use and increased availability as well as helped to ensure a better viewing experience. The Company has also developed new products and improved existing products in order to achieve a higher penetration rate in the OTTs/broadcasters customer category.

As of 30 September 2016, the product-development organization included a total of 41 full-time employees, corresponding to 45 per cent of the total number of full-time employees¹⁸⁾ within Edgeware, and 14 consultants. As of the same date, the Company held a total of six approved patents and four patent applications.

PROCUREMENT, MANUFACTURING AND LOGISTICS

Edgeware has an effective structure for procurement, manufacturing and delivery, managed by the Company's operations function. The function plays a central role in the Company and works closely with the finance function and sales function to ensure punctual and on budget deliveries.

Procurement

Edgeware continuously assesses its suppliers and engages in contract negotiations in order to cut costs and guarantee that no delivery problems occur. To ensure a reliable cash flow and quick delivery, Edgeware provides the Company's manufacturing partner and suppliers with a rolling 12-month forecast, which is updated at least once a month. The Company's Supply Chain Manager also participates in weekly discussions with the sales organization in order to maximise the efficiency of the Company's order handling. The Company's procurement is divided into three main areas: manufacturing, customer projects and internal use.

Manufacturing

Manufacturing of Edgeware's hardware is outsourced to a contract manufacturer in Sweden. The Company has several alternative contract manufacturers and it is easy to move manufacturing if necessary. The design of the Company's hardware allows for efficient manufacturing since it comprises few components and

configuration alternatives, which means that Edgeware can easily scale up its manufacturing as needed. This also allows for partial manufacturing, which ensures short lead times and a low level of capital tied-up in inventories.

Logistics

The Company's products are delivered directly from the contract manufacturer. Deliveries are handled by external players in order to achieve short lead times and secure support in markets with challenging import regulations or poorly functioning infrastructure. Delivery times range from three to six weeks.

ORGANIZATIONAL STRUCTURE AND EMPLOYEES

Edgeware has its head office in Stockholm and this is where a majority of the Company's employees work. The Company has an international sales organization, with several employees working in the field. Edgeware has a wholly owned subsidiary in the US and an office in Hong Kong, from which its sales and support services in the region are delivered.

The executive management includes the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Investor Relations Manager, General Counsel, Chief Marketing Officer, VP Products, VP R&D, VP Operations and EVP Sales.

Employees

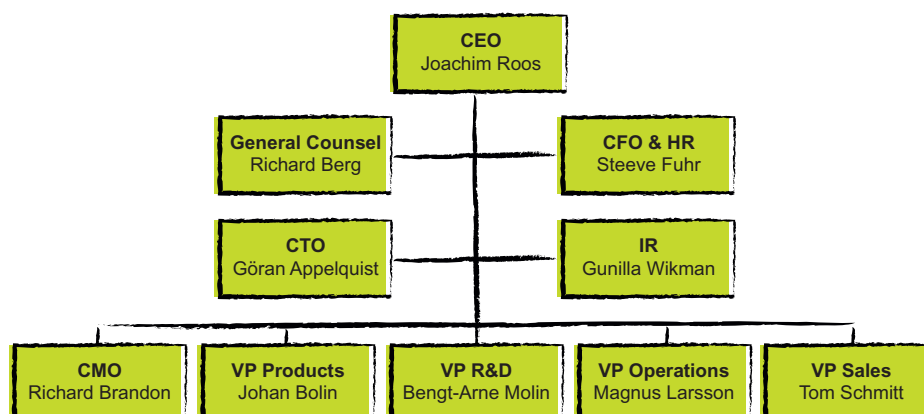
As of 30 September 2016, Edgeware had 92 full-time employees¹⁹⁾, of whom 65 worked in Sweden and 27 abroad. As of the same date, there were also 20 consultants working for the Company, mainly in product development, of whom 10 worked in Vietnam and 4 in Sweden.

The table below shows the number of full-time employees at the end of the stated periods.

Number of full-time employees at the end of the period ¹⁾	30 September 2016	2015	2014	2013
Sweden HQ	65	64	54	49
EMEA	11	11	9	7
APAC	5	4	2	0
AMERICAS	11	10	6	7
Total	92	89	71	63

¹⁾ Collected from the Company's internal reporting system. Number of employees includes employees hired by Business Sweden and consultants with employment-like agreements.

The figure below illustrates Edgeware's organizational structure



¹⁸⁾ Number of employees includes nine employees hired by Business Sweden and eight consultants with employment-like agreements.

¹⁹⁾ Number of employees includes nine employees hired by Business Sweden and eight consultants with employment-like agreements.

SELECTED FINANCIAL INFORMATION

The selected consolidated financial information presented below has been derived from Edgewise's audited consolidated financial statements for the years ended 2015, 2014 and 2013, and have been prepared in accordance with IFRS, as adopted by the European Commission, unless otherwise stated. The information has also been derived from the reviewed interim report for the period 1 January – 30 September 2016, prepared in accordance with IAS 34 Interim financial reporting. Except as expressly stated herein, no financial information in the Offering Circular has been audited or reviewed by the Company's auditor. Except as expressly stated herein, no financial information in the Offering Circular has

been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Offering Circular that is not part of the information audited or reviewed by the Company's auditor as outlined herein originates from the Company's internal accounting and reporting systems.

The following information should be read in conjunction with section "Operating and financial review" and Edgewise's audited consolidated financial statements and the reviewed interim report for the period 1 January – 30 September 2016 including the related notes in section "Historical financial information".

THE GROUP'S INCOME STATEMENT

SEK, thousand	1 January – 30 September		1 January – 31 December		
	Unaudited		Audited		
	2016	2015	2015	2014	2013
Operating income					
Net sales	167,647	138,755	203,556	148,175	128,253
Cost of goods and services	–51,827	–43,272	–62,615	–41,428	–37,763
Gross income	115,820	95,483	140,941	106,747	90,490
Operating expenses					
Selling expenses	–41,030	–38,883	–58,128	–37,342	–32,003
Administrative expenses	–28,149	–20,548	–28,824	–23,767	–19,370
Research and development expenses	–36,697	–28,672	–39,999	–32,767	–31,317
Other operating income/expenses	–840	1,361	–689	164	–556
Operating profit	9,104	8,741	13,301	13,035	7,244
Profit from financial items					
Financial income	3,437	1,515	1,463	6,130	1,281
Financial expenses	–1,021	–2,635	–795	–2,342	–2,908
Pre-tax profit	11,520	7,621	13,969	16,823	5,617
Tax	–3,196	–2,307	–3,173	–6,073	–3,686
Profit for the period	8,324	5,314	10,796	10,750	1,931
Attributable to:					
Parent company's owners	8,324	5,314	10,796	10,750	1,931
Profit per share, SEK					
Before dilution	12.09	8.19	16.63	16.56	2.97
After dilution	12.07	8.02	16.29	16.42	2.97
Before dilution, after share split			0.78	0.78	0.14
Other comprehensive income:					
Translation differences for the year, investment in subsidiary	42	–363	–3,776	–2,725	106
Tax effect from hedge of net investments	0	–2,875	658	0	0
Other comprehensive income, net after tax	42	–3,238	–3,118	–2,725	106
Total comprehensive income for the period	8,366	2,076	7,678	8,025	2,037
Attributable to:					
Parent company's owners	8,366	2,076	7,678	8,025	2,037

THE GROUP'S BALANCE SHEET

SEK, thousand	30 September		31 December		
	Unaudited		Audited		
	2016	2015	2015	2014	2013
ASSETS					
Non-current assets					
Capitalized development expenses	14,196	10,303	12,598	7,015	4,764
Equipment	3,960	3,658	4,004	3,068	1,684
Other non-current assets	3,568	3,178	3,178	842	0
Deferred tax	14,783	17,977	17,840	20,181	25,920
Total non-current assets	36,507	35,116	37,620	31,106	32,368
Current assets					
Inventories	11,906	16,793	13,671	7,046	6,266
Accounts receivable	57,996	43,822	55,907	43,839	28,791
Other receivables	1,542	1,726	3,034	1,128	4,142
Prepaid expenses and accrued income	8,222	3,458	4,688	5,622	1,525
Cash and bank balances	22,543	15,993	21,057	17,217	13,036
Total current assets	102,209	81,792	98,357	74,852	53,760
Total assets	138,716	116,908	135,977	105,958	86,128
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	689	649	649	649	649
Share premium reserve	94,785	82,001	82,001	82,001	82,001
Translation reserve	-2,508	-3,239	-2,550	-1,766	960
Retained earnings including profit for the period	-3,499	-16,812	-11,823	-20,584	-31,792
Total equity	89,467	62,599	68,277	60,300	51,818
Provisions					
Other provisions	491	1,200	515	1,200	1,200
Total provisions	491	1,200	515	1,200	1,200
Current liabilities					
Trade payables	10,621	7,031	8,393	6,642	6,786
Other current liabilities	3,239	13,249	12,595	12,410	11,905
Accrued expenses and deferred income	34,898	32,829	46,197	25,406	14,419
Total current liabilities	48,758	53,109	67,185	44,458	33,110
Total equity and liabilities	138,716	116,908	135,977	105,958	86,128

THE GROUP'S CASH FLOW STATEMENT

SEK, thousand	1 January – 30 September		1 January – 31 December		
	Unaudited		Audited		
	2016	2015	2015	2014	2013
Cash flow from operating activities					
Operating income	9,104	8,741	13,301	13,035	7,244
Adjustments for non-cash items:					
Depreciation/amortization	6,981	4,209	5,969	5,366	2,364
Share-based premiums	0	225	299	458	161
Revised assessment of provision for guarantee reserve	-17	0	-685	0	0
Exchange rate differences	1,801	-2,352	-159	78	-1,222
Received interest	0	0	0	1	0
Paid interest	-30	-297	-221	-871	-1,485
Cash flow from operating activities before changes in working capital	17,839	10,526	18,504	18,067	7,062
Cash flow from changes in working capital					
Decrease (+)/Increase (-) in inventories	1,765	-9,747	-9,023	-5,185	-2,133
Decrease (+)/Increase (-) in accounts receivable	-2,400	17	-12,068	-15,048	-7,597
Decrease (+)/Increase (-) in other receivables	-3,514	-770	-3,308	-1,926	-2,938
Decrease (-)/Increase (+) in trade payables	2,229	389	1,751	-144	1,859
Decrease (-)/Increase (+) in other current receivables	-8,586	7,661	19,491	11,492	4,484
Cash flow from operating activities	7,333	8,076	15,347	7,256	737
Investing activities					
Acquisition of intangible non-current assets	-6,272	-5,841	-9,330	-4,495	-5,390
Acquisition of tangible non-current assets	-2,264	-2,244	-760	-81	-93
Cash flow from investing activities	-8,536	-8,085	-10,090	-4,576	-5,483
Financing activities					
New loan proceeds	0	0	0	0	10,000
New share issue	736	-	-	-	-
Cash flow from financing activities	736	0	0	0	10,000
Cash flow for the period	-467	-9	5,257	2,680	5,254
Cash and bank balances at the beginning of the period	21,057	17,217	17,217	13,036	7,203
Exchange rate differences in cash and bank balances	1,953	-1,215	-1,417	1,501	579
Cash and bank balances at the end of the period	22,543	15,993	21,057	17,217	13,036

NET SALES BY REGION AND SALES CATEGORY

SEK, thousand	1 January – 30 September		1 January – 31 December		
	Unaudited		Audited		
	2016	2015	2015	2014	2013
Net sales by region					
EMEA (Europe, Middle East and Africa)	121,217	104,341	135,768	128,489	106,160
AMERICAS (North and South America)	32,686	24,919	55,303	13,232	11,732
APAC (Asia and the Pacifics)	13,744	9,495	12,485	6,454	10,361
Total	167,647	138,755	203,556	148,175	128,253
Net sales by sales category					
Products (hardware, software and licenses)	135,235	113,113	167,828	118,696	107,809
Services (maintenance, support and services)	32,412	25,642	35,728	29,479	20,444
Total	167,647	138,755	203,556	148,175	128,253

KEY INFORMATION AND DATA

SEK, thousand	1 January – 30 September ¹⁾		1 January – 31 December ²⁾		
	2016	2015	2015	2014	2013
Gross income	115,820	95,483	140,941 ³⁾	106,747 ³⁾	90,490 ³⁾
Gross income, percent	69.1%	68.8%	69.2%	72.0%	70.6%
Operating expenses	-106,716	-86,742	-127,640	-93,712	-83,246
Operating expenses/Net sales, percent	-63.7%	-62.5%	-62.7%	-63.2%	-64.9%
Operating profit (EBIT)	9,104	8,741	13,301 ³⁾	13,035 ³⁾	7,244 ³⁾
Operating margin (EBIT margin), percent	5.4%	6.3%	6.5%	8.8%	5.6%
EBITDA	16,077	12,950	19,270	18,401	9,608
EBITDA margin, percent	9.6%	9.3%	9.5%	12.4%	7.5%
Profit for the period after tax	8,324	5,314	10,796 ³⁾	10,750 ³⁾	1,931 ³⁾
Net margin, profit for the period after tax, percent	5.0%	3.8%	5.3%	7.3%	1.5%
Equity/assets ratio, percent	64.5%	53.5%	50.2%	56.9%	60.2%
Cash flow from operating activities	7,333	8,076	15,347 ³⁾	7,256 ³⁾	737 ³⁾
Return on equity (ROE), percent	9.3%	8.5%	15.8%	17.8%	3.7%
Adjusted EBIT	16,451	8,741	13,301	13,035	7,244
Adjusted EBIT margin, percent	9.8%	6.3%	6.5%	8.8%	5.6%
Adjusted EBITDA	23,424	12,950	19,270	18,401	9,608
Adjusted EBITDA margin, percent	14.0%	9.3%	9.5%	12.4%	7.5%
Equity assignable to the parent company's shareholders	89,467	62,599	68,277	60,300	51,818
Equity per share, before dilution	129.9	96.4	105.2	92.9	79.8
Equity per share, after dilution	129.7	94.5	103.0	92.1	79.6
Number of employees at the end of the period ⁴⁾	92	88	89	71	63
Where of women	13	12	12	8	4

¹⁾ The following measures are collected from the Company's unaudited consolidated interim report by and for the nine months' period that ended on 30 September 2016, with comparison numbers for the nine months' period that ended on 30 September 2015: Gross income, Operating profit (EBIT), Profit for the period after tax, Cash flow from operating activities, Equity assignable to the parent company's shareholders. All other measures are collected from the Company's internal reporting system.

²⁾ The following measures are collected from the Company's audited consolidated financial reports by and for the financial year that ended on 31 December 2013, 2014 and 2015: Gross income, Operating profit (EBIT), Profit for the period after tax (Net profit for the year), Cash flow from operating activities, Equity assignable to the parent company's shareholders. All other measures are collected from the Company's internal reporting system.

³⁾ Gross income, Operating profit (EBIT), Profit for the period after tax and Cash flow from operating activities for the periods 1 January – 31 December 2013, 2014 and 2015 are audited. Other key ratios are unaudited.

⁴⁾ Number of employees includes employees hired by Business Sweden and consultants with employment-like agreements. As of end of September 2016, number of employees include 9(5) employees hired by Business Sweden and 8(4) consultants with employment-like agreements.

OPERATING EXPENSES

The Company has chosen to present the key performance indicators operating expenses and operating expenses/net sales as they show the Company's cost profile and its relation to net sales.

SEK, thousand	1 January – 30 September		1 January – 31 December		
	2016	2015	2015	2014	2013
Selling expenses	-41,030	-38,883	-58,128	-37,342	-32,003
Administrative expenses	-28,149	-20,548	-28,824	-23,767	-19,370
Research and development expenses	-36,697	-28,672	-39,999	-32,767	-31,317
Other operating income/expenses	-840	1,361	-689	164	-556
Operating expenses	-106,716	-86,742	-127,640	-93,712	-83,246
Net sales	167,647	138,755	203,556	148,175	128,253
Operating expenses/Net sales, percent	-63.7%	-62.5%	-62.7%	-63.2%	-64.9%

EBITDA AND ADJUSTED EBITDA

The Company has chosen to report the key ratios EBITDA and EBITDA margin, since these shows the underlying result adjusted for the effect of depreciation/amortization, which provides a more comparable profit measure over time, since depreciation/amortization refers to historical investments. The company has also chosen to report the key ratios Adjusted EBITDA and adjusted EBITDA margin to show the underlying result adjusted for nonrecurring expenses. During 2016, nonrecurring expenses arose in connection with the preparations for a possible IPO. Expenses related to IPO preparations include expenses for the transition to IFRS reporting, internal risk projects, IR expenses, additional review expenses from auditors, attorneys' expenses to qualify the Company for a stock market listing, Nasdaq expenses, recruiting expenses for IR and new board members.

SEK, thousand	1 January – 30 September		1 January – 31 December		
	2016	2015	2015	2014	2013
Operating profit (EBIT)	9,104	8,741	13,301	13,035	7,244
Amortization of capitalized development expenses	4,673	2,553	3,748	2,244	626
Other depreciation	2,300	1,679	2,223	1,886	1,738
EBITDA	16,077	12,950	19,270	17,165	9,608
EBITDA margin, percent	9.6%	9.3%	9.5%	11.6%	7.5%
Adjustments:					
IPO related expenses	7,347	—	—	—	—
Adjusted EBITDA	23,424	12,950	19,270	17,165	9,608
Adjusted EBITDA margin, percent	14.0%	9.3%	9.5%	11.6%	7.5%

ADJUSTED EBIT

The Company has chosen to report the key ratio Adjusted EBIT, since it shows the underlying result adjusted for nonrecurring expenses. During 2016, nonrecurring expenses arose in connection with the preparations for a possible IPO, which provides a more comparable profit measure over time. Expenses related to IPO preparations include expenses for the transition to IFRS reporting, internal risk projects, IR expenses, additional review expenses from auditors, attorneys' expenses to qualify the Company for a stock market listing, Nasdaq expenses, recruiting expenses for IR and new board members.

SEK, thousand	1 January – 30 September		1 January – 31 December		
	2016	2015	2015	2014	2013
Operating profit (EBIT)	9,104	8,741	13,301	13,035	7,244
Adjustments:					
IPO related expenses	7,347	–	–	–	–
Adjusted EBIT	16,451	8,741	13,301	13,035	7,244
Adjusted EBIT margin, percent	9.8%	6.3%	6.5%	8.8%	5.6%

EQUITY / ASSETS RATIO

The Company has chosen to report the key ratio Equity / assets ratio, since it shows the Company's long-term survival rate.

SEK, thousand	1 January – 30 September		1 January – 31 December		
	2016	2015	2015	2014	2013
Total assets	138,716	116,908	135,977	105,958	86,128
Shareholders' equity	89,467	62,599	68,277	60,300	51,818
Equity / assets ratio	64.5%	53.5%	50.2%	56.9%	60.2%

RETURN ON EQUITY (ROE)

The Company has chosen to report the key ratio Return on equity (ROE) as it shows how effectively the Company uses its assets to create profits in the Company.

SEK, thousand	1 January – 30 September		1 January – 31 December		
	2016	2015	2015	2014	2013
Shareholders' equity	89,467	62,599	68,277	60,300	51,818
Profit for the period	8,324	5,314	10,796	10,750	1,931
Return on equity	9.3%	8.5%	15.8%	17.8%	3.7%

FINANCIAL DEFINITIONS

	Definition	Explanation
AMERICAS	North and South America	The Company follows sales by region in order to understand the business better.
APAC	Asia and the Pacifics	The Company follows sales by region in order to understand the business better.
Return on equity (ROE)	Profit for the period as a percentage of equity	The Company has chosen to report the key ratio Return on equity (ROE) as it shows how effectively the Company uses its assets to create profits in the Company.
Gross income	Net sales less cost of goods and services sold	Shows the effectiveness of Edgware's operations and together with EBIT, provides a complete picture of the operating profit generation and expenses.
Gross margin	Gross profit as a percentage of net sales	This key ratio is used for analysis of the Company's effectiveness and profitability.
EBITDA	Operating profit before depreciations and capitalization of development expenses	The Company has chosen to report the key ratio EBITDA, since it shows the underlying result adjusted for the effect of depreciation/amortization, which provides a more comparable profit measure over time, since depreciation/amortization refers to historical investments.
EBITDA-margin	EBITDA as a percentage of net sales	This key ratio is used for analysis of the Company's value creation.
EMEA	Europe, Middle East and Africa	The Company follows sales by region in order to understand the business better.
Increase in net sales	The change in percent of Edgware's net sales between two periods	Edgware believes that increase in net sales is a useful measure, together with adjusted EBITDA margin, in analyzing the Company's value creation.
Operating profit EBIT	Operating profit before financial items and tax	EBIT provides an understanding for the profit generated by the Company.
Operating margin % (EBIT)	Operating profit before financial items and tax in relation to net sales	Edgware believes that operating margin is a useful measure, together with net sales growth, in analyzing the Company's value creation.
Equity/assets ratio	Equity in relation to total assets	The Company has chosen to report the key ratio Equity / assets ratio, since it shows the Company's long-term survival rate.
Adjusted EBITDA	EBITDA before non-recurring costs	The Company has also chosen to report the key ratio Adjusted EBITDA to show the underlying result adjusted for the nonrecurring expenses that arose in connection with the preparations for the IPO.
Adjusted EBITDA margin	Adjusted EBITDA in relation to net sales	Edgware believes that Adjusted EBITDA margin is a useful measure, together with increase in net sales, in analyzing the Company's value creation.
Adjusted EBIT	EBIT before non-recurring costs	The Company has chosen to report the key ratio Adjusted EBIT, since it shows the underlying result adjusted for nonrecurring expenses that arose in connection with the preparations for the IPO, which provides a more comparable profit measure over time.
Average growth per year	The change in percent of Edgware's net sales during a certain period	Edgware has chosen to report the key ratio average growth per year as it shows the Company's development over time.
Net margin	Earnings from the period after taxes in relation to net sales	Measure that shows the value accrued to the shareholders of the Company.
Non-recurring expenses	Non-recurring expenses includes capital gains and losses, impairment, restricting costs, costs for preparations for the ongoing IPO and other non-recurring costs	Non-recurring expenses are used to report certain key ratios, such as Adjusted EBITDA and Adjusted EBIT.

OPERATING AND FINANCIAL REVIEW

The following information should be read together with the section “Selected financial information” and the Company’s audited consolidated financial statements and the reviewed interim report for the period 1 January – 30 September 2016 included in the section “Historical financial information”. The overview below contains forward-looking statements that are subject to various risks and uncertainties. The Company’s actual earnings may deviate significantly from the predictions of the forward-looking statements due to many different factors, including but not limited to what is stated in section “Important information to investors – Forward-looking statements” and elsewhere in this Offering Circular, including the information provided in the section “Risk factors”. The Company’s audited consolidated financial statements and the reviewed interim report for the period 1 January – 30 September 2016 has been prepared in accordance with IFRS.

OVERVIEW

Edgware was founded in 2004 and has since evolved into a global, high-tech company that develops and offers hardware and software systems as well as associated services that the Company believes enables effective and scalable TV and video streaming over IP. The Company’s solutions are primarily sold to telecom and cable operators as well as OTTs/broadcasters that want to effectively, securely and cost-efficiently make TV and video content available to their viewers.

Edgware’s solutions are based on creating a decentralized content delivery network¹⁾ (CDN), where the Company’s hardware and software ensure that the customers’ viewers can stream content from servers at the edge of a network, located closest to the viewer. The server can either be a TV server developed by Edgware, dedicated to delivering video content and customised for installation in the network, or a standard server installed with Edgware’s software. This intelligently designed decentralized system ensures a high level of quality and delivery reliability and reduces the traffic load in the backhaul network (the network between the customers’ central data centre and the final part of the network, closest to the viewer).

The Company’s hardware and software products, sold as packaged solutions, are priced based on the functions that the customer wants and their distribution and capacity requirements, meaning the volume of video that needs to be distributed and the number of simultaneous viewers. The Company’s services are offered as a supplement to the hardware and software products, and service and maintenance are priced as annual fees based on the list prices of the products and the scope of the customer’s service needs, while the Company’s Professional Service is sold as a consulting service on a project basis.

FACTORS AFFECTING EDGEWARE’S OPERATING PROFIT

According to Edgware, the Company’s operating profit is mainly affected by the following factors:

- Growth and trends in the market for TV and video distribution over internet protocol (IP)
- The order trend from existing customers and ability to identify and win new customers
- The product and regional mix of the Company’s sales
- Operating expenses
- Investments in product development
- Seasonal variations
- Exposure to exchange rates

Growth and trends in the market for TV and video distribution over IP

Edgware operates in the market for TV and video distribution over IP, a rapidly growing market driven by several important technological and behavioural shifts. TV viewing is currently experiencing a paradigmatic shift with television viewing moving from being linear – watching content broadcast at a specific time on a certain channel – to becoming personal, meaning that viewers themselves choose the program content, time and device. According to Frost & Sullivan, the market has grown substantially in recent years and is expected to continue to grow by an average of 23 percent between 2015 and 2020. The market is characterised by several small specialist companies that make up Edgware’s main competitors, although the Company also faces competition from generalists and companies offering CDN as a service. Edgware believes that the competitive situation and trends in the market are important factors that affect its ability to increase Edgware’s net sales and operating profit.

The order trend from existing customers and ability to identify and win new customers

Edgware’s ability to attract new customers and increase sales to existing customers has a significant effect on the Company’s income and operating profit. Demand for Edgware’s products from both new and existing customers is dependent on the demand for customers’ TV and video services over IP, which is made possible

¹⁾ A content delivery network is a system of geographically dispersed server that deliver content (TV, video, web content, etc.) to viewers and end users.

by the technology and products of Edgware and its competitors. As customers offer a popular service and the number of viewers and volumes of delivered data increases, the capacity and network requirements of Edgware's customers, and thus demand for Edgware's products and services, also increases.

In recent years, existing customers have represented about 75 percent of the Company's order intake. The Company's ability to retain and increase sales to existing customers thus has a significant effect on the Company's operating profit. The Company's sales organization is clearly divided into "hunters" (sales representatives responsible for identifying new customers) and "farmers" (sales representatives responsible for cultivating the Company's existing customers). Farmers follow trends in the services of the Company's customers on a regular basis and ensure that their systems are designed for their capacity requirements so that they have optimally scaled and customised services.

The Company's operating profit is also heavily dependent on the Company's ability to successfully identify, cultivate and secure orders from new customers. Edgware has made significant investments in its operations to ensure the addition of new customers and the sales and marketing organization has expanded from 18 employees on 1 January 2013 to 21 employees on 31 December 2015. The Company intends to continue to invest in the sales organization in the future and increase the number of sales representatives. The Company also invests in product development to develop new products and to improve existing products so that they meet the needs of more customers and new customer groups.

The product and regional mix of the Company's sales

The Company's net sales are generated by the sale of Products, comprising hardware and software products and streaming and capacity licences, as well as Services, for example, *Professional Service*, consulting service, or *Support and Maintenance Services*. The distribution of the Company's net sales between these two sales categories and the mix of the sales categories affects the Company's gross profit and operating profit. For example, in the Products sales category, Edgware sells capacity licenses for customers' existing hardware and software products. These upgrades can typically be made by Edgware's employees unlocking streaming capacity, enabling Edgware to increase its sales without necessarily needing to incur additional costs, which has a strong, positive effect on the Company's gross profit and operating profit.

The Company operates in a global market, with essentially a uniform product and service offering and a similar pricing structure in all regions. Accordingly, the Company's gross profit and operating profit are not significantly affected by the regions in which the Company expands its operations and sales. However, the regional mix of the Company's sales has an effect on the Company's working capital and cash flow. In recent years, the Company has increased its sales to customers within the APAC and AMERICAS regions. These customers typically have longer payment terms, especially

in connection with a new installation, which has a negative effect on the Company's working capital.

Operating expenses

Edgware's operating expenses mainly comprise personnel costs in the Company's sales, product-development and administrative functions, and personnel costs thus have a significant effect on the Company's operating profit. Edgware has grown significantly in recent years, which has caused the Company to recruit additional full-time employees in all functions. Between 31 December 2013 and 31 December 2015, the Company has increased its total number of full-time employees²⁾ by a net of 26: six in sales and marketing, two in administration, ten in services and eight in product development.

The Company has recently made large investments in recruiting new personnel to the product-development function to strengthen the development team to meet future requirements and opportunities. This has primarily been done through increased number of consultants giving the Company greater flexibility. The Company currently believes that the product-development function is well developed and investments in the next few years to recruit new employees will not need to be as extensive as in previous years. Some consultants may shift to be permanent employed. In the future, the Company believes that major recruitment investments will be needed in sales, and also in the service and support function, to continue to expand the Company's geographic presence and customer coverage. The Company's management believes that it can take up to 12-18 months for a new member of the sales force to reach full efficiency, which could result in a negative effect on operating profit until the new employee delivers income.

Investments in product development

Edgware has made investments in the development of its products and services. These investments enable the Company's customers to deliver advanced and efficient streaming services. Product development is thus vital to increasing the Company's sales, meeting customer requirements and maintaining the Company's strong market position and competitiveness, but also involves major investments and costs for the Company. Edgware capitalizes several of its development projects in accordance with the principles described under "*Capitalization, indebtedness and other financial information – Capital resources – Research and development*." The percentage of capitalized expenditure for product development and amortisation of capitalized development expenses thus affects the Company's earnings.

Seasonal variations

The Company's net sales and operating profit are subject to seasonal variations. The Company's costs are relatively constant over the year, whereas the Company's income can vary considerably between quarters, driven by demand for the Company's products and services and when customers choose to place orders.

²⁾ Number of employees includes employees hired by Business Sweden and consultants with employment-like agreements.

The sales process to new customers typically takes between 12 and 24 months and the sales process to existing customers between one and six months. The time gap between when an order is agreed between the seller and the buyer, when the order is received by Edgware and when the order is delivered and sales are recognised as income means that the Company's sales and operating profit vary considerable from quarter to quarter, even though development of the Company's order book is stable. Seasonal variations may come to change as Edgware increases its sales in the AMERICAS and APAC.

The April–June and July–September quarters are typically the Company's weakest, partly due to the holiday period in Europe, while the October–December quarter is the Company's strongest quarter. The table below presents the Company's net sales, gross profit, EBIT and adjusted EBIT per quarter since 2013. The table below shows unaudited quarterly financial information collected from the Company's internal reporting system and from and including the period Q2 2016 collected from the Company's interim reports.

SEK, thousand	2016			2015				2014				2013			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	52,602	51,479	63,566	64,801	35,589	50,562	52,605	52,283	30,597	35,133	30,162	57,379	20,555	34,775	15,544
Gross income	35,894	33,794	46,147	45,459	24,121	33,616	37,746	37,665	22,469	25,858	20,756	43,417	14,500	23,233	9,340
Operating income	2,440	–3,952	10,623	4,559	–4,772	3,400	10,115	8,620	282	3,559	585	22,016	–5,633	1,312	–10,451
Adjusted operating income	4,920	–626	12,164	4,559	–4,772	3,400	10,115	8,620	282	3,559	585	22,016	–5,633	1,312	–10,451
Net sales by region															
EMEA (Europe, the Middle East and Africa)	41,539	39,191	40,487	31,428	23,589	40,488	40,264	46,507	25,487	30,162	26,334	47,245	15,950	31,669	11,296
AMERICAS (North America and South America)	3,926	9,530	19,229	30,383	7,207	7,034	10,679	4,318	4,115	1,720	3,077	3,103	4,012	2,617	2,000
APAC (Asia and Oceania)	7,137	2,758	3,850	2,990	4,793	3,040	1,662	1,458	995	3,251	751	7,031	593	489	2,248
Net sales by sales category															
Products (Hardware, Software and licenses)	39,803	41,934	53,498	54,716	26,983	42,067	44,063	44,643	22,535	27,756	23,763	51,657	14,483	30,157	11,514
Services (Maintenance, Support and Services)	12,799	9,545	10,068	10,085	8,606	8,495	8,542	7,640	8,062	7,377	6,399	5,722	6,072	4,618	4,030

Exposure to exchange rates

Edgware operates in a global market with customers and suppliers in more than 150 countries. Edgware's presentation currency is the Swedish krona (SEK), but the Company's inflow and outflow comprise the local currencies of the regions in which Edgware operates. The Company is therefore exposed to certain currency risks. The Company's inflow primarily comprises EUR, USD and MXN. The Company's outflow primarily comprises SEK, EUR and USD. As a result, the Company's earnings are exposed to fluctuations in these foreign currencies.

DESCRIPTION OF THE MOST IMPORTANT ITEMS IN THE INCOME STATEMENT

An analysis of the most important items in the Company's income statement is provided below.

Net sales

Edgware's consolidated net sales includes revenue from the sale of hardware, software, licences, support and maintenance services, consulting services and less any discounts.

Cost of goods and services sold

Cost of goods and services sold comprises costs for the purchase of goods, materials handling, purchasing and quality costs, and manufacturing costs including direct personnel and material costs, purchased services, share of costs for premises for personnel directly related to maintenance, support and other services and amortisation of capitalized development expenses.

Selling expenses

This item encompasses all expenses related to Edgware's sales and marketing functions. It also includes costs for personnel, consulting fees, premises, travel, marketing and PR.

Administrative expenses

This item encompasses all expenses related to Edgware's administrative function. It also includes personnel costs and consulting fees for accounting, HR, IT, IR, production, logistics, legal affairs, board members, international administration, premises, travel, IT costs, audit fees and other general office expenses.

Research and development expenses

This item encompasses all expenses related to Edgware's product-development function. It also includes costs for personnel, consulting fees, premises and travel. This cost item is reduced by the portion of development expenses that is capitalized as well as costs related to support.

Other operating income and operating expenses

This item includes exchange-rate fluctuations on accounts receivable and trade payables on the date of payment and when balance-sheet items are revalued at the end of the period.

Pre-tax profit

This item includes interest income and interest expenses, as well as exchange-rate fluctuations on bank accounts when balance-sheet items are revalued at the end of the period, currency translation of

group internal balance-sheet items and actual exchange-rate fluctuations in relation to intra-Group companies and costs for factoring.

Tax

Edgware's declared tax comprises of current tax for each respective fiscal period, deferred tax on temporary differences as well as deferred tax on historic tax-loss carryforwards.

PERIOD ON PERIOD COMPARISON

Comparison between January – September 2016 and January – September 2015

Net sales

Net sales in the nine-month period ending 30 September 2016 increased by SEK 28,892 thousand to SEK 167,647 thousand, compared with SEK 138,755 thousand in the corresponding period in 2015. The Company's net sales increased in all regions, driven primarily as a result of added sales to existing customers by also to a number of new customers.

Net sales in the EMEA region in the nine-month period increased SEK 16,876 thousand to SEK 121,217 thousand, compared with SEK 104,341 thousand in the corresponding period in 2015, as a result of increased sales to existing customers. Net sales in the AMERICAS region increased SEK 7,767 thousand to SEK 32,686 thousand, compared with SEK 24,919 thousand in the corresponding period in 2015 and net sales in the APAC region increased SEK 4,249 thousand to SEK 13,744 thousand, compared with SEK 9,495 in 2015. In both regions the increase in net sales was a result of a number of key customers, after initial installations in 2015, decided to expand their networks and add capacity.

Sales for the Products sales category in the nine-month period increased SEK 22,122 thousand to SEK 135,235, compared with SEK 113,113 thousand in the corresponding period in 2015. Net sales for the Services sales category increased SEK 6,770 thousand to SEK 32,412 thousand, compared with SEK 25,642 thousand in the corresponding period in 2015.

Gross profit

Gross profit in the nine-month period ending 30 September 2016 increased SEK 20,337 thousand to SEK 115,820 thousand, compared with SEK 95,483 thousand in the corresponding period in 2015. Gross profit increased as the result of the increased net sales. The increase was partly offset by increased amortizations of capitalized development expenses.

The gross margin increased by 0.3 percentage points, from 68.8 percent to 69.1 percent.

Operating profit

Operating profit in the nine-month period ending 30 September 2016 amounted to SEK 9,104 thousand, compared with SEK 8,741 in the corresponding period in 2015, which is equivalent to increase of SEK 363 thousand or 4.2 percent. The increased operating profit was a result of the increased net sales. The increase was partly offset by increased operating costs, primarily within research and development, as well as expenses related to the Company's on-going listing. These expenses are believed to be non-recurring. Adjusted for these expenses, the Company's operating profit for the nine-month period ending 30 September 2016 amounted to SEK 16,451 thousand, which is

equivalent to an increase of SEK 7,710 thousand, or 88.2 percent, compared with the corresponding period in 2015.

The operating margin declined by 0.9 percentage points, from 6.3 percent to 5.4 percent. The adjusted operating margin for the nine-month period ending 30 September 2016 increased by 3.5 percentage points, to 9.8 percent, compared with the corresponding period in 2015. The margin increased as a result of the increased net sales.

Pre-tax profit

Pre-tax profit for the nine-month period ending 30 September 2016 increased SEK 3,899 thousand to SEK 11,520 thousand, compared with SEK 7,621 thousand in the corresponding period in 2015.

Profit after tax for the period

Profit after tax for the period in the nine-month period ending 30 September 2016 increased by SEK 3,010 thousand to SEK 8,324 thousand compared with SEK 5,314 thousand in the corresponding period in 2015.

The net margin increased by 1.1 percentage points, from 3.8 percent to 5.0 percent.

Cash flow from operating activities

Cash flow from operating activities in the nine-month period ending 30 September led to an inflow of SEK 7,333 thousand, compared with SEK 8,076 thousand in the corresponding period in 2015. Cash flow before changes in working capital increased to SEK 17,839 thousand, compared with SEK 10,526 thousand in the corresponding period in 2015, and was attributable to the higher results from the operating activities.

Cash flow from investing activities

Cash flow from investing activities in the nine-month period ending 30 September led to an outflow of SEK 8,536 thousand, compared with SEK 8,085 thousand in the corresponding period in 2015. The increase in cash outflow from investing activities for the period was primarily attributable to the higher capitalization from development expenses, driven by larger investments in product development.

Cash flow from financing activities

Cash flow from financing activities in the nine-month period ending 30 September led to an inflow of SEK 736 thousand, compared with SEK 0 in the corresponding period in 2015.

Full-year 2015 compared with 2014

Net sales

Net sales in 2015 increased 37.4 percent or SEK 55,381 thousand to SEK 203,556 thousand compared with SEK 148,175 thousand in 2014. The Company's net sales increased partly due to the breakthrough in the AMERICAS via one of the Company's existing cable operator customers. The customer acquired a former small Edgware customer and decided to replace its existing system with Edgware's technology. Another reason for the higher net sales was the continued strong growth among a number of the Company's existing key customers.

The increase in net sales was also due to increase in sales to OTT customers, for example, with the Company receiving its first order from an OTT customer in the APAC region. The increase in net sales

was partly offset by weaker sales to some of the Company's other existing customers, particularly in the EMEA region.

In 2015, net sales in the EMEA region increased SEK 7,279 thousand to SEK 135,768 thousand, compared with SEK 128,489 thousand in 2014, among others due to an existing key customer continuing to make significant investments in expanding its network. Excluding this key customer, the overall performance in the EMEA region was weak in 2015. In 2015, net sales in the AMERICAS region increased SEK 42,071 thousand to SEK 55,303 thousand, compared with SEK 13,232 thousand in 2014, due to higher sales from new customers and increased growth, primarily from cable operators. In 2015, net sales in the APAC region increased SEK 6,031 thousand to SEK 12,485 thousand, compared with SEK 6,454 thousand in 2014, due to new customer in the OTT customer category.

Sales for the Products sales category in 2015 increased 41 percent or SEK 49,132 thousand to SEK 167,828 thousand compared with SEK 118,696 thousand in 2014. Net sales for the Services sales category increased 21 percent or SEK 6,249 thousand to SEK 35,728 thousand, compared with SEK 29,479 thousand in 2014. Net sales increased in both categories as a result of the aforementioned reasons.

Gross profit

Gross profit in 2015 increased SEK 34,194 thousand to SEK 140,941 thousand compared with SEK 106,747 thousand in 2014. Gross profit increased as result of the robust growth in the Company's net sales.

The gross margin decreased by 2.8 percentage points, from 72.0 percent to 69.2 percent. The decline was partly a result of higher amortizations of capitalized development expenses, partly larger deliveries to a new customer in AMERICAS (sales to new customers are typically associated with somewhat lower gross margins as deliveries include a large share of system sales, composed of both hardware and software, compare with streaming and capacity licenses), partly increased discounts to an existing customer in EMEA and partly higher costs for services sold. The increase in costs for services was attributable to the strengthening in the number of support personnel for monitoring and meeting local customer demand, driven by sales in new regions, including, Mexico.

Operating profit

Operating profit in 2015 amounted to SEK 13,301 thousand, compared with SEK 13,035 thousand in 2014, up SEK 266 thousand or 2.0 percent. The increase in operating profit was the result of higher net sales, but was offset by increased operating expenses. The number of employees in the product-development function increased by seven during the year and further with a number of external consultants. The increase in operating profit was also offset by higher expenses related to changes in the product-development function and new head office premises. Operating expenses also included the increase in personnel from 17 to 21 in the sales and marketing function. In addition, the item includes extraordinary selling expenses related to the breakthrough in the AMERICAS, which resulted in an increase in sales bonuses. These bonuses amounted to SEK 8,000 thousand for 2015, of which SEK 6,700 thousand were extraordinary.

The operating margin fell 2.3 percentage points, from 8.8 percent to 6.5 percent.

Pre-tax profit

Pre-tax profit in 2015 fell SEK 2,854 thousand to SEK 13,969 thousand compared with SEK 16,823 thousand in 2014. The decline compared with 2014 was the result of lower financial income due to lower exchange-rate gains, primarily related to the trend in SEK-USD in 2014.

Profit after tax for the period

Profit after tax for the period in 2015 increased SEK 46 thousand to SEK 10,796 thousand compared with SEK 10,750 thousand in 2014. The transition to IFRS entailed that a temporary difference attributable to the capitalization of intangible assets was charged in the tax assessment, which increased tax expenses. The temporary difference has more of an effect on the tax assessment for 2014 than 2015, since capitalization of development expenses commenced in 2013 and is thus not reduced by any impairment of intangible assets from prior years.

Cash flow from operating activities

Cash flow from operating activities for the full-year 2015 led to an inflow of SEK 15,347 thousand, compared with SEK 7,256 thousand in the corresponding period in 2014. Cash flow before changes in working capital increased to SEK 18,504 thousand, compared with SEK 18,067 thousand in the preceding year, and was attributable to higher operating profit in 2015. Working capital rose due to the increase in the Company's inventories and accounts receivable as the result of increased sales and higher sales in countries with generally longer payment periods. The increase in working capital was partly offset by an increase in current liabilities, primarily related to sales bonuses and support contracts.

Cash flow from investing activities

Cash flow from investing activities for the full-year 2015 led to an outflow of SEK 10,090 thousand, compared with an outflow of SEK 4,576 thousand in the corresponding period in 2014. The increase in investments was mainly the result of a high level of capitalization of development expenses since several of the Company's development projects were approaching the commercialisation phase and also because of a higher number of employees in the function.

Cash flow from financing activities

Cash flow from financing activities for the full-year 2015 led to an inflow of SEK 0, compared with SEK 0 in 2014.

Full-year 2014 compared with 2013

Net sales

Net sales in 2014 amounted to SEK 148,175 thousand compared with SEK 128,253 thousand in 2013, up SEK 19,922 thousand or 15.5 percent. The Company's net sales increased mainly as the result of higher sales to existing customers, of which three key customers accounted for most of the increase. The number of customers in the Telecom operators customer category increased, while customers in the Cable operator and OTT/Broadcasters category displayed weaker growth. The increase was partly offset by a downturn in the APAC region due to decreased sales to an existing customer.

In 2014, net sales in the EMEA region increased SEK 22,329 thousand to SEK 128,489 thousand, compared with

SEK 106,160 thousand in 2013, due to increased sales to existing customers as described above. Net sales for the AMERICAS region increased SEK 1,500 thousand to SEK 13,232 thousand compared with SEK 11,732 thousand in 2013. Net sales for the APAC region declined SEK 3,907 thousand to SEK 6,454 thousand compared with SEK 10,361 thousand in 2013.

Net sales of Products in 2014 increased SEK 10,887 thousand to SEK 118,696 thousand compared with SEK 107,809 thousand in 2013. Net sales of Services increased SEK 9,035 thousand to SEK 29,479 thousand, compared with SEK 20,444 thousand in 2013. The increase in Services was partly the result of higher Product sales, and also increased direct sales. When the partnership with one of the Company's large former channel partners ended, Edgware took over direct contact and responsibility for providing service and support to many customers, which had a positive effect on the Company's sales of Services and net sales.

Gross profit

Gross profit in 2014 increased SEK 16,257 thousand to SEK 106,747 thousand compared with SEK 90,490 thousand in 2013. Gross profit increased as a result of the Company's higher net sales and larger share of direct sales to new customers. The share of sales to customers through direct channels rose from 35 percent in 2013 to 51 percent in 2014.

The gross margin rose 1.5 percentage points, from 70.6 percent to 72.0 percent, attributable to higher sales. The increase was also due to hardware development that led to lower costs per manufactured unit, which generated a full effect in 2014. The increase in gross margin was also attributable to the higher share of sales of Services in 2014, up from 16 percent to 20 percent.

Operating profit

Operating profit in 2014 amounted to SEK 13,035 thousand, compared with SEK 7,244 thousand in 2013, up SEK 5,791 thousand or 79.9 percent. The increase in operating profit was the result of higher sales to the Company's existing and new customers. The increase was offset by higher personnel costs as the result of the strengthening of the sales function by two employees, the Services function by three employees and higher expenses for the Company's management and board. The increase in operating profit was also offset by higher marketing costs. The operating margin rose 3.2 percentage points, from 5.6 percent to 8.8 percent.

Pre-tax profit

Pre-tax profit in 2014 increased SEK 11,206 thousand to SEK 16,823 thousand compared with SEK 5,617 thousand in 2013.

Profit after tax for the period

Profit after tax for the period in the full-year 2014 increased SEK 8,819 thousand to SEK 10,750 thousand, compared with SEK 1,931 thousand in 2013. The transition to IFRS entailed that a temporary difference attributable to the capitalization of intangible assets was charged in the tax assessment, which increased tax expenses. The temporary difference has more of an effect on the tax assessment for 2013 than 2014, since capitalization of development expenses commenced in 2013 and is thus not reduced by any impairment of intangible assets from prior years.

Cash flow from operating activities

Cash flow from operating activities for the full-year 2014 led to an inflow of SEK 7,256 thousand, compared with SEK 737 thousand in the corresponding period in 2013. The increase was attributable to higher operating profit and changes in the Company's working capital. Working capital rose due to accounts receivable increasing in line with the growth in sales. Inventories also increased in order to ensure rapid deliveries.

Cash flow from investing activities

Cash flow from investing activities for the full-year 2014 led to an outflow of SEK 4,576 thousand, compared with an outflow of SEK 5,483 thousand in 2013, as a result of increased capitalization of development expenses due to continued investments in developing hardware and software products that meet customer needs.

Cash flow from financing activities

Cash flow from financing activities for the full-year 2014 led to an inflow of SEK 0, compared with SEK 10,000 thousand in the corresponding period in 2013. In 2013, the Company's principal owners issued a convertible loan to cover the Company's liquidity requirements at that time.

CAPITALIZATION, INDEBTEDNESS AND OTHER FINANCIAL INFORMATION

The tables in this section describe the Company's capitalization and indebtedness at Group level as of 30 September 2016. For additional information on the Company's share capital and shares, refer to the section "Share capital and ownership structure". The tables in this section should be read in conjunction with the section "Operational and financial overview" and the Company's financial information with associated notes, which are found elsewhere in this Offering Circular.

CAPITALIZATION

MSEK	30 September 2016
Current liabilities	
As guarantee	–
As collateral	–
Unsecured credits	48.7
Total current liabilities	48.7
Non-current liabilities	
As guarantee	–
As collateral	–
Unsecured credits	–
Total non-current liabilities (excluding current portion of non-current liabilities)	48.7
Equity	
Share capital	0.7
Statutory reserve	–
Other reserves	92.8
Total capitalization	93.5

NET INDEBTEDNESS

Edgware's net indebtedness as of 30 September 2016 is presented in the table below. The table only includes interest-bearing liabilities. As of 30 September 2016, the Company has indirect indebtedness of MSEK 6.0 consisting of mortgage (Sw. *företagsintekningar*). The Company has no contingent indebtedness.

MSEK	30 September 2016
(A) Cash	–
(B) Cash and cash equivalents	22.5
(C) Trading securities	–
(D) Liquidity (A)+(B)+(C)	22.5
(E) Current receivables	–
(F) Current bank loans	–
(G) Current portion of non-current liabilities	–
(H) Other current liabilities	–
(I) Current liabilities (F)+(G)+(H)	–
(J) Net current indebtedness (I)-(E)-(D)	–22.5
(K) Non-current bank loans	–
(L) Issued bonds	–
(M) Other non-current loans	–
(N) Non-current liabilities (K)+(L)+(M)	–
(O) Net indebtedness (J)+(N)	–22.5

WORKING CAPITAL STATEMENT

Edgware believes that the existing working capital is sufficient to meet the needs of the ongoing business over the coming 12-month period.

CAPITAL RESOURCES

Investments

Edgware make continuous investments in product development and equipment. Investments in non-current tangible assets are relatively limited and mainly comprise equipment and testing and laboratory equipment. Investments in non-current intangible assets comprise of capitalized expenses for development of Edgware's hardware and software products. All investments made in the past three years were financed by Edgware's cash flow from operating activities.

Ongoing and future investments

Edgware's board of directors has not decided on any specific investment plan for forthcoming years. The Company intends to continue to invest resources in product development and believes that the share of investments to be capitalized will be in line with the share that has been capitalized in the past. It is intended that investments in both tangible and intangible assets will be financed by cash flow from operating activities.

Research and development

Expenditures for product development are continuously expensed, while expenses for specific development projects are capitalized to the extent that Edgware believes that they will lead to future income.

The research and development expenses item in the income statement includes the Company's costs for product development net of the portion of costs capitalized in the Company's balance sheet. Amortisation and impairment of capitalized development expenses is included in the line-item cost of goods and services sold. The table below presents research and development expenses as they are presented in the income statement, capitalized development expenditure and amortisation and impairment of capitalized development expenditure for the 2013–2015 financial years and the periods 1 January – 30 September 2015 and 2016.

SEK, thousand	1 January – 30 September		1 January – 31 December		
	Unaudited		Audited		
	2016	2015	2015	2014	2013
Research & development expenses in the income statement	–36,697	–28,672	–39,999	–32,767	–31,317
Capitalized development expenses	6,272	5,840	9,330	4,495	5,390
Amortization of capitalized development expenses	–4,673	–2,553	–3,748	–2,244	–626

Intangible assets

Edgware's intangible assets exclusively comprise expenses for product development and development work in progress. Intangible assets as of 30 September 2016 amounted to MSEK 14.2. All intangible assets are amortised over a three year period. These assets are impairment tested when there are indications that the carrying amount exceeds the recoverable amount.

Tangible assets

Edgware's tangible assets comprise equipment, tools and installations. Tangible assets as of 30 September 2016 amounted

to MSEK 4.0. Investments in tangible assets are financed by the Company's cash flow. Edgware's tangible assets are not leased nor have they been pledged as collateral.

Working capital

Edgware's working capital primarily comprises inventories, accounts receivable, other receivables, prepaid expenses and accrued income, trade payable, other current liabilities and accrued expenses and deferred income. The table below summarises Edgware's working capital on 31 December and 30 September for the years stated.

SEK, thousand	30 September		31 December		
	Unaudited		Audited		
	2016	2015	2015	2014	2013
Current assets					
Inventories	11,906	16,793	13,671	7,046	6,266
Accounts receivable	57,996	43,822	55,907	43,839	28,791
Other receivables	1,542	1,726	3,034	1,128	4,142
Prepaid expenses and accrued income	8,222	3,458	4,688	5,622	1,525
Current liabilities					
Trade payables	10,621	7,031	8,393	6,642	6,786
Other current liabilities	3,239	13,249	12,595	12,410	11,905
Accrued expenses and deferred income	34,898	32,829	46,197	25,406	14,419
Net working capital	30,908	12,690	10,115	13,177	7,614

Significant accounting policies

Edgware's accounting and valuation policies, which follow IFRS as adopted by the European Commission, are described in Note 2 Summary of significant accounting policies in the Company's audited financial statements of historical financial information included in the section "*Historical financial information*." Certain estimates and assessments are made when compiling the accounts that affect the carrying amounts of assets, liabilities, income and expenses. These estimates and assessments are based on previous experience, know-how, current circumstances and reasonable assumptions about future events. Actual results may differ from these estimates due to the uncertainties inherent in the assumptions made.

Off-balance sheet arrangements

Edgware is not party to any off-balance sheet arrangements.

Financial exposure and risk management

Edgware operates in a global market and is thus exposed to financial risks, such as currency risk, interest-rate risk, liquidity risk and credit risk. The Company does not currently make use of any derivatives or other financial instruments to reduce risks even though the Company's finance policy does allow the use of such instruments. The most important aim of Edgware's finance policy is to ensure the Company's financial flexibility in the short and long term, and to monitor and manage financial risks.

Financial risks

This section describes the most important risk factors in the Edgware Group and how they are managed. In this context, financial risk refers to risk associated with financial instruments. These instruments may be hedging instruments for the underlying risk or comprise a source of risk in themselves. Edgware manages financial risks in a non-speculative manner.

Currency exposure

Transaction exposure

The Company is exposed to currency risk in the form of transaction exposure arising from the purchase and sale of goods and services in a currency other than the local currency of the individual subsidiaries. A policy approved by the Company's board is applied to manage the Company's transaction exposure. The policy permits the Company's finance function to apply hedging to transaction flows exceeding MSEK 2.

Translation exposure

Translation differences arise when subsidiaries' balance sheets are translated to SEK as a result of the financial statements for the year being translated at an exchange rate that is different to the closing rate in the preceding accounting period. Income statements are translated at the average exchange rate for the year, while balance sheets are translated at the exchange rate on the accounting date. Translation exposure is manifested as translation differences in changes in equity. The Company does not hedge its translation exposure. However, an analysis of risks is performed to ensure that they do not escalate.

Interest-rate exposure

The Company's interest-rate exposure is managed centrally by the finance function, which means that the CFO is responsible for identifying and managing interest-rate exposure. At least 50 per cent of borrowings are to bear fixed interest with a maximum term of three years. Edgware has no interest-bearing liabilities as of 30 September 2016.

Liquidity risk

Liquidity risk is the risk that Edgware is unable to meet its payment obligations or the risk that the Company is negatively affected by inefficient handling of the Company's cash and cash flows.

To manage liquidity risk in accordance with the Company's finance policy, the Company aims to always have sufficiently large cash and bank balances and available credits to cover its liquidity requirements for the next six months. Due dates of non-current loans are also spread over time to limit liquidity risk.

Credit risk

Credit risk is the risk that Edgware's counterparties – financial (such as banks), commercial (such as distributors and customers) and others – do not meet their financial obligations to Edgware. The management of credit risk related to accounts receivable and other operating receivables is conducted as part of business risk and is continuously monitored. There is no significant concentration of credit risks to individual counterparties. Credit losses are very low due to relatively financially strong customers and strict credit procedures. Current credit risk is deemed to be acceptable with the risk-reducing measures in place.

Sensitivity analysis

A sensitivity analysis of important factors that affect Edgware's earnings is presented below. The assessment is based on amounts as of 31 December 2015 and presupposes that all other factors are unchanged. The sensitivity analysis is not a forecast. The table below shows how exchange rate fluctuations would have impacted the Group's operating profit in 2015, excluding currency hedges, as an effect of transaction exposure, assuming that all other variables are constant.

Sensitivity analysis	Change, %	Effect on operating profit (MSEK)
EUR	+/- 10	+/- 12.1
USD	+/- 10	+/- 1.0
MXN	+/- 10	+/- 1.7

SIGNIFICANT TRENDS

Edgware's order intake remains favourable. The positive trend is driven by growing interest and demand in the Company's products and services, primarily attributable to the attractive customer value that Edgware offers combined with the structural shifts prevailing in the market that are described in more detail in "*Market overview – Trends*," and by the Company's customers successfully offering services whereby TV and video are distributed over IP. The demand for software-based streaming systems is increasing and the Company is investing software alternatives of some products.

SIGNIFICANT EVENTS DURING THE PERIOD FOR THE HISTORICAL FINANCIAL INFORMATION

Edgware's net sales increased by approximately 21 percent during January – September 2016 to SEK 167,647 thousand compared to SEK 138,755 thousand in the corresponding period in 2015. The increase was driven by added sales to existing customers and sales to a number of new customers. Operating profit increased by approximately 4 percent during January – September 2016 to SEK 9,104 thousand compared to SEK 8,741 thousand in the corresponding period the previous year. The increase in operating profit was attributable to increased net sales but was partly offset by increased expenses in research and development and expenses related to the Company's on-going listing.

Edgware's net sales increased by approximately 37 percent in 2015 to SEK 203,556 thousand compared to SEK 148,175 thousand in 2014. The increase was driven by breakthrough in the AMERICAS and continued strong growth among existing customers. Operating profit increased by 2 percent during 2015 to SEK 13,301 thousand compared to SEK 13,035 thousand in 2014. The increase in operating profit was attributable to increased net sales but was offset by increased operating expenses.

Edgware's net sales increased by approximately 16 percent in 2014 to SEK 148,175 thousand compared to SEK 128,253 thousand in 2013. The increase was driven by increased sales to existing customers but partly offset by decreased sales in the APAC region. Operating profit increased by approximately 80 percent during 2014 to SEK 13,035 thousand compared to SEK 7,244 thousand in 2013. The increase in operating profit was attributable to increased net sales.

SIGNIFICANT EVENTS AFTER 30 SEPTEMBER 2016

On 14 November 2016, the extraordinary shareholders' meeting of the Company resolved on a directed issue of 266 new ordinary shares of class B, which increased the share capital with SEK 266 to a total of SEK 688,837, and on a share split, meaning that each share was split into 20, which increased the number of shares in the Company to a total of 13,776,740 (3,572,680 ordinary shares and 10,204,060 preference shares). In addition, the extraordinary shareholders' meeting adopted new articles of association, which included making the Company public. There have been no other significant events since 30 September 2016.

BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND AUDITOR

BOARD OF DIRECTORS

Edgware's board of directors consists of seven ordinary members, including the chairman of the board, with no deputy board members, all of whom are elected for the period up until the end of the annual shareholders' meeting 2017. The table below shows the members of the board of directors, when they were first elected and whether they are considered to be independent of the Company and/or the Company's principal owners.

Name	Position	Member since	Independent of	
			The Company and executive management	The Company's principal owners
Michael Ruffolo	Chairman	2013	Yes	Yes
Staffan Helgesson	Board member	2009	Yes	No
Jason Pinto	Board member	2012	Yes	No
Sigrun Hjelmqvist	Board member	2016	Yes	Yes
Lukas Holm	Board member	2016	No	Yes
Kent Sander	Board member	2016	Yes	Yes
Karl Thedéen	Board member	2016	Yes	Yes

MICHAEL RUFFOLO



Born 1961. Chairman of the board since 2013.

Education: Master of Science in business administration, Harvard Business School.

Other current assignments: None.

Previous assignments (last five years): Managing director and board member of Internap Corporation and Crossbeam Systems, Inc. Board member of Pacnet Corporation.

Shareholding in the Company: Michael Ruffolo holds no shares in the Company, but a call option entailing a right to acquire a total of 259,681 shares in the Company issued by Creandum I Annex Fund AB.¹⁾

STAFFAN HELGESSON



Born 1968. Board member since 2009.

Education: Bachelor's degree in business administration, Lund University.

Other current assignments: Chairman of the board of directors of Creandum II General Partner AB, Creandum I Annex Fund AB and KnCGroup AB. Chairman of the board of directors and managing director of Creandum III Advisor

AB. Managing director of Creandum Advisor AB. Board member and managing director of Creandum II Advisor AB and Creandum IV Advisor AB. Board member of Helgeshill AB, Epidemic Sound AB, FootballAddicts AB, FootballAddicts Holding AB, FootballAddicts Personal AB, Briskio AB, Digitala Fotbollsakademin Sverige AB, KnC IoM AB, KnCCloud AB and Forza Insider AB. Deputy board member of Anna Carell förvaltnings AB.

Previous assignments (last five years): Chairman of the board of directors of Creandum AB and Kalvgrund AB. Board member of Norstel Aktiebolag, XBT Inhouse AB, XBT Partner AB and XBT Provider AB (publ). Deputy board member of Cint AB, Ooyala AB and Carolinas Matkasse AB.

Shareholding in the Company: Staffan Helgesson holds no shares in the Company.

JASON PINTO



Born 1976. Board member since 2012.

Education: Ph.D in physics, University of Cambridge.

Other current assignments: Board member of Cambridge Clean Energy Ltd.

Previous assignments (last five years): Board member of Linkdex Ltd., ComQi Ltd. and Forth Dimension Displays Ltd. Partner at Amadeus Capital Partners Ltd. Supervisory

Board Observer of Liquavista B.V.

Shareholding in the Company: Jason Pinto holds no shares in the Company.

SIGRUN HJELMQVIST



Born 1956. Board member since 2016.

Education: Master of Science and technology licentiate's degree in technical physics, Royal Institute of Technology.

Other current assignments: Chairman of the board of directors of ALMI Stockholm Investingsfond AB, Addnode Group Aktiebolag (publ), ALMI Invest Stockholm AB, ALMI Invest Östra Mellansverige AB and Fouriertransform

Aktiebolag. Board member of Facesso AB, Elous Vind Aktiebolag (publ), Ragn-Sells företagen AB and IGOT AB.

Previous assignments (last five years): Chairman of the board of directors of Nordic Iron Ore AB, ExeoTech Invest AB (publ) (C2SAT holding AB (publ)), C2SAT communications AB, ExeoTech Food Ventures AB (C2SAT Technology AB) and ExeoTech Ventures AB (C2Sat Production AB). Board member of Setra Group AB, IFL & HHS Holding AB, Fingerprint Cards AB, Stockholm School of Economics, Executive Education AB, Ekovind AB, Silex Microsystems AB, Bluetest Aktiebolag, One Media Holding AB (publ), Com Hem Communications AB and Orexplore AB.

Shareholding in the Company: Sigrun Hjelmqvist holds 10,000 shares in the Company.²⁾

LUKAS HOLM



Born 1966. Board member since 2016.

Education: Master of Science in electrical engineering, Royal Institute of Technology.

Other current assignments: Board member and managing director of Valesco AB. Board member of Lukas Holm Invest AB. Partner of Kairos Konsult HB.

Previous assignments (last five years): Board member of Lud Vig Ekonomisk förening.

Shareholding in the Company: Lukas Holm holds 704,446 shares in the Company.³⁾

KENT SANDER



Born 1953. Board member since 2016.

Education: Master of Science in economics, Stockholm University.

Other current assignments: Chairman of the board of directors of Tobii AB (publ), Mr Green & Co AB (publ), OnePhone Holding AB and Triboron International AB. Board member of Expander Business Consulting AB and BT

OnePhone Ltd. Board member and owner of KR Sander Associates AB and Sander Capital Consulting AB. Partner of Laser Hair Care AB. Deputy board member of OnePhone UK SP AB.

Previous assignments (last five years): Chairman of the board of directors of Transmode Systems AB, Transmode AB and mFormation Technologies Inc. Board member of KPN OnePhone Holding BV and Trux Holding AB. Board member and partner of BrainHeart Partners AB. Partner of BrainHeart General Partner KB.

Shareholding in the Company: Kent Sander holds 10,000 shares in the Company.²⁾

KARL THEDÉEN



Born 1963. Board member since 2016.

Education: Master of Science in systems engineering, Royal Institute of Technology.

Other current assignments: Board member and managing director of Transmode Systems AB and Transmode AB. Board member of Semcon AB.

Previous assignments (last five years): Board member of Latour Industries AB, Kabona AB and HMS Networks AB. Managing director of Transmode Incentive AB.

Shareholding in the Company: Karl Thedéen holds 10,000 shares in the Company.²⁾

¹⁾ For further information, please see section "Share capital and ownership structure – Convertibles, warrants, etc.".

²⁾ Provided that the Share Conversion has been effected, please refer to section "Share capital and ownership structure – Share conversion in connection with the Offering, etc.".

³⁾ Provided that the Offering Price is determined at the midpoint of the Price Range, and that the Share Conversion and the Bonus Issue have been effected, please refer to section "Share capital and ownership structure – Share conversion in connection with the Offering, etc.".

EXECUTIVE MANAGEMENT

JOACHIM ROOS



Born 1960. CEO since 2006.

Education: Licentiate's degree in computer engineering, Lund Technical University.

Other current assignments: Board member and owner of Joachim Roos Invest AB.

Previous assignments (last five years): None.

Shareholding in the Company: Joachim Roos holds 704,414 shares in the Company.⁴⁾

STEEVE FÜHR



Born 1971. CFO & HR since 2015.

Education: Master of Science in economics, Stockholm University.

Other current assignments: Owner of Academy of Business Stockholm.

Previous assignments (last five years): Finance Director Nordic of Acer Sweden AB. CFO of Pocket Shop AB.

Shareholding in the Company: Steeve Führ holds no shares, but may acquire up to 32,000 warrants in the Company.⁵⁾

GÖRAN APPELQUIST



Born 1964. CTO since 2011.

Education: Ph.D in physics, Stockholm University.

Other current assignments: None.

Previous assignments (last five years): None.

Shareholding in the Company: Göran Appelquist holds 78,980 shares in the Company.⁶⁾

JOHAN BOLIN



Born 1975. VP Products since 2014.

Education: Master of Science in electrical engineering, Royal Institute of Technology.

Other current assignments: Board member of Appalanche AB.

Previous assignments (last five years): None.

Shareholding in the Company: Johan Bolin holds no shares, but may acquire up to 22,000 warrants in the Company.⁵⁾

TOM SCHMITT



Born 1965. VP Sales since 2010.

Education: Master of Science in computer science, FH Darmstadt.

Other current assignments: None.

Previous assignments (last five years): None.

Shareholding in the Company: Tom Schmitt holds 157,980 shares in the Company.⁶⁾

MAGNUS LARSSON



Born 1970. VP Operations since 2013.

Education: Bachelor of engineering, Royal Institute of Technology.

Other current assignments: None.

Previous assignments (last five years): None.

Shareholding in the Company: Magnus Larsson holds no shares, but may acquire up to 32,000 warrants in the Company.⁵⁾

RICHARD BRANDON



Born 1963. CMO since 2016.

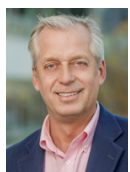
Education: Bachelor of technology in physics, Imperial College London.

Other current assignments: Director and owner of Stalking Horse Marketing Ltd.

Previous assignments (last five years): CMO for Intune Networks Ltd. and MLL Telecom Ltd.

Shareholding in the Company: Richard Brandon holds no shares, but may acquire up to 22,000 warrants in the Company.⁵⁾

RICHARD BERG



Born 1967. General Counsel since 2013.

Education: Degree of Master of Laws (L.L.M.), Lund University.

Other current assignments: Board member and owner of Legal-etc. Stockholm AB.

Previous assignments (last five years): Board member of GKS Drift AB. Legal Counsel for Pricer AB (publ) and Legal & Commercial Director for Giesecke & Devrient 3S AB.

Shareholding in the Company: Richard Berg holds no shares, but may acquire up to 22,000 warrants in the Company.⁵⁾

GUNILLA WIKMAN



Born 1959. IR manager since 2016.

Education: Master of Science in economics, Stockholm School of Economics.

Other current assignments: Part time IR manager for Resurs Holding AB. Board member of Hoist Finance AB (publ), HOIST Kredit Aktiebolag, Oatly AB, Cereal Base CEBA Aktiebolag, AMF Fonder AB. Deputy board member of

Tiferna AB and board member and owner of Carrara Communication AB. **Previous assignments (last five years):** IR manager for Eltel Networks AB. Board member of SJ AB, Flyinge Aktiebolag and HMS Networks AB. Deputy board member of Svenska Ridsportförbundets Service Aktiebolag.

Shareholding in the Company: Gunilla Wikman holds no shares in the Company.

BENGT-ARNE MOLIN



Born 1958. VP R&D since 2016.

Education: Ph.D in electrical engineering, Lund University.

Other current assignments: Board member and owner of B A Molin AB.

Previous assignments (last five years): Chairman of the board of directors, board member, managing director, VP and deputy board member of Sony Mobile Communications AB. General Manager/VP of Sony Ericsson Mobile Communications AB.

Shareholding in the Company: Bengt-Arne Molin holds no shares in the Company.

⁴⁾ Provided that the Offering Price is determined at the midpoint of the Price Range, and that the Share Conversion and the Bonus Issue have been effected, please refer to section "Share capital and ownership structure – Share conversion in connection with the Offering, etc."

⁵⁾ The warrants will be issued in connection with the listing as described in section "Share capital and ownership structure – Incentive program" and each participant's number of warrants depends on the participant's decision to invest in the incentive program and to what extent.

⁶⁾ Provided that the Share Conversion has been effected, please refer to section "Share capital and ownership structure – Share conversion in connection with the Offering, etc."

OTHER INFORMATION ABOUT THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

There are no family ties between any of the members of the board of directors or executive management. There are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and executive management of the Company and their private interests and/or other undertakings.

Sigrun Hjelmqvist has been a board member of One Media Holding AB (publ) and resigned from her position less than a year from the date the company was declared bankrupt in 2012.

Staffan Helgesson has been chairman of the board of directors of Creandum AB during the time the company was liquidated. The liquidation was voluntary and was completed in 2014. Staffan Helgesson is further chairman of the board of directors of KnCGroup AB and board member of KnC IoM AB and KnCCloud AB, which all were declared bankrupt on 27 May 2016.

Kent Sander has been a board member of BrainHeart Partners AB and Trux Holding AB during the time the companies were liquidated. The liquidations were voluntary and were completed in 2012. Kent Sander is also part in ongoing tax matters regarding the right to tax deduction. Since Kent Sander has challenged the Swedish Tax Agency's (Sw. *Skatteverket*) judgement regarding the right to tax deduction, and since the Administrative Court has ruled in favor of the Swedish Tax Agency, the matter is currently in the Administrative Court of Appeal for review.

Richard Brandon has been CMO of Intune Ltd. during the time the company went through a voluntary liquidation in 2014. Karl Thedéen has been managing director of Transmode Incentive AB during the time the company went through a voluntary liquidation in 2012.

Except as set out above, during the last five years, none of the members of the board of directors or the members of the executive management have (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation, (iii) been the subject of sanctions or accused by authorities or bodies acting for particular professional groups under public law or (iv) been subject to injunctions against carrying on business.

All members of the board of directors and the members of the executive management are available at the Company's main office at Mäster Samuelsgatan 42, SE-111 57 Stockholm.

AUDITOR

Deloitte AB has been the Company's auditor since 2011 and was, at the annual shareholders' meeting 2016, re-elected until the end of the annual shareholders' meeting 2017. Erik Olin (born 1973) is the auditor in charge. Erik Olin is an authorised public accountant and a member of FAR (professional institute for authorised public accountants). Deloitte AB's office address is Rehnsgatan 11, SE-113 79 Stockholm. Deloitte AB has been auditor throughout the entire period covered by the historic financial information presented in this Offering Circular.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Edgware is a Swedish public limited liability company. Prior to the listing on Nasdaq Stockholm, corporate governance in the Company was based on Swedish law and internal rules and instructions. Once the Company has been listed on Nasdaq Stockholm, the Company will also comply with Nasdaq Stockholm's Rule Book for Issuers and apply the Swedish Corporate Governance Code (the "Code"). The Code applies to all Swedish companies with shares listed on a regulated market in Sweden and shall be fully applied from the first annual shareholders' meeting held the year following the listing. The Company is not obliged to comply with every rule in the Code as the Code itself provides for the possibility to deviate from the rules, provided that any such deviations and the chosen alternative solutions are described and the reasons therefore are explained in the corporate governance report (according to the so-called "comply or explain principle").

The Company will apply the Code from the time of the listing of the shares on Nasdaq Stockholm. Any deviation from the Code will be reported in the Company's corporate governance report, which will be prepared for the first time for the 2016 financial year. However, in the first corporate governance report, the Company is not required to explain non-compliance with such rules that have not been relevant during the period covered by the corporate governance report. Currently, the Company does not expect to report any deviations from the Code in the corporate governance report.

SHAREHOLDERS' MEETING

According to the Swedish Companies Act (2005:551) (*Sw. aktiebolagslagen*), the shareholders' meeting is the Company's ultimate decision-making body. At the shareholders' meeting, the shareholders exercise their voting rights in key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, discharge from liability of members of the board of directors and the CEO, election of members of the board of directors and auditors and remuneration to the board of directors and the auditors.

The annual shareholders' meeting must be held within six months from the end of the financial year. In addition to the annual shareholders' meeting, extraordinary shareholders' meetings may be convened. According to the articles of association, shareholders' meetings are convened by publication of the convening notice in the Swedish National Gazette (*Sw. Post- och Inrikes Tidningar*) and on the Company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in Svenska Dagbladet.

Right to participate in shareholders' meetings

Shareholders who wish to participate in a shareholders' meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day falling five workdays prior to the meeting, and notify the Company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend the shareholders' meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the shareholders' meeting in several different ways as indicated in the notice of the

meeting. A shareholder may vote for all Company shares owned or represented by the shareholder.

Shareholder initiatives

Shareholders who wish to have a matter brought before the shareholders' meeting must submit a written request to the board of directors. Such request must normally be received by the board of directors no later than seven weeks prior to the shareholders' meeting.

NOMINATION COMMITTEE

According to the Code, the Company must have a nomination committee which purpose is to submit proposals regarding the chair of shareholders' meetings, board member candidates (including the chairman), fees and other remuneration for each board member and remuneration for committee work, the election and remuneration of external auditors, and proposals on the nomination committee for the next annual shareholders' meeting.

At the extraordinary shareholders' meeting held on 14 November 2016, the meeting resolved that the nomination committee shall for the annual general meeting 2017, be composed of representatives of the three largest shareholders listed in the shareholders' register maintained by Euroclear Sweden as of 31 January 2017, together with the chairman of the board of directors, who will also convene the first meeting of the nomination committee. The member representing the largest shareholder shall be appointed chairman of the nomination committee, unless the nomination committee unanimously appoints someone else. If earlier than three months prior to the annual general meeting, one or more of the shareholders having appointed representatives to the nomination committee no longer are among the three largest shareholders, representatives appointed by these shareholders shall resign and the shareholders who then are among the three largest shareholders may appoint their representatives. Should a member resign from the nomination committee before its work is completed and the nomination committee considers it necessary to replace him or her, such substitute member is to represent the same shareholder or, if the shareholder is no longer one of the largest shareholders, the largest shareholder in turn. Changes to the composition of the nomination committee must be announced immediately.

Remuneration shall not be paid to the members of the nomination committee. Edgware is to pay any expenses that the nomination committee may incur in its work. The term of office for the nomination committee ends when the composition of the following nomination committee has been announced.

BOARD OF DIRECTORS

The board of directors is the second-highest decision-making body of the Company after the shareholders' meeting. According to the Swedish Companies Act, the board of directors is responsible for the organization of the Company and the management of the Company's affairs, which means that the board of directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The board of directors is also responsible for ensuring that annual reports and interim reports are pre-

pared in a timely manner. Moreover, the board of directors appoints the CEO.

Members of the board of directors are normally appointed by the annual shareholders' meeting for the period until the end of the next annual shareholders' meeting. According to the Company's articles of association, the members of the board of directors elected by the shareholders' meeting shall be not less than three and not more than ten members and no deputy members.

According to the Code, the chairman of the board of directors is to be elected by the shareholders' meeting and have a special responsibility for leading the work of the board of directors and for ensuring that the work of the board of directors is efficiently organized.

The board of directors applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the board of directors, functions and the division of work between the members of the board of directors and the CEO as well as between the board of directors and its committees. At the inaugural board meeting, the board of directors also adopts instructions for the CEO, including instructions for financial reporting.

The board of directors meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues which cannot be postponed until the next ordinary board meeting. In addition to the board meetings, the chairman of the board of directors and the CEO continuously discuss the management of the Company.

Currently, the Company's board of directors consists of seven ordinary members elected by the shareholders' meeting, who are presented in section "*Board of directors, executive management and auditor*".

Audit committee

Edgware has an audit committee consisting of three members: Karl Thedéen (chairman), Staffan Helgesson and Sigrun Hjelmqvist. The audit committee shall, without it affecting the responsibilities and tasks of the board of directors, monitor the Company's financial reporting, monitor the efficiency of the Company's internal controls, internal auditing and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the Company, and assist in the preparation of proposals for the shareholders' meeting's decision on election of auditors.

Remuneration committee

Edgware has a remuneration committee consisting of three members: Kent Sander (chairman), Michael Ruffolo and Jason Pinto. The

remuneration committee shall prepare matters concerning remuneration principles, remuneration and other employment terms for the CEO and the executive management.

THE CEO AND OTHER EXECUTIVE MANAGEMENT

The CEO is subordinated to the board of directors and is responsible for the everyday management and operations of the Company. The division of work between the board of directors and the CEO is set out in the rules of procedure for the board of directors and the CEO's instructions. The CEO is also responsible for the preparation of reports and compiling information for the board meetings and for presenting such materials at the board meetings.

According to the instructions for the financial reporting, the CEO is responsible for the financial reporting in the Company and consequently must ensure that the board of directors receives adequate information for the board of directors to be able to evaluate the Company's financial condition.

The CEO must continuously keep the board of directors informed of developments in the Company's operations, the development of sales, the Company's result and financial condition, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and executive management are presented in section "*Board of directors, executive management and auditor*".

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS, CEO AND EXECUTIVE MANAGEMENT

Remuneration to the members of the board of directors

Fees and other remuneration to the members of the board of directors, including the chairman, are resolved by the shareholders' meeting. At the annual shareholders' meeting held on 30 June 2016, it was resolved that the fee to the chairman of the board of directors should be USD 150,000. At the annual shareholders' meeting it was further resolved that fees totaling SEK 450,000 shall be payable to board members not employed by the Company nor by the Company's major shareholders, which entails SEK 150,000 to each of Karl Thedéen, Sigrun Hjelmqvist and Kent Sander. Please also refer to section "*Share capital and ownership structure – Incentive programs*". The members of the board of directors are not entitled to any benefits following termination of their assignments as directors of the board.

Remuneration to the board of directors during the 2015 financial year

The table below presents an overview of remuneration to the board of directors elected by the shareholders for the 2015 financial year.

SEK, thousands							
Name	Function	Board fee	Variable remuneration	Other benefits	Share-based remuneration	Pension costs	Total
Michael Ruffolo	Chairman of the board	1,961 ³⁾	–	–	299 ⁵⁾	31	2,291
Staffan Helgesson	Board member	–	–	–	–	–	–
Jason Pinto	Board member	–	–	–	–	–	–
Sigrun Hjelmqvist ¹⁾	Board member	–	–	–	–	–	–
Lukas Holm ¹⁾	Board member	–	–	–	–	–	–
Kent Sander ¹⁾	Board member	–	–	–	–	–	–
Karl Thedéen ¹⁾	Board member	–	–	–	–	–	–
Kalle Henriksson ²⁾	Board member	1,014 ⁴⁾	–	–	–	190	1,204
Total		2,975	–	–	299	221	3,495

¹⁾ Sigrun Hjelmqvist, Lukas Holm, Kent Sander and Karl Thedéen were elected as board members in 2016.

²⁾ Kalle Henriksson resided from the position as board member during 2016.

³⁾ Of which SEK 421 thousand are remuneration for his service at board and the remaining amount are remuneration for other services.

⁴⁾ The entire amount is salary.

⁵⁾ This reported item does not correspond to any cash payments from the Company. Please also see section "*Share capital and ownership structure – Convertibles, warrants, etc.*".

Guidelines for remuneration to the CEO and other executive management

The extraordinary shareholders' meeting held on 14 November 2016 adopted guidelines for remuneration to the CEO and other executive management. The remuneration to the executive management shall consist of fixed salary, variable remuneration, long term variable remuneration and pension provisions. The total remuneration shall be based on market terms, be competitive, well balanced and not wage leading as well as contribute to good ethics and company culture. Fixed salary shall be based on the executive management's competence and area of responsibility, be individual and shall normally be reviewed every year. Variable remuneration shall be linked to predetermined and measurable criteria based on the Company's net sales. These criteria are designed with the aim of promoting long-term value creation. For the CEO the variable salary may not exceed 100 percent of the fixed annual salary, for the sales manager the variable salary may not exceed 205 percent of the fixed annual salary and for other members of executive management the variable salary may not exceed 65 percent of the fixed annual salary. The executive management may also be granted customary non-monetary benefits, such benefits shall however not constitute a material part of the total remuneration.

The vesting period for the LTI-program must be at least three years. The LTI-program shall be based on shares or share related securities. The LTI shall ensure long-term incentives linked to Edgware's development. Every share based LTI shall require approval of the shareholders before launch.

Pension benefits shall be premium based and constitute 4.5 percent of the pension qualifying salary up to 7.5 income base amounts and 30 percent on any excess amount.

The board of directors shall be entitled to deviate from the guidelines if there is special reason to do so in an individual case.

Current employment agreements for the CEO and other executive management

Decisions as to the current remuneration levels and other conditions for employment for the CEO and the other members of the executive management have been resolved by the board of directors.

The table below presents an overview of remuneration to the CEO and other members of executive management for the 2015 financial year.

SEK, thousands Name	Basic salary/ board fee	Variable salary	Other benefits	Pension costs	Total
Joachim Roos, CEO	1,361	667	–	293	2,321
Other senior executives (9 people)	7,551	3,246	–	1,168	11,965
Total	8,912	3,913	–	1,461	14,286

Agreements concerning pensions shall, wherever possible, be based on fixed premiums and must be in accordance with the levels, practice and collective bargaining agreements applicable in the country where the relevant member of the executive management is employed. The Company provides a premium-based pension plan based on monthly salary and follows the ITP1 plan where the premiums vary between 4.5–30 percent. For amounts set aside for pensions or similar benefits, see Note 12 under section "Historical financial information" on page F-35.

A mutual period of notice of six months applies for the CEO. For members of the executive management residing in Sweden, a period of notice of one to three months applies for the employee and the employer. For the employer, the period of notice according to the Swedish Employment Protection Act (*Sw. lagen (1982:80) om anställningsskydd*) applies in the majority of the cases, which is between one and six months. The CEO is entitled to severance pay amounting to six months' salary upon dismissal by the Company. Except for the CEO, no employees are entitled to severance pay.

The Company has under 2016 entered into a consultancy agreement with Bengt-Arne Molin, VP R&D, through a Company owned by Bengt-Arne Molin. The agreement constitutes part-time work of two days per week, or 40 percent of a full time employment, and runs up to and including March 2017.

The Company has under 2016 entered into a consultancy agreement with Gunilla Wikman, IR Manager, through a Company owned by Gunilla Wikman. The agreement runs up to and including the twelfth month after first day of trading for the Company's share at Nasdaq Stockholm and constitutes part-time work with an estimated workload of approximately 40–80% of a full time employment between August 2016 and February 2017 and between 25–40% during the rest of the twelve months period.

The Company has also under 2016 entered into a consultancy agreement with Richard Brandon, CMO, through a Company owned by Richard Brandon. The agreement constitutes part-time work of four days per week, or 80 percent of a full time employment, and runs up to and including January 2017.

INTERNAL CONTROL

The board of directors and the board's audit committee are responsible for internal control. At the group level, the CEO is responsible for every legal person along with the Group's finance department and the CFO for ensuring that the necessary controls are conducted together with adequate monitoring. Internal control comprises the control of the Company's and the Group's organization, procedures and support measures. The objective is to ensure that reliable and accurate financial reporting takes place, that the Company's and the Group's financial reporting is prepared in accordance with law and applicable accounting standards, that the Company's assets are protected and that other requirements are fulfilled. The system for internal control is also intended to monitor compliance with the Company's and the Group's policies, principles and instructions. Internal control also comprises risk analysis and follow-up of incorporating information and business systems.

AUDITING

The auditor shall review the Company's annual reports and accounting, as well as the management of the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the annual shareholders' meeting.

Pursuant to the Company's articles of association, the Company shall have not less than one and not more than two auditors and not more than two deputy auditors. The Company's auditor is Deloitte AB, with Erik Olin as auditor in charge. The Company's auditor is presented in more detail in section "Board of directors, executive management and auditor".

In 2015, the total remuneration of the Company's auditor amounted to SEK 448,000.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

GENERAL INFORMATION

Pursuant to the Company's articles of association, the Company's share capital may not be less than SEK 500,000 and not more than SEK 2,000,000, and the number of shares may not be less than 10,000,000 and not more than 40,000,000. As of the date of this Offering Circular, the Company has issued a total of 13,776,740 shares (3,572,680 common shares of two classes and 10,204,060 preference shares of seven classes). Following the Offering, the Company will have only one class of shares. The shares are denominated in SEK and the quota value of each share is SEK 0.05.

All shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferable.

The offered shares are not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been made for the offered shares during the current or preceding financial year. As far as the board members are aware there are no shareholders' agreements that will be in force in connection with the listing.

SHARE CONVERSION IN CONNECTION WITH THE OFFERING, ETC.

In connection with listing of Edgware's shares on Nasdaq Stockholm all of the existing common shares of class A, common shares of class B and all preferential shares in the Company will be converted into the new class of shares, common shares of class C, (the "**Share Conversion**") and thereafter will all other classes of shares be removed so that Edgware only will have one class of shares following the Offering. Furthermore, in connection with the listing, 5,454,545 new shares will be issued (the "**New Issue**") to be, together with 8,549,923 existing shares in Edgware, offered to investors that have applied for the Offering (see section "*Invitation to acquire shares in Edgware*").

At the extraordinary shareholders' meeting of Edgware held on 28 November 2016, the following corporate actions to effect the Share Conversion and the New Issue were approved.

1. Each common share of class A, common share of class B and preferential share will be converted into one new common share of class C and thereafter remove all other classes of shares (meaning that the previous shares of class C will be the only series of shares left and thus be named only shares).

2. To authorise the board of directors to issue new shares to investors that have applied for the Offering in the New Issue. The decision to exercise the authorization will be resolved by the Company's board of directors on 8 December 2016. The New Issue is expected to entail net proceeds to Edgware of approximately MSEK 140, after costs related to the issue. By the issue of new shares, the Company's share capital will be increased by SEK 272,727.25. This corresponds to a dilution effect of 17.6 percent, corresponding to 5,454,545 shares and votes.

3. In order to reflect a share ownership among the existing shareholders on the basis of the economic value of each preference

share, and certain common shares of class A, and the market capitalization of Edgware at the time of listing, certain of the existing shareholders will receive additional shares in a bonus issue of shares (the "**Bonus Issue**"). The Bonus Issue comprises an issuance of 11,698,973 new shares and will result in a share capital increase of SEK 584,948.65.

The New Issue and the Bonus Issue have been described above on the basis of that the Offering Price is determined to the midpoint of the Price Range (SEK 27.50). This value has solely been used for practical purposes in order to facilitate the presentation above. If the Offering Price is different than this assumed value, an adjusted amount of shares will be issued in the Bonus Issue (however not less than 10,724,060 and not more than 12,868,867 shares) to ensure that the ownership of the existing shareholders reflects a market capitalization of Edgware on the basis of the Offering Price and thus will also an adjusted number of shares be issued in the New Issue (however not less than 5,000,000 and not more than 6,000,000 shares).

The resolutions to effect the Share Conversion, the Bonus Issue and the New Issue set out above are expected to be registered with the Swedish Companies Registration Office following the announcement of the Offering Price.

CERTAIN RIGHTS ASSOCIATED WITH THE SHARES

The offered shares are all of the same class. The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act.

Voting rights

Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

Preferential rights to new shares etc.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

Rights to dividends and balances in case of liquidation

All shares give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.

Resolutions regarding dividend are passed by shareholders' meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the shareholders' meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such share-

holder still retains its claim on the Company to the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the period of limitations, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Shareholders not resident in Sweden for tax purposes must normally pay Swedish withholding tax, see also section "*Tax issues in Sweden*".

DIVIDEND POLICY

Edgware's cash-flow shall in the coming years be used to finance further development and expansion and possibilities for acquisi-

tions whereas no dividends are expected to be paid. Edgware did not pay any dividend in 2015, 2014 or 2013.

CENTRAL SECURITIES REGISTER

The Company's shares are registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479). This register is managed by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm. No share certificates have been issued for the Company's shares. The account operator is Carnegie. The ISIN code for the Company's shares is SE0009268360.

SHARE CAPITAL DEVELOPMENT

The below table shows historic changes in the Company's share capital since 1 January 2013, and the changes in the number of shares and the share capital which will be made in connection with the listing of the Company's shares on Nasdaq Stockholm.

Time	Event	Change in number of shares	Number of shares after the transaction	Share capital	
				Change	Total
2013-01-01		–	649,171 ¹⁾	–	649,171.00
2016-07-14	New share issue	500 ²⁾	649,671	500.00	649,671.00
2016-07-14	Issue against set off	30,221 ³⁾	679,892	30,221.00	679,892.00
2016-07-14	Share subscription due to warrants	7,679 ⁴⁾	687,571	7,679.00	687,571.00
2016-07-14	New share issue	1,000 ²⁾	688,571	1,000.00	688,571.00
2016-11-23	New share issue	266 ²⁾	688,837	266.00	688,837.00
2016-11-23	Share split	13,087,903	13,776,740	–	688,837.00
2016-12-09	Share Conversion	–	13,776,740	–	688,837.00
2016-12-09	Bonus Issue	11,698,973 ⁵⁾	25,475,713 ⁵⁾	584,948.65 ⁵⁾	1,273,785.65 ⁵⁾
2016-12-15	New Issue	5,454,545 ⁶⁾	30,930,258 ⁶⁾	272,727.25 ⁶⁾	1,546,512.90 ⁶⁾

¹⁾ As of 1 January 2013, the Company had issued a total of 649,171 shares distributed in seven classes.

²⁾ Issue of new common shares of class B.

³⁾ Issue of new preference shares of class P6.

⁴⁾ Subscription for shares due to warrants of preference shares of class P7.

⁵⁾ Provided that the Offering Price is determined at the midpoint of the Price Range (SEK 27.50).

⁶⁾ Provided that the Offering Price is determined at the midpoint of the Price Range (SEK 27.50).

CONVERTIBLES, WARRANTS, ETC.

Other than what is stated below under "*Incentive programs*" there will be no outstanding warrants, convertibles or other share-related instruments in the Company at the listing of the Company's shares on Nasdaq Stockholm.

In addition to what is disclosed above, Creandum I Annex Fund AB has during 2016 issued a call option to Michael Ruffolo, chairman of the board of directors, entailing the right to, at one or several occasions, acquire a total of 259,680 shares in the Company to an amount of SEK 20 per share. This is part of the remuneration agreement between the chairman and the Company entered into when the chairman accepted the position in 2013, and as a result of the issuance of the call option described above, the obligation to fulfill the undertaking has been transferred from the Company to Creandum I Annex Fund AB. The call option may be exercised from the day that all preference shares in the Company have been converted into shares of the same class and up to and including 31 March 2018. Immediately after the call option has been exercised, the other Principal Shareholders and Micron shall transfer a number of shares to Creandum I Annex Fund AB equivalent to their respective pro rata share of the shares acquired by the chairman, or compensate Creandum I Annex Fund AB in cash.

INCENTIVE PROGRAM

At the extraordinary shareholders' meeting held on 28 November 2016, it was resolved to issue warrants as part of an incentive program for executive management. In total the program compress five individuals and not more than approximately 130,000 warrants. The incentive program offers the participants to purchase warrants at market value of SEK 3.36 per warrant (under the assumption of an Offering Price equivalent to the midpoint of the Price Range) according to Black & Scholes evaluation principle. The maximal number of warrants that will be issued equals a maximum of 1 percent of the share capital and the votes, prior to the completion of the New Issue and the Bonus Issue. The subscription period for the warrants run from and including 1 January 2020 and up to and including 31 May 2020 and can, under the terms and conditions be exercised to the exercising price corresponding 120 percent of the Offering Price. If a change of control (as defined in the terms and conditions for the warrants) would occur during the term of the warrants the warrants can immediately be used for subscription to the new shares to a re-counted exercising price. The Company has reserved the right to re-purchase warrants if the participant's employment or assignment in the Group ceases, or if the participant wishes to transfer its warrants.

OWNERSHIP STRUCTURE

As of the date of this Offering Circular, the Company has 72 shareholders which are comprised of the Selling Shareholders and some current and former employees of the Company. The table below sets forth Edgware's ownership structure immediately before the Offering and directly after completion of the Offering (in both

cases assuming that the Share Conversion and the Bonus Issue have been effected). The table is also prepared on the basis of the assumption that the Offering Price has been determined to the midpoint of the Price Range (SEK 27.50).

Shareholder	Shareholding before the Offering		After the Offering (if the Over-allotment option is not exercised)		After the Offering (if the Over-allotment option is exercised in full)	
	Number	Per cent	Number	Per cent	Number	Per cent
<i>Shareholders with holdings exceeding 5 percent of the shares</i>						
Amadeus III ¹⁾	10,685,016	41.9	6,945,261	22.5	5,918,835	19.1
Creandum I Annex Fund AB ²⁾	5,227,939	20.5	3,398,161	11.0	2,897,989	9.4
Creandum KB ³⁾	4,586,348	18.0	2,981,127	9.6	2,540,542	8.2
<i>Other selling shareholders</i>						
Amadeus III Affiliates Fund LP ⁴⁾	330,465	1.3	214,803	0.7	183,059	0.6
Amadeus EII LP ⁵⁾	1,073,231	4.2	697,601	2.3	595,861	1.9
Micron Technology, Inc. ⁶⁾	355,560	1.4	0	0.0	0	0.0
Kalle Henriksson ⁷⁾	704,414	2.8	528,311	1.7	528,311	1.7
Lukas Holm ⁸⁾	704,446	2.8	528,335	1.7	528,335	1.7
Joachim Roos ⁹⁾	704,414	2.8	528,311	1.7	528,311	1.7
<i>Shareholding members of the Board of Directors and executive management, and other current shareholders</i>						
Sigrun Hjelmqvist	10,000	0.0	10,000	0.0	10,000	0.0
Kent Sander	10,000	0.0	10,000	0.0	10,000	0.0
Karl Thedéen	10,000	0.0	10,000	0.0	10,000	0.0
Göran Appelquist	78,980	0.3	78,980	0.3	78,980	0.3
Tom Schmitt	157,980	0.6	157,980	0.5	157,980	0.5
Other current shareholders	836,920	3.3	836,920	2.7	836,920	2.7
Total	25,475,713	100.0	16,925,790	54.7	14,825,123	47.9
New shareholders	—	—	14,004,468	45.3	16,105,135	52.1
Total	25,475,713	100.0	30,930,258	100.0	30,930,258	100.0

¹⁾ Amadeus III's address is: Mount Pleasant House, 2 Mount Pleasant, Cambridge CB3 0RN, United Kingdom.

²⁾ Creandum I Annex Fund AB's address is: Box 7068, 111 20 Stockholm, Sweden.

³⁾ Creandum KB's address is: Box 7068, 103 86 Stockholm, Sweden.

⁴⁾ Amadeus III Affiliates Fund LP's address is: c/o Mount Pleasant House, 2 Mount Pleasant, Cambridge CB3 0RN, United Kingdom.

⁵⁾ Amadeus EII LP's address is: Mount Pleasant House, 2 Mount Pleasant, Cambridge CB3 0RN, United Kingdom.

⁶⁾ Micron Technology, Inc.'s address is: 8000 S. Federal Way, P.O. Box 6, Boise, Idaho, USA.

⁷⁾ Kalle Henriksson's address is: Åkervägen 82, 121 33 Enskededalen, Sweden.

⁸⁾ Lukas Holm's address is: Hammarbyterassen 43, 120 63 Stockholm, Sweden.

⁹⁾ Joachim Roos's address is: Kristinedalsvägen 32 B, 131 46 Nacka, Sweden.

LOCK UP-ARRANGEMENTS, ETC.

Under the Placing Agreement which is expected to be entered into on or around 8 December 2016, the Selling Shareholders, shareholding members of the board of directors and certain shareholding employees within the Group, including executive management, will undertake, with certain exceptions, not to sell their respective holdings for a certain period after trading on Nasdaq Stockholm has commenced (the "**Lock-up period**"). The Lock-up period for the Selling Shareholders will be 180 days, and the Lock-up period for the shareholdings of members of the board of directors and certain shareholding employees within the Group, including executive management, will be 360 days. At the end of the respective Lock-up periods, the shares may be offered for sale, which may

affect the market price of the share. Joint Bookrunners may make exceptions from these undertakings. Exemptions from the lock-up undertakings will be determined from case to case, and may be of personal as well as business character. Pursuant to the agreement, the Company will undertake, with certain exceptions, towards the Joint Bookrunners not to, e.g. resolve upon or propose to the shareholders' meeting an increase of the share capital through issuance of shares or other financial instruments for a period of 360 days from the first day of trading of the Company's shares on Nasdaq Stockholm without a written consent from the Joint Bookrunners. See section "*Legal considerations and supplementary information – Placing Agreement*".

ARTICLES OF ASSOCIATION

Articles of association for Edgeware AB (publ), registration number 556691-7554, adopted by the extraordinary shareholders' meeting on 28 November 2016.¹⁾

1 § NAME

The company's name is Edgeware AB (publ).

2 § REGISTERED OFFICE

The board of directors' registered office shall be situated in Stockholm.

3 § OBJECT OF THE COMPANY'S BUSINESS

The object of the company's business is to, directly or indirectly; conduct development and sales of electronic systems for network applications and any other activities compatible therewith.

4 § SHARE CAPITAL AND SHARES

The share capital shall be not less than SEK 500,000 and not more than SEK 2,000,000. The number of shares shall be not less than 10,000,000 and not more than 40,000,000.

5 § EUROCLEAR COMPANY

The company's shares shall be registered in a securities register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

6 § BOARD OF DIRECTORS

The board of directors, to the extent elected by the shareholders' meeting, shall consist of not less than three (3) members and not more than ten (10) members with no deputy members.

7 § AUDITOR

The company shall have not less than one (1) and not more than two (2) auditors and not more than two (2) deputy auditors. As auditor and, when applicable, deputy auditor, an authorised public accountant or a registered public accounting firm shall be elected.

8 § NOTICE OF SHAREHOLDERS' MEETING

Notice of shareholders' meetings shall be published in the Swedish Official Gazette and be kept available on the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

9 § PARTICIPATION IN SHAREHOLDERS' MEETINGS

Shareholders who wish to participate in a shareholders' meeting shall be registered as shareholders on a transcript of the entire share register as stipulated in Chapter 7, Section 28, third paragraph of the Swedish Companies Act (2005:551) that relates to the conditions prevailing five workdays prior to the meeting and shall also provide notification of their intention to attend the meeting no later than on the date stipulated in the notice convening

the shareholders' meeting. The latter mentioned day must not be a Sunday, any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be more than the fifth weekday prior to the meeting. If a shareholder wishes to be joined by proxy (not more than two proxies) at the shareholders' meeting, the number of proxies must be stated in the notice of participation.

10 § BUSINESS AT SHAREHOLDERS' MEETINGS

The following business shall be addressed at annual shareholders' meetings:

1. Election of a chairman of the meeting;
2. Preparation and approval of the voting list;
3. Approval of the agenda;
4. Election of one or two persons who shall approve the minutes of the meeting;
5. Determination of whether the meeting was duly convened;
6. Submission of the annual report and the auditors' report and, where applicable, the consolidated financial statements and the auditors' report for the group;
7. Resolutions regarding:
 - a. adoption of the income statement and the balance sheet and, when applicable, the consolidated income statement and the consolidated balance sheet;
 - b. allocation of the company's profits or losses in accordance with the adopted balance sheet;
 - c. discharge of the members of the board of directors and the managing director from liability;
8. Determination of the number of members of the board of directors to be elected by the shareholders' meeting and, where applicable, the number of auditors and deputy auditors;
9. Determination of fees for members of the board of directors and auditors;
10. Election of the members of the board of directors;
11. Election of auditors and, where applicable, deputy auditors;
12. Other matters, which should be resolved by the shareholders' meeting according to the Swedish Companies Act or the company's articles of association.

11 § FINANCIAL YEAR

The company's financial year shall be 1 January – 31 December.

¹⁾ The resolution by the shareholders' meeting to adopt these articles of association is conditional upon completion of the Offering. The articles of association will be registered with the Swedish Companies Registration Office in connection with the listing of Edgeware's shares on Nasdaq Stockholm.

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

LEGAL GROUP STRUCTURE

The Company's business is conducted in accordance with the Swedish Companies Act. The parent company Edgware AB (publ) (Registration Number 556691-7554) is a Swedish public limited liability company which was founded on 2 November 2005 and registered with the Swedish Companies Registration Office on 28 November 2005. The Company's registered office is situated in Stockholm.

The Company is currently the parent company of a wholly owned subsidiary in the US, Edgware, Inc.

MATERIAL AGREEMENTS

Customer agreements/Resale agreements

Edgware has three types of relationships with its customers: i) agreements entered into directly with the end customer; ii) agreements with retailers; and iii) a hybrid of i) and ii) whereby the Company enters into agreements with both the end customer and the retailer. The Company's most important customer agreements regulate the Company's deliverances of hardware, software and/or service and maintenance to its customers. Resale agreements are entered into with retailers both within and outside the EU and are normally based on the Company's standard agreement, which gives the retailer the right to distribute the Company's products within a specific geographic area. The customers listed below accounted for 51 percent of the Company's net sales in 2015.

KPN/Accenture

Edgware supplies software and hardware, as well as service and maintenance to KPN BV ("**KPN**") through agreements entered into directly with KPN and through resale agreements with Accenture Technology Ventures S.P.R.L. ("**Accenture**"). The structure for the agreements is based on framework agreements between the Company and Accenture with related appendices, and with KPN as the contracting party in some cases. The framework agreement does not contain any undertakings for KPN with regard to volumes to be ordered, which instead is regulated in the appendices that are agreed upon in connection with each order. The current framework agreement extends until 31 December 2018 and may be extended by way of a supplementary agreement. The framework agreement can be terminated with 60 days' notice. In 2015, the agreement with KPN accounted for 29 percent of the Company's net sales.

Televisa Group

Edgware has entered into agreements with companies within the Televisa Group through which the Company undertakes to sell certain hardware, licence software and provide service and maintenance to its customers. The current agreement extends until 1 September 2018 and will automatically be extended for 12 months unless it has been terminated no later than 90 days prior to the extension date. In 2015, the agreement with Televisa Group accounted for 11 percent of the Company's net sales.

Belgacom

In October 2011, Edgware entered into a customer agreement with Belgacom SA ("**Belgacom**") concerning the delivery of software, hardware, service and maintenance. The original agreement was entered into between the Company and Nokia Siemens Net-

work Oy ("**Nokia**"). After the agreement with Nokia was terminated, the Company entered into a customer agreement with Belgacom. The current agreement extends until 1 October 2017 and will automatically be extended for 12 months unless it has been terminated no later than by 90 days prior to the extension date. In 2015, the agreement with Belgacom accounted for 11 percent of the Company's net sales.

INTELLECTUAL PROPERTY

The Company is the registered holder of two domain names: edgware.se and edgware.tv.

The Company is not the registered holder of any trademark registrations for the Edgware trademark. Since 22 January 2016, the UK company Vesper Technologies Limited is the registered holder of the EU trademark EDGEWARE for, inter alia, computers and computer hardware, embedded computer software, computer components, electric and electronic accessories, etc. Vesper Technologies Limited is also the registered holder of EDGEWARE as a national trademark in the UK and has submitted an application for trademark protection for EDGEWARE in the US. In addition, Insync Software Inc. is the registered holder of figurative trademarks for EDGEWARE in the US for, inter alia, software that enables the exchange and validation of data, metadata and information regarding business transactions. Control Corporation is another company that is a registered holder of two trademarks of EDGEWARE in the US for, inter alia, software for creating multiple operating systems for PCs and network microcomputers.

Since the Company is not a registered holder of any trademark protection for the Edgware trademark, and other companies have approved registrations for the Edgware trademark in the EU and US, there is a risk that the Company may not be able to continue using the Edgware trademark in its operations in the EU and US. The Company's business name offers some degree of protection for Edgware in Sweden since the Company's business name was registered prior to the trademark of the third party. The Company's (and Edgware Inc's) possibility to hinder the use of Edgware in jurisdictions outside Sweden is based on its earlier registration, and thus protection, of its business name. Should the Company's business name fail to provide the Company with protection in relation to the national registered trademark in the UK and the trademark registrations in the US, the Group's use of the trademark could constitute an infringement of another party's exclusive right. The Company has initiated an action for annulment with the European Union Intellectual Property Office (EUIPO) regarding the approved registration of the EU trademark, with its registered business name providing the main grounds for annulment. Should the action be successful, there will be nothing to prevent the Company from using the Edgware trademark in the Company's operations within the EU (with the exception of the UK, where the national registered trademark would remain as a hinder).

Edgware has a patent portfolio containing eight patent registrations, five patent applications and ten abandoned patents. The Company's patent strategy is based on the size of the relevant market and the cost of maintaining a patent on such market, and is thus mainly focused on securing the technology in the US and possibly in the most important European markets (the UK, Germany and France). The Company believes that its patent strategy is well bal-

anced to Edgware's business and protects innovations crucial to the Company's products at the time of product introduction and at the start of the patent application process.

All material intellectual property rights attributable to Edgware's products (hardware and software) have been created by employees or consultants. Edgware has by agreements with employees and consultancy companies secured that the intellectual property created by employees and consultants are transferred to the Company. The Company is not a registered holder of any marks or other unregistered rights other than those stated above.

The Company has not been subject to any claims with respect to infringement of a third party's rights. There are no ongoing or impending disputes with respect to the Company's intellectual property rights.

DISPUTES

The Company is currently involved in a dispute regarding a UK company's registration of the community trademark EDGEWARE, refer to the section "*– Intellectual property*" above.

Other than the aforementioned dispute, the Company has not been involved in any disputes in the past 12 months.

INSURANCE

The Group holds general liability insurance and insurance that covers for worldwide product liability, liability for errors and negligence, the liability of the board of directors and the executive management, damage to property, liability for damage and losses caused by disruptions, and business travel. Edgware considers the insurance held by the Group to be in line with other companies in the industry and to be reasonable taking into consideration the risks normally associated with the Group's operations. However, there is no guarantee that the Group will not suffer from losses that are not insured or are insufficiently insured to prevent an unforeseen cost from arising.

PLACING AGREEMENT

According to the terms of the Placing Agreement which is intended to be signed on or around 8 December between the Company, the Selling Shareholders and the Joint Bookrunners, the Selling Shareholders undertake to divest approximately 28 percent of the shares in the Company to the purchasers indicated by the Joint Bookrunners, or if the Joint Bookrunners fail to indicate purchasers, they have undertaken to themselves acquire the shares comprised by the Offering. The Principal Owners also intend to grant an Over-allotment option, whereby it pledges at the request of the Joint Bookrunners at the latest 30 days from the first day of trading in the Company's shares to divest shares corresponding to an additional maximum of 15 percent of the shares in the Offering, corresponding to approximately 7 percent of the total number of shares in the Company. The Over-allotment option may only be exercised in order to cover possible over-allotments within the framework of the Offering.

Through the Placing Agreement, the Company makes customary representations and warranties to the Joint Bookrunners, primarily in relation to the information in the Offering Circular being correct, the Offering Circular and the Offering fulfilling requirements in laws and regulation and that there are no legal, or other, hindrances for the Company to enter into the agreement or for the completion of the Offering. Pursuant to the Placing Agreement, the Joint Bookrunners' commitment to indicate purchasers to or, if the Joint Bookrunners fail to do so, themselves acquire the shares comprised by the Offering is conditional upon, among other things, the representa-

tions and warranties that the Company and the Selling Shareholders are correct. Under the Placing Agreement, the Company will, subject to customary qualifications, undertake to indemnify the Joint Bookrunners against certain claims under certain conditions.

Through the Placing Agreement, the Selling Shareholders undertake, with customary conditions, not to sell its shares during the lock-up period (see further in section "*Share capital and ownership structure - Lock up-arrangements, etc.*"). Under the Placing Agreement, the Company also undertakes, not to (i) issue, offer, pledge, sell, undertake to sell or otherwise transfer or divest, directly or indirectly, any shares in the Company or any other securities which are convertible to or can be exercised or exchanged for such shares, or (ii) purchase or sell options or other instruments or enter into swap agreements or other arrangements which wholly or partly assign financial risk associated with ownership of the Company to another party prior to 360 days at the earliest after the date when trading starts on Nasdaq Stockholm. The Joint Bookrunners may, however, grant exemptions from these limitations.

AGREEMENT CONCERNING ARRANGED SALES

A number of the Company's major shareholders and the Global Coordinator have entered into an agreement to regulate any sales of shares in the Company after the Lock-up Period for these shareholders has expired (the "**Agreement Concerning Arranged Sales**"). The Agreement Concerning Arranged Sales governs, subject to certain reservations, sales of the holdings of these shareholders for a period of 24 months after the settlement date for the Offering. During this period, these shareholders are to agree to coordinate all sales of their shares in the Company. The size and date of such sales is to be agreed on by these shareholders after consulting a securities broker, taking into consideration such factors as the market conditions at the time of the sale. Upon reasonable request by these shareholders and in compliance with any applicable law and best practice in the stock market, the Global Coordinator are to support sales according to the Agreement Concerning Arranged Sales.

STABILIZATION

In connection with the Offering, Carnegie may effect transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilization transactions may be effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq Stockholm and ending not later than 30 calendar days thereafter. Carnegie is, however, not required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

Stabilization, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the Offering Price. Within one week of the end of the stabilization period, Carnegie will make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

UNDERTAKINGS FROM CORNERSTONE INVESTORS

Catella Fondförvaltning AB, Grenspecialisten Förvaltning AB, LMK Forward AB, Swedbank Robur Fonder and OstVast Capital Management Ltd have undertaken, provided that certain conditions are met and to the same price as the other investors, to acquire shares in the Offering in accordance with what is stated in the table below.

The undertakings correspond to a total of approximately 25 percent of the total number of shares in the Company immediately following the completion of the Offering provided that an Offering Price is determined at the midpoint of the Price Range (SEK 27.50). Thus, the undertakings cover approximately 54 percent of the Offering. The table below is based on the assumption that the Offering Price is determined at the midpoint of the Price Range (SEK 27.50).

The Cornerstone Investors will not receive any compensation for their respective undertakings and the Cornerstone Investors' investments are made at the same price as other investors in the Offering.

The Joint Bookrunners, the Selling Shareholders and the board of directors of the Company are of the opinion that each of the Cornerstone Investors' creditworthiness is sound and thus that they will be able to meet their respective undertakings. The Cornerstone Investors' undertakings are however not secured through bank guarantee, blocked funds or pledge of collateral or similar arrangements. The Cornerstone Investors' undertakings are accompanied by certain conditions relating to the Offering being completed within a certain time. In the event that any of these conditions are not fulfilled, there is a risk that the Cornerstone Investors will not fulfill their undertakings.

Cornerstone Investor	Subscription undertaking (in SEK)	Number of shares ¹⁾	Percent of the number of shares in the Offering (%) ¹⁾	Percent of the total number of shares in the Company after the Offering (%) ¹⁾
Catella Fondförvaltning AB	MSEK 40	1,454,545	10.39	4.70
Grenspecialisten Förvaltning AB	MSEK 50	1,818,181	12.98	5.88
LMK Forward AB	MSEK 30	1,090,909	7.79	3.53
Swedbank Robur Fonder AB	MSEK 53.1–65.3	2,165,454	15.46	7.00
OstVast Capital Management Ltd.	MSEK 30	1,090,909	7.79	3.53
Total	MSEK 203.1–215.3	7,619,998	54.41	24.64

¹⁾ Based on full subscription in the Offering and the midpoint of the price range in the Offering (SEK 27.50).

Catella Fondförvaltning AB

Catella Fonder, founded in 1997, is an active fund manager focusing on the Nordic markets. Catella manages equity funds, alternative funds, balanced funds and credit funds. Catella Fonder currently has approximately SEK 45 billion under management.

Grenspecialisten Förvaltning AB

Grenspecialisten Förvaltning AB is owned and managed by Martin Gren, co-founder of Axis Communications, together with Mikael Karlsson and Keith Bloodworth.

LMK Forward AB

LMK Forward AB is a wholly-owned subsidiary to LMK Industri (Lars Mikael Karlsson) AB, a Nordic privately owned investment company with investments in several companies, including Hotel Kungsträdgården, Lapland Resorts and Axis Communications (divested in 2015). The basis of LMK Industri's financial assets originates from Axis Communications, where Mikael Karlsson was one of the co-founders alongside Martin Gren. LMK Industri's investments are focused on contributing to the creation of new successful Swedish companies, primarily within energy and IT.

Swedbank Robur Fonder AB

Robur is one of Scandinavia's largest mutual fund managers and a wholly owned subsidiary of Swedbank. Robur offers savings products for private individuals and institutional clients through investment funds and discretionary investment management.

OstVast Capital Management Ltd

OstVast Capital Management Ltd is a single-family office, focused on investments in publicly listed small and medium-sized enterprises in Europe.

RELATED PARTY TRANSACTIONS

Certain transactions with related parties are carried out within the Group. For further information about related party transactions, see Note 4 in the interim report for the period 1 January – 30 September 2016 on page F-17 and Note 29 under section "Historical financial information" on page F-38.

Since 30 September 2016, no significant related party transactions have taken place other than in connection with the directed issues disclosed in this Offering Circular.

All related party transactions were carried out on arm-lengths basis.

INTERESTS OF ADVISORS

The Joint Bookrunners provide financial advisory and other services to the Company and the Selling Shareholders in connection with the Offering, for which they will receive a commission from the Company and the Selling Shareholders equal to 4.15 percent of the gross proceeds of the shares sold in the Offering. The total compensation received by the Joint Bookrunners is dependent on the success of the Offering.

From time to time, the Joint Bookrunners provide services in the ordinary course of business to the Selling Shareholders and parties affiliated to the Selling Shareholders in connection with other transactions.

COSTS RELATED TO THE OFFERING

In consideration of the Joint Bookrunners' assistance in the Offering and the listing on Nasdaq Stockholm, the Joint Bookrunners will, subject to certain reservations, be reimbursed by the Company for external expenses incurred by them.

Edgware's costs associated with the listing on Nasdaq Stockholm and the Offering are expected to amount to approximately MSEK 20, of which approximately MSEK 10 are related to the issuance of new shares. Such costs primarily relate to costs for auditors, attorneys, printing of the Offering Circular, costs related to management presentations, etc.

DOCUMENTS AVAILABLE FOR INSPECTION

Edgware's (i) articles of association, (ii) annual reports for the Company and its subsidiaries, as applicable, for the financial years 2013, 2014 and 2015, including auditors' reports, and (iii) interim report for the period 1 January – 30 September 2016, are available for inspection during office hours at the Company's head office at Mäster Samuelsgatan 42, 111 57 Stockholm, Sweden. The annual reports for the Company for the financial years 2013, 2014 and 2015 are also available in electronic form on Edgware's website, corp.orate.edgware.tv.

TAX CONSIDERATIONS IN SWEDEN

Below is a summary of certain Swedish tax issues related to the Offering and the admission for trading of the shares in the Company on Nasdaq Stockholm for private individuals and limited liability companies that are residents of Sweden for tax purposes, unless otherwise stated. The summary is based on current legislation and is intended to provide only general information regarding the shares in the Company as from the admission for trading on Nasdaq Stockholm.

The summary does not cover:

- *situations where shares are held as current assets in business operations;*
- *situations where shares are held by a limited partnership or a partnership;*
- *situations where shares are held in an investment savings account (Sw. *investeringssparkonto*) and subject to taxation on a standardised basis;*
- *the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds shares in the Company that are deemed to be held for business purposes (for tax purposes);*
- *the special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies or to shares acquired by means of such shares;*
- *the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. *investeraravdrag*);*
- *foreign companies conducting business through a permanent establishment in Sweden; or*
- *foreign companies that have been Swedish companies.*

Furthermore, special tax rules apply to certain categories of companies. The tax consequences for each individual shareholder depend on such shareholder's particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the tax consequences that could arise from the Offering and the admission for trading of the shares in the Company on Nasdaq Stockholm, including the applicability and effect of foreign tax legislation and provisions in tax treaties.

PRIVATE INDIVIDUALS

For private individuals resident in Sweden for tax purposes, capital income, such as interest income, dividends and capital gains, is taxed in the capital income category. The tax rate for the capital income category is 30 percent.

The capital gain or the capital loss is computed as the difference between the consideration, less selling expenses, and the acquisition value. The acquisition value for all shares of the same class and type shall be added together and computed collectively in accordance with the so-called average method (Sw. *genomsnittsmetoden*).

As an alternative, the so-called standard method (Sw. *schablonmetoden*) may be used at the disposal of listed shares. This method means that the acquisition value may be determined as 20 percent of the consideration less selling expenses.

Capital losses on listed shares are fully deductible against taxable capital gains realised in the same year on shares, as well as on listed securities taxed as shares (however not mutual funds (Sw. *värdepappersfonder*) or hedge funds (Sw. *specialfonder*) containing Swedish receivables only (Sw. *räntefonder*)). 70 percent of capital losses not absorbed by these set-off rules are deductible in the capital income category.

If there is a net loss in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30 percent of the net loss that does not exceed SEK 100,000 and 21 percent of any remaining net loss. A net loss cannot be carried forward to future tax years.

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 percent is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Allotments of shares to employees

Normally, the allotment of shares is not a taxable event. However, for employees allotment of shares may in certain situations give rise to benefits taxation. Benefits taxation should, however, not occur if the employees (including board members and deputy board members and existing shareholders), on the same terms and conditions as others, acquire not more than 20 percent of the total number of shares offered and the employee does not acquire shares for more than SEK 30,000.

LIMITED LIABILITY COMPANIES

For limited liability companies (Sw. *aktiebolag*) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 22 percent. Capital gains and capital losses are calculated in the same way as described for private individuals above.

Deductible capital losses on shares may only offset taxable capital gains on shares and other securities taxed as shares. A net capital loss on shares that cannot be utilised during the year of the

loss, may be carried forward (by the limited liability company that has suffered the loss) and offset against taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from another legal entity's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this treatment for a tax year having the same filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same filing date). Special tax rules may apply to certain categories of companies or certain legal persons (e.g. investment companies and life insurance companies).

SHAREHOLDERS THAT ARE NOT TAX RESIDENT IN SWEDEN

For shareholders not resident in Sweden for tax purposes that receive dividends on shares of a Swedish limited liability company, Swedish withholding tax is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company, such as payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The withholding tax rate is 30 percent. The tax rate is, however, generally reduced under an applicable tax treaty. In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee. The tax treaties Sweden has entered into generally enable the withholding tax deduction to be made in accordance with the tax rate stipulated in the treaty, provided that Euroclear Sweden or the nominee, as applicable, has the required information of the tax residency of the investor entitled to the dividend. Further, investors entitled to reduced tax rates under applicable tax treaties may seek a refund from the Swedish tax authorities if the full withholding tax rate at 30 percent has been withheld.

Shareholders not resident in Sweden for tax purposes are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their state of residence.

According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden due to a habitual abode in Sweden or a stay in Sweden for six consecutive months at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by tax treaties.

HISTORICAL FINANCIAL INFORMATION

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INTERIM REPORT FOR THE PERIOD JANUARY 1, 2016 – SEPTEMBER 30, 2016

Let's make TV amazing again.

edgware

Q3

INTERIM REPORT JULY–SEPTEMBER 2016

JULY–SEPTEMBER 2016

**SEK 53 MILLION
NET SALES**

**47.8%
INCREASE IN
NET SALES**

**SEK 4.8
MILLION
EBITDA**

JANUARY–SEPTEMBER 2016

**SEK 168 MILLION
NET SALES**

**20.8%
INCREASE IN
NET SALES**

**SEK 16
MILLION
EBITDA**

Let's make TV amazing again

edgeware

Q3

"The third quarter was a strong one for Edgeware in terms of both sales and profit. The quarter included a good mix of recurring business and new sales"

INTERIM REPORT JULY-SEPTEMBER 2016

Joachim Roos, CEO of Edgeware

THIRD QUARTER 2016: (JULY-SEPTEMBER)

- Net sales amounted to SEK 53 million (36), an increase of 47.8 percent.
- Gross income amounted to SEK 36 million (24), or a gross margin of 68.2 percent (67.8).
- Operating income before depreciation and amortization (EBITDA) amounted to SEK 4.8 million (-3.4).
- Operating income (EBIT) amounted to SEK 2.4 million (-4.8), or an operating margin of 4.6 percent (-13.4).
- Profit for the period amounted to SEK 2.2 million (-3.6).
- Cash flow from operating activities before changes in working capital amounted to SEK 5.8 million (-3.9).
- Profit for the period by share SEK 3.2 per share (-5.5)

JANUARY-SEPTEMBER 2016

- Net sales amounted to SEK 168 million (139), an increase of 20.7 percent.
- Gross income amounted to SEK 116 million (95.5), or a gross margin of 69.1 percent (68.8).
- Operating income before depreciation and amortization (EBITDA) amounted to SEK 16 million (13.0).
- Operating income (EBIT) amounted to SEK 9.1 million (8.7), or an operating margin of 5.4 percent (6.3).
- Profit for the period amounted to SEK 8.3 million (5.3).
- Cash flow from operating activities before changes in working capital amounted to SEK 18 million (10.5).
- Profit for the period by share SEK 12.1 per share (8.2)

SIGNIFICANT EVENTS IN THE THIRD QUARTER AND AFTER THE REPORTING PERIOD

- Several major orders were received in the quarter, two from international, Europe-based telco operators.
- Participation in the annual European TV tradeshow IBC was a success, with great interest from potential customers and two awards.
- Preparations for a possible stock market listing were intensified and the Board of Directors established long-term financial targets on board meeting 26th of October 2016.
- Gunilla Wikman was hired during the quarter as IR manager and will be a member of the company's management team.

(SEK million unless otherwise indicated)	2016 Jul-Sep	2015 Jul-Sep	2016 Jan-Sep	2015 Jan-Sep	2015 R12M	2015 Jan-Dec
Net sales	52.6	35.6	167.6	138.8	232.5	203.6
Gross income	35.9	24.1	115.8	95.5	161.3	140.9
Gross margin (%)	68.2%	67.8%	69.1%	68.8%	69.4%	69.2%
Operating income before depreciation and amortization (EBITDA)	4.8	-3.4	16.1	13.0	22.5	19.3
EBITDA margin (%)	9.1%	-9.6%	9.6%	9.4%	9.6%	9.5%
Operating income (EBIT)	2.4	-4.8	9.1	8.7	13.8	13.3
EBIT margin (%)	4.6%	-13.4%	5.4%	6.3%	5.9%	6.5%
Profit for the period	2.2	-3.6	8.3	5.3	13.7	10.8
Adjusted EBIT	4.9	-4.8	16.5	8.7	21.0	13.3
Adjusted EBIT margin (%)	9.3%	-13.4%	9.8%	6.3%	9.0%	6.5%
Adjusted EBITDA	7.3	-3.4	23.4	13.0	29.7	19.3
Adjusted EBITDA margin (%)	13.9%	-9.6%	14.0%	9.4%	12.8%	9.5%
Cash flow from operating activities before changes in working capital	5.8	-3.9	17.8	10.5	25.8	18.5
No. of employees at the end of the period*	92	88	92	88	92	89

COMMENT BY THE CEO

The third quarter was a strong one for Edgware in terms of both sales and profit. The quarter included a good mix of recurring business and new sales of products and services. Significant deals were signed with two major European telco operators with an international presence. The contracts were important for the quarter and could lead to add-on sales in the future. The agreements will mean higher growth in EMEA, where we still have potential in a couple of large, untapped markets.

After a strong third quarter, the first nine months of the year produced total sales growth of 21 percent. All three regions are growing, and the company has maintained a stable gross margin.

During the year we have prepared the company for a possible stock market listing as a way to increase the expansion rate. It could also have a positive impact on our organization in terms of recruiting the right talents and help us to further improve our reputation in the market. As part of the IPO preparations, the Board of Directors has decided on long-term financial targets. The goal is long-term sales growth of over 20 percent with an EBIT margin exceeding 15 percent.

In September Edgware took part in the industry's largest tradeshow in Europe, IBC (International

Broadcast Convention), in Amsterdam. The response from both European and global customers was excellent, with special interest shown in Edgware's OTT TV solutions. Edgware also received two industry awards: a CSI award for best content-on-demand solution and a TV Technology Europe IBC2016 Best of Show award for our pioneering TV CDN solution.

Edgware's solutions meet the growing demand for future TV. This is driven by traditional pay-TV operators, which are trying to compete with exciting new services, and new companies that own television content and want to deliver it directly over the Internet to viewers. Meeting the demand for more unique TV channels and new services will require massive investments in networks and capacity. This is where Edgware comes in. Content providers, cable and telco operators, and broadcasters around the world have all said that our technology and services help them to deliver future TV and reach record numbers of viewers.

This success, combined with our leading technology and the fact that we have now reached a size where people know and respond to us, makes us very positive about the future.

Joachim Roos
CEO

About Edgware

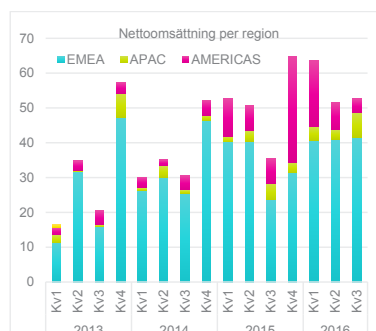
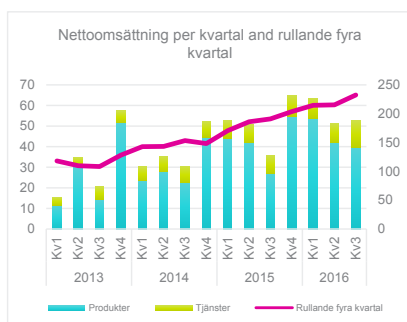
Edgware offers leading operators and content owners the tools to deliver modern TV services at huge scale and low cost. Edgware's unique technology gives control and insight back to the content provider with an outstanding viewing experience. In recent years Edgware has experienced rapid growth, reaching sales of SEK 204 million in 2015. Edgware is headquartered in Stockholm, Sweden, with a subsidiary in the US and offices Hong Kong and Mexico. Edgware has sales and technical sales support staff in Belgium, Brazil, Germany, the Netherlands, Singapore, Spain, Sweden and the UK. For more information, visit www.edgware.tv.

THIRD QUARTER JULY 1, 2016 – SEPTEMBER 30, 2016
Net sales

The Group's net sales for the third quarter amounted to SEK 53 million (36), an increase of 47.8 percent compared with the same quarter in 2015. Net sales in EMEA (Europe, Middle East and Africa) rose to SEK 42 million (24), up 76.1 percent. Net sales in AMERICAS (North and South America) decreased to SEK 3.9 million (7.2), while in APAC (Asia-Pacific) net sales increased to SEK 7.1 million (4.8). Adjusted for FX effects, net sales rose by 46.9 percent.

The strong increase in net sales in EMEA is due to larger purchases from existing customers, but also the addition of a couple of new customers in the quarter. The decrease in AMERICAS is due to lower activity from the company's largest customer in the region compared with the previous year, when the customer replaced its older system with new TV streaming technology from Edgware. EMEA accounted for 79.0 percent (66) of the Group's sales in the third quarter, AMERICAS for 7.5 percent (20.2) and APAC for 13.6 percent (13.5).

Of net sales in the third quarter, the Products business stream (hardware, software and licenses) accounted for 75.7 percent (75.8), while the remaining 24.3 percent (24.2) was in Services (maintenance, support and other services). Recurring support revenue from existing customers amounted to SEK 11 million (8.4), corresponding to 85.9 percent (97.7) of net sales from services. Edgware continued to see high demand during the quarter for support and other services from new and existing customers.


Profit

Gross income in the third quarter amounted to SEK 36 million (24), an increase of SEK 13 million year-over-year. The gross margin was 68.2 percent (67.8).

Operating expenses amounted to SEK 34 million, an increase of SEK 4.6 million compared with the third quarter of 2015. The increase is mainly due to higher research and development (R&D) expenses after several consultants were added to the unit, including development consultants for the outsourced team based in Vietnam. In addition, administrative expenses increased due to the preparations for a planned listing on Nasdaq Stockholm. In total, these expenses amounted to about SEK 2.5 million (0) in the quarter. All these expenses are considered nonrecurring. Other income and expenses amounted to SEK 0.7 million (0.1) in the third quarter and were mainly affected by currency gains on accounts receivable in EUR as well as USD.

Operating income before depreciation and amortization (EBITDA) amounted to SEK 4.8 million (-3.4). Adjusted for nonrecurring items related to the IPO preparations, EBITDA was SEK 7.3 million (-3.4).

Operating income (EBIT) for the quarter amounted to SEK 2.4 million (-4.8), an increase of SEK 7.2 million year-over-year. The operating income corresponds to an operating margin of 4.6 percent (-13.4). Adjusted for items affecting comparability related to the IPO preparations, EBIT amounted to SEK 4.9 million (-4.8), corresponding to an adjusted operating margin of 9.4 percent.

Net financial items for the period amounted to SEK 0.6 million (0.3).

Profit for the third quarter amounted to SEK 2.2 million (-3.6), an increase of SEK 5.8 million compared with the previous year.

Financial position

The equity/assets ratio was 64.3 percent (50.2) on September 30, 2016 and equity amounted to SEK 89 million (68). The increase in equity is due to the exchange of loans from related parties for newly issued shares in the first quarter. Total assets amounted to SEK 139 million (136) as of September 30, 2016. Inventories amounted to SEK 12 million (14) at the end of the period and capitalized development expenses amounted to SEK 14 million (13).

Liquidity and cash flow

Cash flow from operating activities amounted to SEK -2.7 million (-9.8). The year-over-year improvement is mainly due to increased operating income, which was partly offset by higher accounts receivable.

Cash flow from investing activities amounted to SEK -2.7 million (-3.2) and is attributable to the capitalization of development work as well as investments in tangible non-current assets.

Cash flow for the period amounted to SEK -5.4 million (-13.0).

At the end of the period the Group's cash and bank balances amounted to SEK 23 million (16).

Parent company

The parent company's net sales in the third quarter amounted to SEK 52 million (32) and profit for the period amounted to SEK 3.7 million (-3.9). Since the large part of the Group's business and net sales is generated in the parent company, reference is made to the Group for additional comments in the quarterly report.

Significant events during the quarter

Several major orders were received during the quarter, two from international, Europe-based telco operators.

Participation in the annual European IBC TV tradeshow was a success, with strong interest from potential customers and two awards.

Preparations for a possible IPO were intensified and the Board of Directors established long-term financial targets.

Gunilla Wikman was hired as IR manager and will be a member of the company's management team.

The new share issue was finalized and registered by Bolagsverket, the Swedish Companies Registration Office, on July 14. The issue increases the share capital by a total of 39,400 shares at SEK 1 per share.

JANUARY 1, 2016 – SEPTEMBER 30, 2016**Net sales**

The Group's net sales for the first nine months of the year amounted to SEK 168 million (139), an increase of 20.8 percent compared with the same period in 2015. The Group increased its net sales in all three regions during the period. EMEA (Europe, Middle East and Africa) saw net sales rise to SEK 121 million (104), AMERICAS (North and South America) to SEK 33 million (25) and APAC (Asia-Pacific) to SEK 14 million (9.5). FX had no effects on the periods sale increase.

Compared with the second quarter, customer activity was higher in the third quarter. Several major deals that were expected to be finalized in the second quarter were ultimately signed in the third quarter. Compared with the previous year, we are seeing sales growth from both new and existing customers, though most of the increase in the period was from existing customers. Moreover, all three regions are experiencing strong growth, with APAC and AMERICAS growing the fastest. EMEA accounted for 72.1 percent (75.0) of the Group's net sales in the first nine months, AMERICAS for 19.6 percent (18.1) and APAC for 8.3 percent (6.9). The high demand in AMERICAS and APAC is driven by a number of key customers, who, after initial installations in 2015, decided to expand their network capacity. The Group now has wider global coverage, making it less dependent on individual markets than before.

During the first nine months net sales rose year-over-year for all three customer categories: telco operators, OTTs/broadcasters and cable providers. While telco operators were the largest customer category in the period, cable providers had the highest growth rate in the first nine months.

Of total net sales in the first nine months the Products business stream (hardware, software and licenses) accounted for 80.7 percent (81.5), while the remaining 19.3 percent (18.5) was in Services (maintenance, support and other services). Recurring support revenue from existing customers amounted to SEK 27 million (24), corresponding to 83.3 percent (92.9) of net sales from services.

Profit

Gross income in the first nine months amounted to SEK 116 million (96), an increase of SEK 20 million year-over-year. The gross margin was 69.1 percent (68.8).

Operating expenses amounted to SEK 107 million, an increase of SEK 20 million compared with the same period in 2015, mainly due to higher research and development (R&D) expenses after more employees and consultants were hired by the unit. Development expenses of SEK 6 million (6) were capitalized during the period, accounting for 14.6

percent (16.9) of the company's total R&D expenses. For a more detailed description of the principles Edgware applies for capitalizing development expenses, see the annual report 2015.

Administrative expenses increased as well due to extraordinary expenses in connection with the preparations for the company's planned IPO. These expenses, which totaled SEK 7 million (0) in the first nine months, are considered nonrecurring.

Operating income before depreciation and amortization (EBITDA) amounted to SEK 16 million (13), an increase of SEK 3.1 million year-over-year. Adjusted for items affecting comparability related to the IPO preparations, EBITDA amounted to SEK 23 million (13).

Operating income (EBIT) for the first nine months amounted to SEK 9.1 million (8.7), an increase of SEK 0.4 million compared with the same period in 2015. Adjusted for items affecting comparability related to the IPO preparations, EBIT amounted to SEK 17 million (8.7). Adjusted for items affecting comparability, operating income corresponds to an adjusted operating margin of 9.8 percent (6.3).

Profit for the first nine months amounted to SEK 8.3 million (5.3), an increase of SEK 3.0 million year-over-year.

Financial position

The equity/assets ratio was 64.3 percent (50.2) on September 30, 2016 and equity amounted to SEK 89 million (68). The increase in equity is due to the exchange of loans from related parties for newly issued shares in the first quarter. Total assets amounted to SEK 139 million (136) on September 30, 2016. Inventories amounted to SEK 12 million (14) at the end of the period and capitalized development expenses amounted to SEK 14 million (13).

Liquidity and cash flows

Cash flow from operating activities amounted to SEK 7.3 million (8.1).

Cash flow from investing activities amounted to SEK -8.6 million (-8.1) and is attributable to the capitalization of development work and investments in tangible non-current assets.

Cash flow for the period amounted to SEK -0.6 million (0).

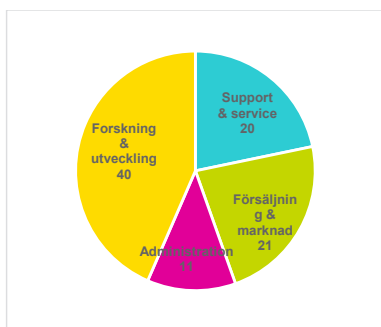
The Group's cash and bank balances amounted to SEK 23 million (16) at the end of the period.

Parent company

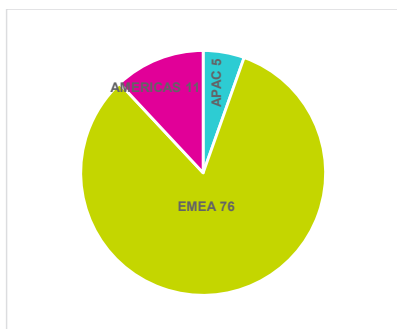
The parent company's net sales in the first nine months amounted to SEK 166 million (132) and profit for the period was SEK 14 million (10). Since the large part of the Group's business and net sales is generated in the parent company, reference is made to the Group for additional comments in the quarterly report.

Employees

The number of employees in the Group was 92 (88) at the end of the period, a year-over-year increase of 4, with most of the new hires in the R&D department. The number of employees in R&D is 40 (43), service and support 20 (21), sales and marketing 21 (14) and administration 11 (10). Included in the number of employees at end of September are employees hired through Business Sweden 9 (5) and consultants with employment-like agreements 8 (4).



At the end of the period there were 65 (66) employees in Sweden, 11 (10) in EMEA, 5 (4) in APAC and 11 (8) in AMERICAS.



Risks and uncertainties

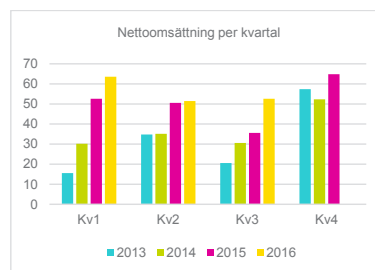
Edgware's operations, sales and results are affected by a number of internal and external risk

factors. The company has a continuous process to identify and assess how each risk should be managed. The main risks facing the company are delivery risk, technical development risk and financial risk.

No significant risks and uncertainties beyond those described in the annual report 2015 have arisen in the third quarter of 2016.

Seasonal variations

Over the past three calendar years the seasonal variations between quarters have been fairly similar. Net sales have normally been highest in the fourth quarter and lowest in the third quarter, which is consistent with Edgware's market and the seasonal variations that come from having a majority of customers in EMEA. Due to sales increases in AMERICAS and APAC, however, the company expects that this pattern, especially with regard to Q3, could change.



Significant events after the end of the period

At its meeting on October 26, 2016, the Board of Directors established the following financial targets for Edgware:

- Edgware's goal is to achieve organic annual sales growth exceeding 20%.
- Edgware's goal is a long-term operating margin (EBIT margin) in exceeding 15%.
- Edgware's capital structure will enable a high degree of financial flexibility and allow for acquisitions. The company's goal is that net debt should not exceed two times EBITDA for the last twelve months.
- Edgware's cash flow should in the coming years finance the continued development, expansion and opportunity to acquire why no dividend will be paid.

Press releases during the quarter

- European TV providers using Edgware's TV content delivery network (CDN) technology quadrupled uptake in Internet-based viewing during last summer's UEFA Euro 2016.
- Edgware launched new software-based TV servers that allow customers to build their own TV CDN.
- TVB selected Edgware for Internet TV broadcasts from the Olympic Games in Rio de Janeiro.
- Edgware received two prestigious technology awards at the IBC tradeshow.
- Edgware joined the Hewlett Packard Enterprise (HPE) OpenNFV Partner Program to

help TV providers launch new services even faster.

- PCCW selected Edgware's technology to deliver 4K VoD content to its pay-TV service in Hong Kong.

For more information, please visit:
<http://www.edgware.tv/>

CONSOLIDATED INCOME STATEMENT

(SEK MILLION)	2016 JUL-SEP Q3	2015 JUL-SEP Q3	2016 JAN-SEP	2015 JAN-SEP	ROLLING 12 MONTHS OCT 2015 – SEP 2016	2015 JAN-DEC FULL-YEAR
Net sales	52.6	35.6	167.6	138.8	232.4	203.6
Cost of goods and services sold	-16.7	-11.5	-51.8	-43.3	-71.1	-62.6
Gross income	35.9	24.1	115.8	95.5	161.3	141.0
Selling expenses	-13.9	-13.6	-41.0	-38.9	-60.3	-58.2
Administrative expenses	-9.6	-6.4	-28.2	-20.5	-36.4	-28.8
Research and development expenses	-10.7	-9.0	-36.7	-28.8	-48.0	-40.0
Other operating income/expenses	0.7	0.1	-0.8	1.4	-2.9	-0.7
Operating income	2.4	-4.8	9.1	8.7	13.7	13.3
Financial items						
Financial income	0.8	0.8	3.4	1.5	5.1	1.5
Financial expenses	-0.2	-0.5	-1.0	-2.6	-1.0	-0.8
Pre-tax profit	3.0	-4.5	11.5	7.6	17.8	14.0
Tax on profit for the year	-0.8	0.9	-3.2	-2.3	-4.0	-3.2
Profit for the period	2.2	-3.6	8.3	5.3	13.8	10.8
Attributable to:						
Parent company's owners	2.2	-3.6	8.3	5.3	13.8	10.8
Profit per share, SEK	3.2	-5.5	12.1	8.2	20.1	16.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PROFIT FOR THE PERIOD	2.2	-3.6	8.3	5.3	13.8	10.8
Other comprehensive income						
Items that can be reversed to profit or loss:						
Translation differences for the year investment in subsidiary	0.9	0.4	0.0	-0.4	-2.9	-3.8
Tax effect from hedge of net investment	-	-2.2	-	-2.8	2.0	0.7
Other comprehensive income, net after tax	0.9	-1.8	0.0	-3.2	12.9	3.1
Total comprehensive income for the period						
Attributable to :						
Parent company's owners	3.1	-5.4	8.3	2.1	12.9	7.7
Other comprehensive income, net after tax	3.1	-5.4	8.3	2.1	12.9	7.7

CONSOLIDATED BALANCE SHEET

(SEK MILLION)	SEP 30, 2016	SEP 30, 2015	DEC 31, 2015
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenses	14.2	10.3	12.6
Tangible non-current assets			
Equipment	4.0	3.7	4.0
Financial non-current assets			
Deferred tax assets	14.8	18.0	17.8
Other long-term receivables	3.5	3.2	3.2
Total non-current assets	36.5	35.2	37.6
Current assets			
Inventories	11.9	16.8	13.7
Accounts receivable	58.0	43.8	55.9
Other receivables	1.5	1.7	3.0
Prepaid expenses and accrued income	8.2	3.4	4.7
Cash and bank balances	22.5	16.0	21.1
Total current assets	102.1	81.7	98.4
TOTAL ASSETS	138.6	116.9	136.0
EQUITY AND LIABILITIES			
Equity			
Share capital	0.6	0.6	0.6
Share premium reserve	94.7	82.0	82.0
Translation reserve	-2.5	-3.2	-2.5
Retained earnings including profit for the period	-3.5	-16.8	-11.8
Equity attributable to parent company's owners	89.4	62.6	68.3
Total equity	89.4	62.6	68.3
Provisions			
Other provisions	0.5	1.2	0.5
Total provisions	0.5	1.2	0.5
Current liabilities			
Trade payables	10.6	7.0	8.4
Current tax liabilities	0.5	0.3	0
Other current liabilities	2.7	12.9	12.6
Accrued expenses and deferred income	34.9	32.9	46.2
Total current liabilities	48.7	53.1	67.2
TOTAL EQUITY AND LIABILITIES	138.6	116.9	136.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK MILLION)	SEP 30, 2016	SEP 30, 2015	DEC 31, 2015
Opening balance	68.3	60.3	60.3
Profit for the year	8.3	5.3	10.8
Other comprehensive income:	0.0	-3.2	-3.1
Total comprehensive income	8.3	2.1	-7.7
Transactions with owners :			
Share-based transactions	-	0.2	0.3
New share issue	12.8	-	-
Total transactions with owners	12.8	0.2	0.3
Closing balance	89.4	62.6	68.3

CONSOLIDATED STATEMENT OF CASH FLOWS

	2016 JUL-SEP Q3	2015 JUL-SEP Q3	2016 JAN-SEP	2015 JAN-SEP	ROLLING 12 MONTHS OCT 2015 -- SEP 2016	2015 JAN- DEC FULL- YEAR
(SEK MILLION)						
Operating activities						
Operating income	2.4	-4.8	9.1	8.7	13.7	13.3
Adjustments for non-cash transactions:						
Depreciation/amortization	2.4	1.4	7.0	4.2	8.7	6.0
Warrant costs	-	0.1	-	0.3	0.1	0.3
Revised assessment of provision for guarantee reserve	-	-	-	-	-0.7	-0.7
FX effects	1.0	-0.6	1.7	-2.4	4.0	-0.2
Paid interest	-	-	-	-0.3	0	-0.2
Cash flow from operating activities before changes in working capital	5.8	-3.9	17.8	10.5	25.8	18.5
Cash flow from changes in working capital						
Decrease/Increase in inventories	2.1	0.9	1.8	-9.7	2.5	-9.0
Decrease/Increase in accounts receivable	-18.0	-0.6	-2.4	0.0	-14.5	-12.1
Decrease/Increase in other current receivables	5.4	-3.0	-3.5	-0.8	-6.4	-3.3
Decrease/Increase in trade payables	0.7	-8.4	2.2	0.4	3.6	1.8
Decrease/Increase in other current liabilities	1.3	5.2	-8.6	7.7	3.6	19.5
Cash flow from operating activities	-2.7	-9.8	7.3	8.1	14.6	15.3
Investing activities						
Acquisition of intangible non-current assets	-2.2	-2.1	-6.3	-5.9	-9.8	-9.3
Acquisition of tangible non-current assets	-0.5	-1.1	-2.3	-2.2	-0.8	-0.8
Cash flow from investing activities	-2.7	-3.2	-8.6	-8.1	-10.6	-10.1
Financing activities						
New share issue	-	-	0.7	-	0.7	-
Cash flow from financing activities	-	-	0.7	-	0.7	-
Cash flow for the period	-5.4	-13.0	-0.6	0.0	4.7	5.3
Cash and bank balances at the beginning of the period	27.3	29.6	21.1	17.2	16.0	17.2
Exchange rate differences in cash and bank balances	0.6	-0.6	2.0	-1.2	1.8	-1.4
Cash and bank balances at the end of the period	22.5	16.0	22.5	16.0	22.5	21.1

KEY FINANCIAL FIGURES

(SEK MILLION)	2016 JUL-SEP Q3	2016 APR-JUN Q2	2016 JAN-MAR Q1	2015 OCT-DEC Q4	2015 JUL-SEP Q3	2015 APR-JUN Q2	2015 JAN-MAR Q1
Net sales by region							
EMEA	41.5	39.2	40.5	31.4	23.6	40.5	40.3
APAC	4.0	9.5	19.2	30.4	7.2	7.1	10.7
AMERICAS	7.1	2.8	3.9	3.0	4.8	3.0	1.7
Net sales	52.6	51.5	63.6	64.8	35.6	50.6	52.6
Net sales by category							
Products	39.8	41.9	53.5	54.7	27.0	42.1	44.1
Services	12.8	9.6	10.1	10.1	8.6	8.5	8.5
Net sales	52.6	51.5	63.6	64.8	35.6	50.6	52.6
Gross income	35.9	33.8	46.1	45.5	24.1	33.6	37.7
Gross margin, %	68.2%	65.6%	72.6%	70.2%	67.8%	66.5%	71.8%
Operating expenses	-33.5	-37.3	-35.5	-40.9	-28.9	-30.2	-27.6
Operating expenses/Net sales, %	-63.6%	-72.4%	-55.8%	63.1%	-81.1%	-59.7%	-52.5%
Operating income (EBIT)	2.4	-3.9	10.6	4.6	-4.8	3.4	10.1
Operating margin, % (EBIT)	4.6%	-7.6%	16.7%	7.1%	-13.5%	6.7%	19.2%
EBITDA	4.8	-1.4	12.7	6.3	-3.4	4.8	11.5
EBITDA margin (%)	9.2%	-2.7%	19.9%	9.7%	-9.5%	9.6%	21.9%
Profit for the period	2.2	-2.2	8.3	5.5	-3.6	2.1	6.8
Net margin, profit for the period, %	4.2%	-4.3%	13.1%	8.5%	-10.1%	4.2%	12.9%
Equity/assets ratio, %	64.5%	64.7%	59.5%	50.2%	53.5%	54.2%	55.3%
Cash flow from operating activities	-2.7	12	-2.0	7.3	-9.8	10.6	7.3
Return on equity (ROE)	3.6%	-1.5%	12.6%	8.1%	-6.1%	4.2%	11.5%
Adjusted EBIT	4.9	-0.6	12.1	4.6	-4.8	3.4	10.1
Adjusted EBIT margin (%)	9.4%	-1.2%	19.1%	7.0%	-13.4%	6.7%	19.2%
Adjusted EBITDA	7.3	1.9	14.2	6.3	-3.4	4.8	11.5
Adjusted EBITDA margin (%)	13.9%	3.8%	22.2%	9.7%	-9.5%	9.6%	21.9%
Equity attributable to parent company's owners	89.4	86.3	87.1	68.3	62.6	67.9	66.4
Equity per share before dilution	129.9	127.0	134.1	105.2	96.4	104.6	102.3
Equity per share after dilution	129.6	126.8	132.6	103.0	94.5	102.5	100.2
Number of shares after the end of the period before dilution	688,571	679,691	649,171	649,171	649,171	649,171	649,171
Number of shares after the end of the period after dilution	680,760	680,673	656,839	662,821	662,680	662,680	662,680
Average number of shares before dilution	688,571	679,691	649,171	649,171	649,171	649,171	649,171
Average number of shares after dilution	680,760	680,673	656,839	662,821	662,680	662,680	662,680
Profit per share before dilution	3.1	-3.2	12.8	16.6	-5.5	3.2	10.5
Profit per share after dilution	3.2	-3.2	12.7	16.4	-5.4	3.1	10.3
No. of employees at the end of the period*	92*	96	96	89	88	81	77
Of whom women	13	13	13	12	12	9	8

Definitions

EMEA Europe, Middle East and Africa

APAC Asia and Pacific region

AMERICAS North and South America

Gross profit Net sales less cost of goods sold

Gross margin Gross income as a percentage of net sales

Operating income EBIT Operating income before financial items and taxes

Operating margin, % (EBIT) Operating income before financial items and tax in relation to net sales

EBITDA Operating income before depreciation/amortization and capitalization of development costs

EBITDA margin EBITDA as a percentage of net sales

ROE Profit for the period as a percentage of adjusted equity (equity plus the equity portion of untaxed reserves)

Equity/assets ratio Adjusted equity in relation to total assets

Number of shares after dilution has been restated to account for new share issues and the historical effect of warrants

Profit per share profit for the period in relation to number of shares

Equity/share Equity in relation to number of shares

*) No of employees In the no of employees at end of September are employees hired by Business Sweden 9 (5), consultants with employment-like agreements 8 (4).

Financial measures not defined according to IFRS

The company presents certain financial measures in the interim report that are not defined according to IFRS. The company is of the opinion that these measures provide valuable additional information for investors and the company's management, since they facilitate an evaluation of the company's presentation. Since not all companies calculate financial measures in the same way, these measures are not always comparable to those used by other companies. Consequently, they should not be regarded as a substitute for the measures defined according to IFRS. The tables below present the measures not defined according to IFRS and a reconciliation of the two sets of measures.

EBITDA and Adjusted EBITDA

The company has chosen to report the key ratio EBITDA, since it shows the underlying result adjusted for the effect of depreciation/amortization, which provides a more comparable profit measure over time, since depreciation/amortization refers to historical investments. The company has also chosen to report the key ratio Adjusted EBITDA to show the underlying result adjusted for the nonrecurring expenses that arose in connection with the preparations for a possible IPO. Expenses related to IPO preparations include expenses for the transition to IFRS reporting, internal risk projects, IR expenses, additional review expenses from auditors, exchange auditors' review expenses, attorneys' expenses to qualify the company for a stock market listing, Nasdaq expenses, recruiting expenses for IR and new board members.

(SEK MILLION)	2016 JUL-SEP Q3	2016 APR-JUN Q2	2016 JAN-MAR Q1	2015 OCT-DEC Q4	2015 JUL-SEP Q3	2015 APR-JUN Q2	2015 JAN-MAR Q1
EBITDA bridge							
Operating income	2.4	-3.9	10.6	4.6	-4.8	3.4	10.1
Amortization of capitalized development expenses	-1.6	-1.8	-1.3	-1.2	-0.9	-0.8	-0.8
Other depreciation/amortization	-0.8	-0.7	-0.8	-0.5	-0.5	-0.6	-0.6
EBITDA	4.8	-1.4	12.6	6.3	-3.4	4.8	11.5
EBITDA margin (%)	9.2%	-2.7%	19.9%	9.7%	-9.5%	9.6%	21.9%
Items affecting comparability							
Expenses related to IPO preparations	2.5	3.3	1.5	-	-	-	-
EBITDA after adjusting for items affecting comparability	7.3	1.9	14.1	6.3	-3.4	4.8	11.5
Adjusted EBITDA margin (%)	13.9%	3.8%	22.2%	9.7%	-9.5%	9.6%	21.9%

Operating income (EBIT) and Adjusted EBIT

The company has chosen to report the key ratio Adjusted EBIT, since it shows the underlying result adjusted for nonrecurring expenses that arose in connection with the preparations for a possible IPO, which provides a more comparable profit measure over time. Expenses related to IPO preparations include expenses for the transition to IFRS reporting, internal risk projects, IR expenses, additional review expenses from auditors, exchange auditors' review expenses, attorneys' expenses to qualify the company for a stock market listing, Nasdaq expenses, recruiting expenses for IR and new board members.

(SEK MILLION)	2016 JUL-SEP Q3	2016 APR-JUN Q2	2016 JAN-MAR Q1	2015 OCT-DEC Q4	2015 JUL-SEP Q3	2015 APR-JUN Q2	2015 JAN-MAR Q1
EBIT bridge							
Operating income	2.4	-3.9	10.6	4.6	-4.8	3.4	10.1
Items affecting comparability							
Expenses related to IPO preparations	2.5	3.3	1.6	-	-	-	-
EBIT after adjusting for items affecting comparability	4.9	-0.6	12.2	4.6	-4.8	3.4	10.1
Adjusted EBIT margin (%)	9.3%	-1.2%	19.1%	7.0%	-13.4%	6.7%	19.2%

Equity/assets ratio

The company has chosen to report the key ratio adjusted Equity/assets ratio, since it shows the company's long-term solvency.

	2016	2016	2016	2015	2015	2015	2015
(SEK MILLION)	JUL-SEP Q3	APR- JUN Q2	JAN-MAR Q1	OCT-DEC Q4	JUL-SEP Q3	APR-JUN Q2	JAN-MAR Q1
Total assets	138.7	133.5	146.2	136.0	116.9	125.2	120.1
Equity	89.4	86.3	87.1	68.3	62.6	67.9	66.4
Equity/assets ratio (%)	64.4%	64.7%	59.5%	50.2%	53.5%	54.2%	55.3%

Return on equity (ROE)

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

	2016	2016	2016	2015	2015	2015	2015
(SEK MILLION)	JUL-SEP Q3	APR- JUN Q2	JAN-MAR Q1	OCT-DEC Q4	JUL-SEP Q3	APR-JUN Q2	JAN-MAR Q1
Equity	89.4	86.3	87.1	68.3	62.6	67.9	66.4
Adjusted equity	89.4	86.3	87.1	68.3	62.6	67.9	66.4
Profit for the period	2.2	-2.2	8.3	5.5	-3.6	2.1	6.8
Return on equity (ROE)	3.6%	-1.5%	12.6%	8.1%	-6.1%	4.2%	11.5%

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting principles

The Group applies the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Group also applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups. This report has been prepared in accordance with IAS 34 Interim Financial Reporting and in compliance with the applicable provisions in the Swedish Annual Accounts Act. Disclosures according to IAS 34 Interim Financial Reporting are provided in the notes and elsewhere in this interim report.

The parent company applies RFR 2 Accounting for Legal Entities as well as the Swedish Annual Accounts Act.

New and amended IFRS and interpretations that apply for the 2016 financial year have not had a material impact on the consolidated financial statements.

The Group and the parent company have applied the same accounting principles and measurement methods as used in the preparation of the most recent annual report.

Security deposits to landlords and Business Sweden have been reclassified in the Q3 report from prepaid expenses and accrued income to other long-term receivables, since they have a maturity of longer than one year. The reclassification has also affected comparative figures. Total amount reclassified was SEK 3.5 million.

2. Estimates and judgments

Preparation of the report requires management to make judgments and estimates, and to make assumptions that affect the application of the accounting principles and the recognized amounts for assets, liabilities, revenue and expenses. Actual outcomes may deviate from these estimates and judgments.

3. Share capital

At the end of the period there were 688,571 shares (649,171). Registration of the 39,400 new shares by Bolagsverket, the Swedish Companies Registration Office, was finalized on July 14, 2016.

4. Transactions with related parties

An extraordinary general meeting on March 31 resolved to increase the share capital through the issuance of 30,221 series P6 preferred shares. Proceeds from the new shares were offset against receivables from the company. The share capital was then increased by SEK 30,221. An extraordinary general meeting on April 29 resolved to issue not more than 2,060 series B common shares to the new directors. The proceeds were received in June. The new share issue was still underway at the end of the period. Registration by Bolagsverket was finalized on July 14, 2016. The new issue also included 7,679 common shares related to the conversion of warrants registered by Bolagsverket in 2013. The share premium reserve increased by SEK 13 million.

The warrant program for Michael Ruffolo, Chairman of the Board, was terminated during the quarter and instead transferred to the principal owners. No further costs for the warrant program were incurred by the company in Q2 2016.

5. Segment information

Operating segments are reported in compliance with the internal reports submitted to the highest executive decision-maker.

The Group's regions and the business areas utilize the same sales, development and administrative resources, so the company's expenses are distributed by allocating them proportionately. The same applies to the Group's assets and liabilities. Group management does not feel that an allocation of income statement and balance sheet items would provide a fairer view of operations and therefore follows results for the Group as a whole. Consequently, the Group has not identified any operating segments.

The Group's sales are monitored by region – EMEA, APAC and AMERICAS – based on two business areas: Products and Services.

The outcomes by region and business area consist of the sum of invoices for products and services sold by various parts of the Group. These are not, however, reflected in separate income statements and balance sheets.

CONDENSED PARENT COMPANY INCOME STATEMENT

	2016 JUL-SEP Q3	2015 JUL-SEP Q3	2016 JAN-SEP	2015 JAN-SEP	ROLLING 12 MONTHS OCT 2015 – SEP 2016	2015 JAN-DEC FULL-YEAR
(SEK MILLION)						
Net sales	52.4	31.6	165.8	132.3	229.6	196.0
Cost of goods and services sold	-16.5	-10.8	-50.8	-42.5	-69.5	-61.2
Gross income	35.9	20.8	115.0	89.8	160.1	134.8
Selling expenses	-12.9	-10.2	-37.5	-30.3	-51.1	-44.0
Administrative expenses	-9.0	-7.2	-26.1	-19.6	-41.5	-34.9
Research and development expenses	-10.7	-8.6	-36.8	-27.5	-47.8	-38.4
Other operating income/expenses	0.7	0.1	-0.8	1.4	-2.9	-0.7
Operating income	4.0	-5.1	13.8	13.8	16.8	16.8
Financial income and expenses						
Financial income	0.6	0.5	4.1	1.2	4.4	1.5
Financial expenses	-0.0	-0.2	-0.8	-2.3	-18.9	-20.4
Profit after financial items	4.6	-4.8	17.1	12.7	2.3	-2.1
Tax on profit for the period	-0.9	0.9	-3.1	-2.3	-3.9	-3.2
Profit for the period	3.7	-3.9	14.0	10.4	-1.6	-5.3

CONDENSED PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

	2016 JUL-SEP Q3	2015 JUL-SEP Q3	2016 JAN-SEP	2015 JAN-SEP	ROLLING 12 MONTHS OCT 2015 – SEP 2016	2015 JAN-DEC FULL-YEAR
(SEK MILLION)						
Profit for the period	3.7	-3.9	14.0	10.4	-1.6	-5.3
Other comprehensive income:						
Items that can be reversed to profit or loss:						
Hedge of net investment	-	0.5	-	-0.5	-2.5	-3.0
Tax effect from hedge of net investment	-	-0.1	-	0.1	0.6	0.7
Comprehensive income for the period	3.7	-3.5	14.0	10.0	-3.5	-7.6

PARENT COMPANY BALANCE SHEET

(SEK MILLION)	SEP 30, 2016	SEP 30, 2015	DEC 31, 2015
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenses	14.2	10.3	12.6
Tangible non-current assets			
Equipment	3.9	3.6	4.0
Financial non-current assets			
Deferred tax assets	14.8	18.0	17.8
Other long-term receivables	3.6	3.2	3.2
Total non-current assets	36.5	35.1	37.6
Current assets			
Inventories	11.9	15.7	13.7
Accounts receivable	51.0	35.7	49.9
Current receivables	9.7	4.0	6.4
Receivables from Group companies	9.7	28.4	5.0
Total current assets	82.3	83.8	75.0
Cash and bank balances	20.8	12.9	14.4
Total current assets	103.1	96.7	89.4
TOTAL ASSETS	139.6	131.8	127.0
Equity			
Restricted equity			
Share capital	0.7	0.6	0.6
Reserve for development expenses	5.8	-	-
Total restricted equity	6.5	0.6	0.6
Unrestricted equity			
Share premium reserve	94.7	82.0	82.0
Retained earnings including net profit of the year	-18.8	-6.5	-29.5
Profit for the period	8.3	5.3	10.8
	84.2	80.8	63.3
Total equity	90.7	81.4	63.9
Provisions			
Other provisions	0.5	1.2	0.5
Total provisions	0.5	1.2	0.5
Current liabilities			
Trade payables	10.5	7.0	8.2
Current tax liabilities	0.5	0.3	0.4
Other current liabilities	2.7	13.0	11.6
Accrued expenses and prepaid income	34.7	28.9	42.4
Total current liabilities	48.4	49.2	62.6
TOTAL EQUITY AND LIABILITIES	139.6	131.8	127.0

The Board of Directors and the Chief Executive Officer hereby confirm that this report provides a true and fair overview of the parent company's and the Group's operations, financial position and results, and describes material risks and factors of uncertainty faced by the parent company and the companies in the Group.

Stockholm, October 26, 2016

Michael Ruffolo
Chairman of the Board

Joachim Roos
CEO

Jason Pinto
Board member

Staffan Helgesson
Board member

Lukas Holm
Board member

Karl Thedéen
Board member

Sigrun Hjelmquist
Board member

Kent Sander
Board member

FINANCIAL CALENDAR

- The year-end report for 2016 will be published on February 20, 2017.

ABOUT EDGEWARE – LET'S MAKE TV AMAZING AGAIN

Business concept

Edgeware offers leading operators and content providers the tools to deliver modern TV services at huge scale and low cost. Edgeware's unique technology gives control and insight back to the content provider with an outstanding viewing experience. In recent years Edgeware has experienced rapid growth, reaching sales of SEK 204 million in 2015. Founded in 2006, Edgeware is headquartered in Stockholm, Sweden.

Edgeware provides proprietary infrastructure that helps network operators' growing range of TV and video services. With Edgeware's products, operators can increase their income and gain loyal customers.

The product range comprises hardware and cloud-based software for building a Content Delivery Network optimized for TV distribution. The solution supports both traditional pay-TV services and advanced web TV services. Edgeware's offering also directly targets content owners and broadcasters that want to exploit the open Internet

to reach viewers, so-called Over-The-Top providers. As the broadcasting landscape continues to transform and TV/video traffic volumes rise, the segment is expected to grow.

Regardless of which product solution they choose, the customer receives an easily scalable, cost-effective and reliable TV experience.

Sales channels

Edgeware has its own sales and delivery organization in the Americas, the Asia-Pacific region and Europe, Middle East and Africa. With its own sales support and service, Edgeware can help its customers expand into local markets. In addition to a subsidiary in the US and offices in Hong Kong and Mexico City, Edgeware has sales and technical sales support staff in Belgium, Brazil, Germany, the Netherlands, Singapore, Spain, Sweden and the UK.

CONTACT INFORMATION

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Information about Edgeware, press releases, press photos, etc. are available in our newsroom at Cision.

Read more at www.edgeware.tv

Edgeware AB

Corporate ID number 556691-7554

EDGEWARE AB

Mäster Samuelsgatan 42
111 57 Stockholm
www.edgeware.tv



Let's make tv amazing again.

edgeware

HISTORICAL FINANCIAL INFORMATION

FOR THE FINANCIAL YEARS 2013, 2014 AND 2015

CONSOLIDATED INCOME STATEMENT

(SEK 000)	Note	2015	2014	2013
Operating income				
Net sales	5, 6	203,556	148,175	128,253
Cost of goods and services		-62,615	-41,428	-37,763
Gross profit		140,941	106,747	90,490
Operating expenses				
Selling expenses		-58,128	-37,342	-32,003
Administration expenses		-28,824	-23,767	-19,370
Research and development expenses		-39,999	-32,767	-31,317
Other operating income/expenses	7	-689	164	-556
Operating profit	8, 9, 10, 11, 12	13,301	13,035	7,244
Profit from financial items				
Financial income	13	1,463	6,130	1,281
Financial expense	14	-795	-2,342	-2,908
Pre-tax profit		13,969	16,823	5,617
Tax	15	-3,173	-6,073	-3,686
Profit for the year		10,796	10,750	1,931
Attributable to:				
Owners of the parent		10,796	10,750	1,931
Earnings per share, SEK	16			
Before dilution		16.63	16.56	2.97
After dilution		16.29	16.42	2.97
Before dilution, after share split		0.78	0.78	0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK 000)	Note	2015	2014	2013
Profit for the year		10,796	10,750	1,931
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Translation differences for the year, investment in subsidiary		-3,776	-2,725	106
Tax effect for securing netinvestments		658	0	0
Total items that may be reclassified to profit or loss		-3,118	-2,725	106
COMPREHENSIVE INCOME FOR THE YEAR		7,678	8,025	2,037
Attributable to:				
Owners of the parent	32	7,678	8,025	2,037

CONSOLIDATED BALANCE SHEET

(SEK 000)	Note	2015-12-31	2014-12-31	2013-12-31	2013-01-01
ASSETS					
Non-current assets					
Intangible assets					
Capitalized expenditure on development work	18	12,598	7,015	4,764	0
		12,598	7,015	4,764	0
Property, plant and equipment					
Equipment, tools and installations	19	4,004	3,068	1,684	3,065
		4,004	3,068	1,684	3,065
Other non-current liabilities	33	3,178	842	–	–
Deferred tax asset	15	17,840	20,181	25,920	29,105
Total non-current assets		37,620	31,106	32,368	32,170
Current assets					
Inventories					
	20	13,671	7,046	6,266	4,397
		13,671	7,046	6,266	4,397
Current receivables					
Trade accounts receivable	21	55,907	43,839	28,791	21,194
Other receivables		3,034	1,128	4,142	825
Prepaid expenses and accrued income	22	4,688	5,622	1,525	1,798
		63,629	50,589	34,458	23,817
Cash and cash equivalents	23	21,057	17,217	13,036	7,203
Total current assets		98,357	74,852	53,760	35,417
TOTAL ASSETS		135,977	105,958	86,128	67,587
EQUITY AND LIABILITIES					
Equity					
Share capital	24	649	649	649	649
Other paid-in capital	25	82,001	82,001	82,001	82,001
Translation reserve	26	–2,550	–1,766	960	855
Retained earnings including net profit for the year		–11,823	–20,584	–31,792	–33,884
Equity attributable to owners of the parent		68,277	60,300	51,818	49,621
Total equity		68,277	60,300	51,818	49,621
Provisions					
Other provisions		515	1,200	1,200	1,200
Current liabilities					
Trade accounts payable		8,393	6,642	6,786	4,927
Current tax liabilities		0	0	0	472
Other current liabilities		12,595	12,410	11,905	1,160
Accrued expenses and deferred income	27	46,197	25,406	14,419	10,207
		67,185	44,458	33,110	16,766
TOTAL EQUITY AND LIABILITIES		135,977	105,958	86,128	67,587

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Other paid-in capital	Translation reserve	Retained earnings including net profit for the year	Total equity attributable to owners of the parent	Total equity
Balance, January 1, 2013	649	82,001	855	-33,884	49,621	49,621
Profit for the year				1,931	1,931	1,931
Other comprehensive income:						
Translation differences			105	0	105	105
Total other comprehensive income			105	0	105	105
Total comprehensive income			105	1,931	2,036	2,036
Transactions with owners:						
Share-based remuneration				161	161	161
Total transactions with owners	0	0	0	161	161	161
Balance, December 31, 2013	649	82,001	960	-31,792	51,818	51,818

	Share capital	Other paid-in capital	Translation reserve	Retained earnings including net profit for the year	Total equity attributable to owners of the parent	Total equity
Balance, January 1, 2014	649	82,001	960	-31,792	51,818	51,818
Profit for the year				10,750	10,750	10,750
Other comprehensive income:						
Translation differences			-2,726	0	-2,726	-2,726
Total other comprehensive income			-2,726	0	-2,726	-2,726
Total comprehensive income			-2,726	10,750	8,024	8,024
Transactions with owners:						
Share-based remuneration				458	458	458
Total transactions with owners	0	0	0	458	458	458
Balance, December 31, 2014	649	82,001	-1,766	-20,584	60,300	60,300

	Share capital	Other paid-in capital	Translation reserve	Retained earnings including net profit for the year	Total equity attributable to owners of the parent	Total equity
Balance, January 1, 2015	649	82,001	-1,766	-20,584	60,300	60,300
Profit for the year				10,796	10,796	10,796
Other comprehensive income:						
Translation differences on financial expense, subsidiary				-2,334	-2,334	-2,334
Translation differences			-784	0	-784	-784
Total other comprehensive income			-784	-2,334	-3,118	-3,118
Total comprehensive income			-784	8,462	7,678	7,678
Transactions with owners:						
Share-based remuneration				299	299	299
Total transactions with owners	0	0	0	299	299	299
Balance, December 31, 2015	649	82,001	-2,550	-11,823	68,277	68,277

CONSOLIDATED CASH FLOW STATEMENT

(SEK 000)	Note	2015	2014	2013
Cash flow from operating activities				
Operating profit		13,301	13,035	7,244
Adjustments for non-cash items:				
Depreciation/amortization		5,969	5,366	2,364
Warrant expenses		299	458	161
Changed assessment of provision for guarantee reserve		-685	0	0
Exchange-rate effects		-159	78	-1,222
Interest received		0	1	0
Interest paid		-221	-871	-1,485
Cash flow from current operations before changes in working capital		18,504	18,067	7,062
Changes in working capital				
Decrease(+)/increase(-) in inventories		-9,023	-5,185	-2,133
Decrease(+)/increase(-) in trade accounts receivable		-12,068	-15,048	-7,597
Decrease(+)/increase(-) in other current liabilities		-3,308	-1,926	-2,938
Decrease(-)/increase(+) in trade accounts payable		1,751	-144	1,859
Decrease(-)/increase(+) in other current liabilities		19,491	11,492	4,484
Cash flow from operating activities		15,347	7,256	737
Investing activities				
Acquisition of intangible assets	18	-9,330	-4,495	-5,390
Acquisition of property, plant and equipment	19	-760	-81	-93
Cash flow from investing activities		-10,090	-4,576	-5,483
Financing activities				
New loans		0	0	10,000
Cash flow from financing activities		0	0	10,000
Cash flow for the year		5,257	2,680	5,254
Cash and cash equivalents at beginning of year		17,217	13,036	7,203
Currency-rate effect in cash and cash equivalents		-1,417	1,501	579
Cash and cash equivalents at year-end	23	21,057	17,217	13,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

Edgware AB, corporate identity number 556691-7554, is a public limited company registered and domiciled in Sweden. The address of the head office is Mäster Samuelsgatan 42, 11tr, 111 57 Stockholm. Edgware is a leading company within TV and video distribution solutions that are specifically aimed at those providing services via operator networks or an open internet. The company provides infrastructure that is specially adapted to allow the network operators to offer a wide range of video services with the intention of generating new revenue streams and increasing loyalty among existing customers. Edgware's product range consists of a combination of hardware and cloud-based software to build a content network – what we call a TV CDN (content delivery network) – that is optimized for TV distribution. The solution supports both traditional pay TV services and the most advanced new web TV services. In addition to being used by operators to build their own video services, the company also has products aimed at content owners and TV companies wanting to utilize an open internet to reach viewers. This segment will be increasingly significant going forward, as the TV landscape is transformed and with the expected dramatic increases in traffic volumes.

The Group comprises the parent company Edgware AB, which is domiciled in Stockholm, and the subsidiary Edgware Inc., domiciled in the US. The parent company of the largest group to which Edgware AB belongs is Edgware AB, corp. ID no. 556691-7554, domiciled in Stockholm, Sweden.

Note 2 Significant accounting principles

This is Edgware AB's first consolidated financial statements prepared in accordance with EU-approved International Financial Reporting Standards (IFRS) and with interpretations by the IFRS Interpretations Committee (IFRIC). In addition, the Group applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups. Previously the Group applied framework BFNAR 2012:1, Annual report and consolidated financial statements from the Swedish Accounting Standards Board ("K3"). The date of transition to IFRS has been established as January 1, 2013 and the comparison figures for the 2013 and 2014 financial years have been restated in accordance with IFRS.

In the consolidated financial statements items have been measured at cost, with the exception of certain financial instruments that are measured at fair value. The significant accounting principles applied are described below.

New and revised standards and interpretations not yet in force

New and revised standards and interpretations that have been issued but which enter into force for financial years commencing after January 1, 2016 have not yet begun to be applied by the Group. The new and revised standards and interpretations that are expected to have an impact on the Group's financial reports in the period in which they are first applied are described below.

IFRS 15 *Revenue from contracts with customers* was issued on May 28, 2014 and will replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. IFRS 15 provides a model for revenue recognition for almost any income arising from contracts with customers, except leases, financial instruments and insurance policies. The basic principle for revenue recognition according to IFRS 15 is that an entity should recognize revenue in a way that reflects the transfer of the promised goods or services to the customer for the amount that the company expects to be entitled to receive in exchange for the goods or services. Revenue is recognized when the customer assumes control of the goods or services. IFRS 15 is applicable to financial years commencing on or after January 1, 2018. Earlier application is permitted. The standard has not yet been adopted by the EU.

IFRS 9 *Financial instrument* was issued on July 24, 2014 and will replace IAS 39 *Financial instrument*: Account and valuing. IFRS 9 consists of new principles regarding classification and assessed for impairment testing of financial assets and hedging. IFRS 9 is applicable to financial years commencing on or after January 1, 2018. The standard has not yet been adopted by the EU.

IFRS 16 *Leases* was issued on January 13, 2016 and will replace IAS 17 *Leases*. IFRS 16 introduces a "right of use" model and, for lessees, largely means that all leases are to be recognized in the balance sheet and therefore will not be classified into operating and finance leases. Leases with a term of 12 months or less and leases where the underlying asset has a low value are exempted. Depreciation of the asset and interest expenses for the liability are recognized in profit or loss. The standard contains more extensive disclosure requirements than the present standard. For lessors, IFRS 16 results in no differences compared with IAS 17. IFRS 16 is applicable to financial years commencing on January 1, 2018. Earlier application is permitted, provided that IFRS 15 is applied at the same time. The standard has not been adopted by the EU.

The company management has not yet conducted a detailed analysis of the effects of the application of IFRS 15 and IFRS 9, so the effects cannot yet be quantified. The company management has assessed that other new and revised standards and interpretations not yet in force will not have a material impact on the Group's financial reports when applied for the first time.

Basis of consolidation

The consolidated financial statements cover the parent company Edgware AB and the companies over which the parent company has a controlling interest. A controlling interest exists when the Group is exposed to, or has the right to, variable returns from its involvement in a company and can use its influence over the company to affect its return. A controlling interest usually exists where the parent company directly or indirectly holds shares representing more than 50% of the votes.

Subsidiaries are consolidated from the date of acquisition until the date when the parent company no longer has a controlling interest in the subsidiary. Where necessary, the accounting principles for subsidiaries have been adjusted to comply with the Group's accounting principles. All intra-group transactions, balances and unrealized gains and losses attributable to intra-group transactions have been eliminated in the preparation of the consolidated financial statements.

When the parent company loses its controlling interest in a subsidiary, the gain or loss on disposal is calculated as the difference between

- i) the sum of the fair value of the consideration received and the fair value of any remaining holding, and
- ii) the previous carrying amounts of the subsidiary's assets (including goodwill), and liabilities and any non-controlling interests.

Segment reporting

An operating segment is a component of a company that carries out business operations that may result in the receipt of income and is evaluated regularly by the highest executive decision-maker and about which separate financial information is available. The company's reporting of operating segments accords with the internal reporting to the highest executive decision-maker. The highest executive decision-maker is the function responsible for allocation of resources and assessment of the operating segments' results. The CEO is the highest executive decision-maker. The accounting principles for the reporting segments are the same as those applied by the Group as a whole.

Revenue

Revenue is recognized at the fair value of what has been received or will be received, less value-added tax, discounts, returns and similar deductions. The Group recognizes revenue when the amount of the revenue can be reliably measured, when it is probable that future economic benefits will flow to the company and the specific criteria are met for each of the Group's revenue types.

The Group's revenues consist mainly of the provision of infrastructure customized to allow network operators to offer video services. The products are a combination of hardware or cloud-based software that supports both traditional pay TV services and the new web TV services. The Group also provides services in the form of installation, integration, support and training.

Sales of products

Revenue from the sale of products is recognized when the significant risks and benefits associated with the products have been transferred to the customer. This generally takes place upon delivery. If integration is a significant part of the delivery to the customer, revenue from the sale of products is recognized when integration has been carried out.

Sales of support

Revenue from support contracts is recognized as revenue on a straight-line basis over the contract period.

Sales of other services

Revenue from sales of training and installation is recognized in the period in which the services are performed.

Interest income

Interest income is allocated over the relevant term using the effective interest method.

Leases

Lessee

A finance lease is a contract under which the financial risks and benefits associated with ownership of an asset are essentially transferred from the lessor to the lessee. Other leases are classified as operating leases. The Group has only operating leases. Lease

payments for operating leases are expensed on a straight-line basis over the term of the lease, unless a different systematic approach better reflects the user's financial benefit over time.

Foreign currency

Items included in the financial reports for the various entities in the Group are recognized in the currency of the primary economic environment where the entity in question mainly conducts its operations (functional currency). In the consolidated financial statements all amounts are translated into Swedish kronor (SEK), which is the functional currency and reporting currency of the parent company.

Foreign currency transactions are translated in each entity into the entity's functional currency at the exchange rates on the transaction date. On each closing day, monetary items in foreign currencies are translated at the exchange rate on the closing day. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate on the day fair value was established. Non-monetary items measured at historical cost in a foreign currency are not translated.

Exchange-rate differences are recognized in profit or loss for the period in which they arise, with the exception of hedging transactions that meet the criteria for hedge accounting of cash flows or of net investments, in which case gains and losses are recognized in other comprehensive income.

In the preparation of consolidated financial statements, assets and liabilities in foreign subsidiaries are translated into Swedish kronor at the exchange rate on the closing day. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate fluctuated significantly during the period, in which case the exchange rate on the transaction date is used instead. Any translation differences arising are recognized in other comprehensive income and are transferred to the translation reserve. On the divestment of a foreign subsidiary, such translation differences are recognized in the income statement as part of the capital gain or loss.

Employee benefits

Employee benefits in the form of salary, bonuses, vacation pay, sick pay, etc. and pensions are recognized as they are earned. Pensions and other post-employment benefits are classified as defined-contribution or defined-benefit pension plans. The Group has only defined-contribution pension plans.

Defined-contribution plans

In defined-contribution plans the Group makes fixed payments to a separate independent legal entity and has no obligation to make further payments. The Group's costs are expensed as the benefits are earned, which usually coincides with the date of payment of the premiums.

Share-based remuneration

Share-based remuneration settled using equity instruments are measured at fair value on the date of allocation, which is the date that the company enters into an agreement on share-based remuneration. The fair value established on the date of allocation is expensed on the date of allocation, with a corresponding adjustment to equity distributed across the earnings period, based on the Group's estimate of the number of warrants that are expected to be able to be exercised. Fair value is calculated using the Black-Scholes model. Social insurance contributions attributable to the share-based remuneration accrue in the same way as the cost of

the services received, and the liability is remeasured at each reporting date until it is settled.

Taxes

Tax expense comprises the sum of current tax and deferred tax.

Current tax

Current tax is calculated on the taxable profits for the period. Taxable profit differs from the profit recognized in the income statement since it has been adjusted for tax-exempt income and non-deductible expenses, and for income and expenses that are taxable or deductible in other periods. The Group's current tax liability is calculated using the tax rates applicable on the closing day.

Deferred tax

Deferred tax is recognized on temporary differences between the recognized value of assets and liabilities in the financial reports and the fiscal value used to calculate taxable profits. Deferred tax is recognized according to the balance sheet method. Deferred tax liabilities are recognized for practically all taxable temporary differences, and deferred tax assets are recognized for practically all deductible temporary differences, to the extent it is likely that the amounts can be utilized against future taxable surpluses. Deferred tax liabilities and tax assets are not recognized if the temporary difference is attributable to goodwill or if it arises from a transaction that is the first reporting of an asset or liability (that is not a business combination) and which at the transaction date does not affect reported or taxable profits.

A deferred tax liability is recognized for taxable temporary differences attributable to investments in subsidiaries, except where the Group can determine the date of reversal of the temporary differences and it is likely that such reversal will not take place within the foreseeable future. The deferred tax assets attributable to deductible temporary differences in respect of such investments are only recognized to the extent that it is probable that the amounts can be utilized against future taxable surpluses and it is likely that such utilization will take place within the foreseeable future.

The carrying amount of deferred tax assets is tested on each closing day and reduced to the extent that it is no longer probable that there will be sufficient taxable surplus available to utilize the deferred tax asset, either in full or in part.

Deferred tax is calculated using the tax rates that are expected to apply in the period when the asset is recovered or the liability is settled, based on the tax rates (and the tax legislation) that are enacted or have been announced as of the closing day.

Deferred tax assets and tax liabilities are offset where they relate to income tax debited by the same authority and where the Group intends to settle the tax in a net amount.

Current and deferred tax for the period

Current and deferred tax is recognized as an expense or as income in the income statement, except where the tax is attributable to transactions recognized in other comprehensive income or directly in equity. In such cases the tax is also reported in other comprehensive income or directly in equity. In the case of current and deferred tax arising when reporting business combinations, the tax effect is to be reported in the acquisition calculation.

Property, plant and equipment

Property, plant and equipment are reported at cost following deductions for accumulated depreciation and any impairment losses.

Cost includes purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be used, as well as estimated expenses for dismantling and removal of the asset and restoration of its location. Further expenditures are included in the asset or recognized as a separate asset only if it is probable that future economic benefits associated with the asset will accrue to the Group and the cost of these can be reliably estimated. All other costs for repairs and maintenance, as well as further expenditures, are recognized in the income statement in the period in which they are incurred.

Depreciation of property, plant and equipment is expensed such that the asset's cost, decreased by any estimated residual value at the end of its useful life, is depreciated on a straight-line basis over its expected useful life. Depreciation begins when the item of property, plant and equipment can be taken into use. The useful life of equipment, tools and installations has been estimated at 3 years.

The estimated useful life, residual value and depreciation method is reviewed at least at the close of each reporting period, and the effect of any changes in estimates is reported from then on.

The carrying amount of a property, plant and equipment item is removed from the balance sheet when it is disposed of or divested, or when no further economic benefits are expected from the use or disposal/divestment of the asset. The gain or loss arising from the disposal or divestment of the asset is the difference between any net proceeds of the divestment and its carrying amount, and is recognized in profit or loss in the period when the asset is removed from the balance sheet.

Intangible assets

Internally generated intangible assets –

Capitalized product development expenses

Internally generated intangible assets arising from the Group's product development are recognized only if the following conditions are met:

- it is technically feasible to complete the intangible asset and to use or sell it,
- the company intends to complete the intangible asset and to use or sell it,
- the conditions are in place for using or selling the intangible asset,
- the company shows how the intangible asset will generate probable future economic benefits,
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

If it is not possible to recognize an internally generated intangible asset, then the development costs are expensed in the period in which they are incurred.

After initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and any accumulated impairment losses. Useful life is estimated at 3 years. The estimated useful life and depreciation method is reviewed at least at the close of each fiscal year, and the effect of any changes in estimates is reported from then on.

Impairment of property, plant and equipment and intangible assets

At each closing day, the Group analyzes the carrying amounts of property, plant and equipment and of intangible assets to establish whether there is any indication that these have decreased in value. If this is the case, the asset's recoverable amount is calculated in order to establish the level of any impairment loss. Where it is not possible to calculate the recoverable amount of an individual asset, the Group calculates the recoverable amount for the cash-generating unit to which the asset belongs.

Intangible assets with an indeterminate useful life, and intangible assets that are not yet ready for use, are to be tested for impairment annually or when there is an indication of a decrease in value.

The recoverable amount is the higher of the fair value minus selling expenses and its value in use. When calculating value in use, estimated future cash flows are discounted to present value using a discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount for an asset (or cash-generating unit) is established to be lower than the carrying amount, then the carrying amount for the asset (or cash-generating unit) is written down to the recoverable amount. Any write-down is to be expensed in the income statement straight away.

When an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the remeasured recoverable amount, but the increased carrying amount must not exceed the carrying amount that would have been established if the asset (cash-generating unit) had not been written down in previous years. A reversal of an impairment loss is recognized directly in profit or loss.

Financial instruments

A financial asset or financial liability is recognized in the balance sheet when the Group becomes a party to the instrument's contractual terms. A financial asset is removed from the balance sheet when the contractual right to the cash flow from the asset ceases, is settled or when the Group loses control over it. A financial liability, or part thereof, is removed from the balance sheet when the agreed obligation is fulfilled or otherwise ceases.

At each reporting date, the company assesses whether there are objective indications of impairment of a financial asset or group of financial assets on the basis of events that have occurred. Examples of such events include a substantial deterioration in the counterparty's financial position or failure to pay amounts due.

Financial assets and financial liabilities that are not measured at fair value through profit or loss on the subsequent reporting date are recognized on initial recognition at fair value plus or minus transaction expenses. Financial assets and financial liabilities that are measured at fair value through profit or loss on the subsequent reporting date are recognized on initial recognition at fair value. In subsequent reporting, financial instruments are measured at amortized cost or at fair value depending on their initial categorization according to IAS 39.

On initial recognition, a financial instrument is classified in one of the following categories:

Financial assets:

- a) At fair value through profit or loss
- b) Loan receivables and trade accounts receivable
- c) Held-to-maturity investments
- d) Available-for-sale financial assets

Financial liabilities

- a) At fair value through profit or loss
- b) Other financial liabilities at amortized cost

Fair value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

The fair value of financial assets and liabilities traded on an active market is determined by reference to quoted market prices.

The fair value of other financial assets and liabilities is determined according to generally accepted measurement models such as discounting of future cash flows and using information taken from relevant market transactions.

For all financial assets and liabilities, the carrying amount is considered to be a good approximation of their fair value unless specifically stated otherwise in subsequent notes.

Amortized cost

Amortized cost refers to the amount at which the asset or liability was initially recognized less repayments, supplements or deductions for accumulated accruals using the effective interest method of the initial difference between the amount received/paid and the amount payable/receivable on the due date, and less impairment losses.

The effective interest rate is the rate at which discounting of all future expected cash flows over the expected term results in the initial carrying amount of the financial asset or financial liability.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and reported as a net amount in the balance sheet where there is a legal right to offset the amounts and it is intended that the items will be settled by a net amount or that the asset will be realized and the liability settled simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash at hand and bank balances, as well as other short-term liquid deposits that can be readily converted into cash and for which the risk of changes in value is insignificant. To be classified as cash and cash equivalents, the maturity must not exceed three months from the date of acquisition. Cash at hand and bank balances are categorized as "Loan receivables and trade accounts receivable", and are therefore measured at amortized cost. Since bank deposits are payable on demand, the amortized cost is equal to the nominal amount. Short-term investments are categorized as "Held for trading" and measured at fair value, with changes in value recognized through profit or loss.

Trade accounts receivable

Trade accounts receivable are categorized as "Loan receivables and trade accounts receivable" and are therefore measured at amortized cost. The anticipated duration of trade receivables is short, however; for this reason, they are reported at nominal amounts without discounting. Deductions are made for receivables assessed to be doubtful. Write-downs of trade accounts

Trade accounts payable

Trade accounts payable are categorized as "Other financial liabilities", and are therefore measured at amortized cost. The anticipated duration of trade payables is short, however; for this reason, they are recognized at nominal amounts without discounting.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first in, first out principle (FIFO). Net realizable value is the estimated selling price less the estimated costs of completion and estimated costs required to achieve a sale.

Provisions

A provision is recognized when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are made at the amount which is the best estimate of the expenditure required to settle the present obligation on the closing day, taking into account the risks and uncertainties associated with the obligation. When a provision is calculated by estimating the outflows that are expected to be required in order to settle the obligation, the carrying amount must equal the present value of these outflows.

Where part or all of the amount required to settle a provision is expected to be compensated by a third party, the compensation is to be reported separately as an asset in the statement of financial position when it is as good as certain that it will be received if the company settles the obligation and the amount can be reliably calculated.

Note 3 Key estimates and judgments

The main assumptions concerning the future are reported below, along with other significant sources of uncertainty in estimates on the closing day which represent a material risk of significant adjustments to the carrying amounts of assets and liabilities in the subsequent fiscal year. The main judgments made by the company management when applying the Group's accounting principles and that have the most significant effect on the amounts recognized in the financial reports are also detailed.

Testing capitalized development expenses for impairment

Capitalized development expenses that are not yet ready for use and thus are not subject to depreciation are tested for impairment at least annually. When assessing impairment, the company management makes assumptions concerning expected cash flow (based on budget) from the asset, and discounts this using a discount rate to establish the recoverable amount. Budgeted revenues and the discount rate are significant assumptions that could result in a need to apply impairment losses.

Capitalization of loss carryforwards

Capitalization of loss carryforwards is recognized to the extent that it is probable that the amounts can be used against future taxable surpluses. To establish how much of the carryforward can be capitalized, the company management makes judgments concerning the amounts and concerning when taxable surpluses may arise. The Group has a deficit totaling SEK 82,126 million, of which 82,126 is capitalized.

Company management bases its judgment concerning capitalization on forecasts of taxable surpluses based on a forecast for the foreseeable future.

Tax loss carryforwards of SEK 82,126 million are attributable to the parent company Edgware AB. The carryforwards cannot be utilized by another entity within the Group, and since the subsidiary

has made a loss in recent years and has no taxable temporary differences, it is judged that there are no factors to provide grounds for capitalizing the carryforwards.

Note 4 Financial risk management and financial instruments

Through its operations the Group is exposed to various types of financial risk, such as market risk, liquidity risk and credit risk. The main market risks are interest-rate risk and currency risk. The company's Board of Directors has the ultimate responsibility for exposure, management and monitoring of the Group's financial risk. The frameworks that apply to exposure, management and monitoring of financial risk are established by the Board of Directors in a financial policy adopted in 2016 that is revised annually. In the financial policy, the Board has delegated responsibility for day-to-day risk management to the company's CFO. The Board may decide to deviate temporarily from the established financial policy.

Market risk

Currency risk

Currency risk is the risk that fair value or future cash flows will fluctuate due to changes in foreign exchange rates. Exposure to currency risk arises mainly from payment flows in foreign currency – which is known as transaction exposure – and from the translation of foreign subsidiaries' income statements and balance sheets into Swedish kronor, the Group's reporting currency – known as translation exposure.

Transaction exposure

Transaction exposure is the risk that earnings will be negatively impacted by fluctuations in exchange rates for cash flows that take place in foreign currency. The Group's outflows are mainly in EUR, USD and MXN, and at the same time the Group's inflows are mainly in EUR, USD and MXN. The Group is therefore considerably affected by changes in these exchange rates as regards operational transaction exposure. Where financial transaction exposure is concerned, this is largely limited to intra-group financing.

The company's policy allows forecast cash flows to be hedged on an ongoing basis. Under the financial policy, transaction exposure may be reduced through the use of derivative instruments. As of the closing day, 0% of the cash flows in EUR, USD and MXN were hedged. Hedge accounting is not applied.

The table below shows the nominal net amounts of the major flows giving rise to transaction exposure. The exposure is stated based on the Group's payment flows in the most significant currencies and is presented in Swedish kronor.

Currency	2015-12-31	2014-12-31	2013-12-31
EUR	121,011	122,511	104,122
USD	11,143	-6,803	-10,033
MXN	5,089	0	0

As of the closing day, the net book value of the Group's monetary assets and liabilities that are subject to translation into SEK amount to the sums below, presented in Swedish kronor:

Currency	2015-12-31	2014-12-31	2013-12-31
EUR	30,506	44,318	28,900
USD	29,243	26,152	13,543
MXN	18,237	0	0

Translation exposure

Translation exposure is the risk that the value of the Group's net investments in foreign currency will be negatively impacted by changes in foreign exchange rates. The Group consolidates the net assets in SEK on the closing day. This risk is known as translation exposure and is not currency-hedged under the Group's financial policy.

The translation exposure for net investments in foreign currency is stated in local currency. The Group's net investments refer to investments in the foreign subsidiary Edgeware Inc. in the US. The net investments equal the value of the company's equity and amount to USD -3,110,000 net as of December 31, 2015.

The table below, "Sensitivity analysis for market risk", presents the effects of exchange rate fluctuations against Swedish kronor for the most significant foreign currencies.

Interest-rate risk

Interest-rate risk is the risk that fair value or future cash flows will fluctuate due to changes in market interest rates. The Group is exposed to interest-rate risk through its loan financing. Interest is paid on the loans, which means that the Group's future financial expense is not affected by changes in market interest rates.

Under the Group's financial policy, interest-rate risk is not to be hedged.

The table below, "Sensitivity analysis for market risk", presents the effects of changes in market interest rates.

Sensitivity analysis for market risk

The Sensitivity analysis for currency risk shows the Group's sensitivity to a 10% increase or decrease respectively in the exchange rate for SEK against the most significant foreign currencies. For transaction exposure, the table shows how the Group's earnings after tax would have been affected by a change in the exchange rate. This also includes outstanding monetary assets and liabilities in foreign currency on the closing day, including loans between Group companies where the currency effect impacts the Group's income statement. For translation exposure, the table shows how the Group's earnings after tax and equity would have been affected by a change in the exchange rate.

The Sensitivity analysis for interest-rate risk shows the Group's sensitivity to a 1% increase in the market interest rate. The interest-rate sensitivity shows the effect on earnings after tax of a change in the market interest rate, as regards both interest income and expense. Since the Group does not report changes in value in other comprehensive income or equity, there is a corresponding effect on equity.

	2015	2015-12-31	2014	2014-12-31	2013	2013-12-31
	Effect on profit	Effect on equity	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Transaction exposure						
EUR	8,530		7,828		3,580	3,580
USD	11		-1,155		-714	-714
MXN	359		0		0	0
Translation exposure						
USD		-2,607		-3,424		-2,431
Interest						
SEK						
Financial costs	-70		-64		-34	

Liquidity and financing risk

Liquidity risk is the risk that the Group has problems meeting its commitments related to the Group's financial liabilities. Financing risk is the risk that the Group is unable to obtain sufficient financing at a reasonable cost.

The maturity profile of contractual payment commitments related to the Group's and the parent company's financial liabilities, excluding derivatives, is presented in the tables below. The amounts in these tables are not discounted values and they also include interest payments where relevant, which means that these amounts cannot be reconciled with the amounts reported in the balance sheets. Interest payments are established based on the conditions applicable on the closing day. Amounts in foreign currency have been

translated into Swedish kronor at closing day exchange rates. The Group's loan agreements contain no special conditions that could result in the payment date being significantly earlier than that shown in the tables.

The information below shows that the expected outflow amounts to SEK 22,000,000 over the coming 12 months. The Group's liquidity reserve is defined as cash and cash equivalents, which amounted to SEK 27,057,000 at year-end, and this will be used to meet this outflow. In addition, there is the possibility of borrowing against trade accounts receivable if further funds should be needed in the short term. In March 2016 has the short term liabilities to related parties been converted into shares.

2015-12-31	Within 3 months	3-12 months	1-5 years	More than 5 years	Total
Trade accounts payable	8,393		0	0	8,393
Other current liabilities	1,438	1,492	0	0	2,930
Liabilities to related parties		10,180	0	0	10,180
Total	9,831	11,672	0	0	21,503

2014-12-31	Within 3 months	3–12 months	1–5 years	More than 5 years	Total
Trade accounts payable	6,642		0	0	6,642
Other current liabilities	1,853	1,685	0	0	3,538
Liabilities to related parties		10,143	0	0	10,143
Total	8,495	11,828	0	0	20,323

2013-12-31	Within 3 months	3–12 months	1–5 years	More than 5 years	Total
Trade accounts payable	6,786		0	0	6,786
Other current liabilities	1,220	1,802	0	0	3,022
Liabilities to related parties		10,083	0	0	10,083
Total	8,006	11,885	0	0	19,891

Credit and counterparty risk

Credit risk is the risk that a counterparty in a transaction will not fulfill its contractual obligations, thereby incurring a loss for the Group.

The Group's exposure to credit risk is mainly attributable to accounts receivable. To limit the Group's credit risk, each new customer undergoes a credit check. The situation of existing customers is also monitored continually, in order to identify warning signs at an early stage.

Credit risk also arises when the company's surplus liquidity is invested in various types of financial instruments. Under the financial policy, surplus liquidity may only be placed in interest-bearing bank accounts or in interest-bearing securities. The financial policy states that credit risk from the investment of surplus liquidity is to be reduced by only investing with counterparties that have a very good rating. The financial policy also states that investments shall normally be spread across multiple counterparties or issuers.

Trade accounts receivable are spread across a large number of customers, and no customer represents a significant portion of the total trade accounts receivable. Neither are trade accounts receivable concentrated on a specific geographical area. The Group therefore assesses that the concentration risk is limited.

The Group's maximum exposure to credit risk is judged to be reflected in the recognized values of all financial assets, and is shown in the table below.

	2015-12-31	2014-12-31	2013-12-31
Trade accounts receivable	55,907	43,839	28,791
Other current receivables	3,178	842	0
Cash and cash equivalents	21,057	17,217	13,036
Maximum exposure to credit risk	80,142	61,898	41,827

Categorization of financial instruments

The carrying amount of financial assets and financial liabilities by measurement category according to IAS 39 is shown in the table below. All financial assets and liabilities are recognized at amortized cost, which is a good approximation of fair value.

	2015-12-31	2014-12-31	2013-12-31
Financial assets			
Loans and accounts receivables			
Trade accounts receivable	55,907	43,839	28,791
Other current receivables	10,900	7,592	5,667
Cash and cash equivalents	21,057	17,217	13,036
Total	87,864	68,648	47,494
Financial liabilities			
Short term liabilities			
Other current liabilities	11,971	11,171	10,371
Trade accounts payable	8,393	6,642	6,786
Total	20,364	17,813	17,157

Measurement of financial instruments at fair value

Financial assets and financial liabilities that are measured at fair value in the balance sheet, or for which fair value disclosures are made, are classified at one of three levels based on the information used to establish fair value.

Level 1 – Financial instruments for which fair value is established based on observable quoted prices (unadjusted) on active markets for identical assets or liabilities. A market is regarded as active if quoted prices from a stock market, broker, industry group, pricing service or supervisory authority are readily and regularly available and these prices represent actual and regularly occurring market transactions at arm's length.

Level 2 – Financial instruments for which fair value is established using measurement models that are based on observable data for the assets or liabilities other than quoted prices included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Examples of observable data within level 2 are:

- Quoted prices for similar assets or liabilities
- Data that can provide a basis for price assessment, e.g. market interest rates and yield curves.

Level 3 – Financial instruments for which fair value is established using measurement models in which input data is based on non-observable data.

Capital management

The Group's aim as regards capital management is to ensure the Group's ability to continue its operations in order to generate a reasonable return to shareholders and for the benefit of other stakeholders.

The Group defines capital as equity.

Note 5 Segment information

Edgeware

Operating segments are reported in a manner that accords with the internal reports submitted to the highest executive decision-maker. The Group's sales are monitored by region, the regions being: EMEA, APAC and AMERICAS, and based on two business areas: Products and Services. The outcomes by region and business area consist of the sum of invoices issued for products and services sold from different parts of the Group. These are not, however, reflected in separate income statements and balance sheets.

The Group's regions and business areas use common resources for sales activities, development work and administration and, accordingly, dividing up the company's costs is only possibly through allocation of the costs. The same applies to assets and liabilities. The Group management team has determined that the allocation of profit/loss and balance sheet items does not result in a

more true and fair view of the Group's operations and therefore monitors the outcome for the Group as a whole. The Group has not therefore identified any operating segments.

The accounting policies of the reported segments are consistent with the Group's accounting policies. Sales between segments are made on market terms.

To create a picture of the dependency of specific customers, presented in the table below are all customers whose revenue solely constitutes of 10% or more of the total net revenue for the company.

Customers (revenue split)	2015
Largest customer	29%
Second largest customer	11%
Third largest customer	11%

Note 6 Net sales by business stream and geographical market

The table below shows net sales by business stream and geographical market.

Revenue by business stream	2015	2014	2013
Product (hardware, software and licenses)	167,828	118,696	107,809
Services (maintenance, support and services)	35,728	29,479	20,444
Total	203,556	148,175	128,253

Net sales by geographical market	2015	2014	2013
EMEA (Europe, Middle Europe and Africa)	135,768	128,489	106,160
AMERICAS (North and South America)	55,303	13,232	11,732
APAC (Asia-Pacific)	12,485	6,454	10,361
Total	203,556	148,175	128,253

Note 7 Other operating income/expenses

	2015	2014	2013
Net exchange gains/losses	-689	164	-556
Total	-689	164	-556

Note 8 Operating expenses

	2015	2014	2013
Cost of goods and materials	-62,615	-41,428	-37,763
Remuneration to employees (Notes 12, 18)	-92,923	-77,144	-72,235
Depreciation (Notes 9, 18, 19)	-5,969	-4,130	-2,364
Other operating expenses (Notes 8, 9, 10, 11, 12)	-28,748	-12,427	-8,647
Total	-190,255	-135,129	-121,009

Note 9 Depreciation/amortization and impairment of property, plant and equipment and intangible non-current

	2015	2014	2013
Cost of goods sold	-3,747	-2,244	-626
Research and development expenses	-2,222	-1,886	-1,738
Total	-5,969	-4,130	-2,364

Note 10 Auditor's fees

	2015	2014	2013
Deloitte AB			
Audit assignments	205	190	180
Auditing activity other than audit assignments	243	103	0
Other services	0	30	113
Total	448	323	293

The audit assignment amounts are the fees paid to the auditor for the statutory audit. The audit involves examining the annual accounts and consolidated accounts and accounting records and the administration of the company by the Board of Directors and CEO, as well as fees for audit advisory services provided in connection with the audit assignment.

Auditing activity over and above the audit assignment refers to work performed in connection with the transition to K3 and IFRS.

Note 11 Leases

Operating leases – lessees

The Group is a lessee in operating leases for rented premises. The total amount of expensed lease payments for the year for the Group's operating leases is SEK 2,406,000 (2,238,000) (and SEK 2,238,000 for 2013). Future minimum lease payments and variable payments for non-cancellable operating leases fall due as follows:

Maturity:	2015	2014	2013
Future minimum lease payments			
Within one year	3,556	1,678	2,238
Later than one year but within five years	6,224	0	0

Note 12 Number of employees, personnel expenses and senior executives

Average number of employees	Average number 2015			Average number 2014			Average number 2013		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Parent company									
Sweden	10	64	74	7	50	57	4	53	57
Total in parent company	10	64	74	7	50	57	4	53	57
Subsidiaries									
USA	1	5	6	1	5	6	0	7	7
Total in subsidiaries	1	5	6	1	5	6	0	7	7
Total in Group	11	69	80	8	55	63	4	60	64

Number of board members and other senior executives	2015-12-31	2014-12-31	2013-12-31
Parent company			
Women:			
Board of Directors	0	0	0
Other senior executives incl. CEO	0	1	1
Men:			
Board of Directors	4	4	4
Other senior executives incl. CEO	9	6	6
Total in parent company	13	11	11
Group			
Women:			
Board of Directors	0	0	0
Other senior executives incl. CEO	0	1	1
Men:			
Board of Directors	4	4	4
Other senior executives incl. CEO	9	6	6
Total in Group	13	11	11

Cost of employee remuneration	2015	2014	2013
Parent company			
Salaries and other remuneration	60,891	45,399	42,259
Share-based remuneration	299	161	458
Social insurance contributions	14,487	12,825	11,589
Pension expenses, defined-contribution plans	6,785	5,695	5,158
Subsidiaries			
Salaries and other remuneration	15,754	9,713	9,435
Share-based remuneration	0	0	0
Social insurance contributions	433	394	441
Pension expenses, defined-contribution plans	381	195	225
Total salaries and other remuneration, Group	76,645	55,112	51,694
Total share-based remuneration, Group	299	161	458
Total social insurance contributions, Group	14,920	13,219	12,030
Total pension expenses, Group, defined contribution	7,166	5,890	5,383
Total in Group	98,731	74,221	69,107

Salaries and other remuneration for senior executives and other employees	2015	2014	2013
Parent company			
Salaries and other remuneration, senior executives (10 individuals)	12,825	9,913	8,767
of which bonuses and similar remuneration	3,913	3,550	1,673
Salaries and other remuneration, other employees	47,275	35,139	33,294
Total salaries and other remuneration, parent company	60,100	45,052	42,061
Group			
Salaries and other remuneration, senior executives (10 individuals)	12,825	9,913	8,767
of which bonuses and similar remuneration	3,913	3,550	1,673
Pension expenses, other senior executives	47,306	35,148	33,294
Total salaries and other remuneration, as well as pension expenses for senior executives, Group	60,131	45,061	42,061

Remuneration to senior executives

The Chairman of the Board and board members receive fees as decided upon by the shareholders' meeting. No special fees are paid for committee work.

The shareholders' meeting has adopted the following guidelines for remuneration of the management team.

Remuneration to the CEO and other senior executives consists of a basic salary, variable remuneration, other benefits and pension benefits etc. Other senior executives are the 10 individuals who, along with the CEO, make up the Group management team.

The amount of variable remuneration in relation to basic salary is to be in proportion to the senior executive's responsibility and authority. The variable component is based on net sales in relation to the budget for the year.

Pension benefits and other benefits for the CEO and other senior executives make up part of the total remuneration package.

Remuneration to senior executives in 2015	Salary/Fees	Variable remuneration	Other benefits	Share-based remuneration	Pensions expenses	Total
Chairman of the Board Michael Ruffolo	1,961	0	0	299	31	2,291
Board member Kalle Henriksson	1,014	0	0	0	190	1,204
Board member Jason Pinto	0	0	0	0	0	0
Board member Staffan Helgesson	0	0	0	0	0	0
Chief Executive Officer Joachim Roos	1,361	667	0	0	293	2,321
Other senior executives (9 individuals)	7,551	3 246	0	0	1,168	11,965
Total remuneration to senior executives	11,887	3,913	0	299	1,682	17,781

Remuneration to senior executives in 2014	Salary/Fees	Variable remuneration	Other benefits	Share-based remuneration	Pensions expenses	Total
Chairman of the Board Michael Ruffolo	1,435	0	0	458	9	1,902
Board member Kalle Henriksson	962	0	0	0	185	1,147
Board member Jason Pinto	0	0	0	0	0	0

Remuneration to senior executives in 2014	Salary/Fees	Variable remuneration	Other benefits	Share-based remuneration	Pensions expenses	Total
Board member Staffan Helgesson	0	0	0	0	0	0
Chief Executive Officer Joachim Roos	1,294	987	0	0	171	2,452
Other senior executives (7 individuals)	5,068	2,564	0	0	977	8,609
Total remuneration to senior executives	8,759	3,551	0	458	1,342	14,110

Remuneration to senior executives in 2013	Salary/Fees	Variable remuneration	Other benefits	Share-based remuneration	Pensions expenses	Total
Chairman of the Board BS/MR	658	0	0	161	0	819
Board member Kalle Henriksson	844	0	0	0	165	1 009
Board member Jason Pinto	0	0	0	0	0	0
Board member Staffan Helgesson	0	0	0	0	0	0
Chief Executive Officer Joachim Roos	1,252	396	0	0	253	1,901
Other senior executives (7 individuals)	5,843	1,276	0	0	764	7,883
Total remuneration to senior executives	8,597	1,672	0	161	1,182	11,612

Pensions

The retirement age for the CEO is 65. The pension premium amounts to 22 percent of pensionable salary for 2015. The pensionable salary is the basic salary.

The retirement age for other senior executives varies between 60 and 65. The pension agreement states that the pension premium is to amount to 18–22 percent of pensionable salary.

Severance pay agreement

There is a mutual period of notice of termination between the company and the CEO of six months. In the case of termination by the company, severance pay equivalent to six monthly salaries is payable. Other income is not deducted from the severance pay. If the CEO resigns, no severance pay is payable.

Share-based remuneration

The Group has paid share-based remuneration in the form of equity instruments issued to Michael Ruffolo. The share-based remuneration consists of warrants. Warrants have been issued for 2013 and 2014 and expire at the time of a change in the ownership of at least a majority of the shares. A total of 13,659 warrants have been issued and the average exercise price is SEK 400. The vesting period for the warrants is three years, but full conversion rights apply if there is a change in the company's ownership before the end of the vesting period.

Costs for the year for share-based remuneration, which is in the form of equity instruments in the Group, amount to TSEK 299 (458) (and 161 for 2013). The effect on the Group's financial position amounts to TSEK 299 (458) (and 161 for 2013).

Above for the group also applies to the parent company.

Note 13 Financial income

	2015	2014	2013
Interest income	0	1	125
Interest income, Group companies	83	0	0
Exchange gains	1,380	6,129	1,156
Total	1,463	6,130	1,281

Note 14 Financial expenses

	2015	2014	2013
Interest expense	–56	–804	–559
Factoring fees	–85	–866	–1,486
Exchange-rate differences	–654	–103	–863
Other	0	–580	0
Total	–795	–2,353	–2,908

Note 15 Tax

	2015	2014	2013
Current tax			
Current tax on profit for the year	–3,918	–5,213	–2,478
Previous years' adjustments recognized in the current year current tax	21	–365	–159
Deferred tax			
Deferred tax attributable to temporary differences	724	–495	–1,049
Total	–3,173	–6,073	–3,686

Reconciliation of the year's tax expenses	2015	2014	2013
Pre-tax profit	13,969	16,823	5,617
Tax based on Swedish tax rate (22 percent)	–3,073	–3,701	–1,236
The tax effect of non-deductible expenses and losses:			
The deficit for the year for which no deferred tax assets have been reported	–774	–1,955	–2,063
Temporary differences for the year for which no deferred tax assets have been reported	0	495	1,049
Other non-deductible expenses and losses	–117	–74	–38
Deduction for recaptured accelerated depreciation and changes in accelerated depreci	46	21	–80
Interest income on tax account	0	1	0
Other non-deductible expenses	0	0	–110
Total	–3,918	–5,213	–2,478
Deferred tax attributable to temporary differences	724	–495	–1,049
Adjustments recognized in current year for previous year's current tax	21	–365	–159
Tax expenses recognized for the year	–3,173	–6,073	–3,686

Current tax recognized directly in equity amounts to SEK 0 (0) (and 0 in 2013). Deferred tax recognized directly in equity amounts to SEK 0 (0) (and 0 in 2013). Current tax recognized directly in other comprehensive income amounts to TSEK 658 (0) (and 0 in 2013).

Deferred tax recognized directly in other comprehensive income amounts to SEK 0 (0) (and 0 in 2013).

Deferred tax assets and deferred tax liabilities

The Group's deferred tax assets and deferred tax liabilities relate to the following items:

	2015-12-31	2014-12-31	2013-12-31
Deferred tax assets			
Withholding tax	589	396	428
Unutilized tax loss carryforwards	18,069	21,328	26,541
Deferred tax assets	18,658	21,724	26,969
Deferred tax liabilities			
Capitalized expenditure on development work	-818	-1,544	-1,049
Deferred tax liabilities	-818	-1,544	-1,049

Deferred tax assets are measured at no more than the amount that is likely to be recovered based on current and future taxable profits. The company has unutilized loss carryforwards amounting to TSEK 82 126 (96 947) of which SEK 82 126 (96 947) (and 120 641 for 2013) are not related to recognized loss carryforwards. The US subsidiary has additional unrecognized loss carryforwards. The company is not certain whether or not these loss carryforwards will be able to be used as it is uncertain about when in the future a sufficient taxable surplus will be generated.

Note 16 Earnings per share

Earnings per share before dilution

The following amounts for profits and weighted average number of ordinary shares have been used in calculating earnings per share before dilution:

	2015	2014	2013
Profit for the year attributable to owners of the parent	10,796	10,750	1,931
Average number of outstanding ordinary shares, before dilution	649,171	649,171	649,171
Earnings per share before dilution, SEK	16.63	16.56	2.97

Earnings per share after dilution

The following amounts for profits and weighted average number of ordinary shares have been used in calculating earnings per share after dilution:

	2015	2014	2013
Profit for the year attributable to owners of the parent	10,796	10,750	1,931
Average number of outstanding ordinary shares, before dilution	649,171	649,171	649,171
Effect of warrants, number of shares	10,150	5,597	1,423
Earnings per share after dilution, SEK	16.37	16.42	2.97

Earnings per share before dilution, after share split

The following amounts for profits and weighted average number of ordinary shares have been used in calculating earnings per share before dilution, after share split:

	2015	2014	2013
Profit of the year attributable to owners of the parent	10,797,000	10,749,359	1,931,101
Average number of outstanding ordinary shares, before dilution	649,171	649,171	649,171
Average number of outstanding ordinary shares, before dilution after share split	13,771,420	13,771,420	13,771,420
Earnings per share before dilution, after share split, SEK	0.78	0.78	0.14

For further information on the share split, see Note 30.

Note 17 Investments in subsidiaries

The Group had the following subsidiary as of December 31, 2013, 2014 and 2015:

Name	Corp. no and country of operation	Operation	Holdings (%) ¹⁾
Edgware Inc	USA	Responsible for sales within North, Central and South America	100%

¹⁾ The holding is the percentage of ownership and percentage of voting power.

The Group has no significant non-controlling interests.

Note 18 Capitalized expenditure on development work

	2015-12-31	2014-12-31	2013-12-31
Cost as of January 1	9,885	5,390	0
Assets developed internally	9,330	4,495	5,390
Accumulated cost as of December 31	19,215	9,885	5,390
Depreciation as of January 1	-2,870	-626	0
Depreciation for the year	-3,747	-2,244	-626
Accumulated depreciation as of December 31	-6,617	-2,870	-626
Carrying amount as of December 31	12,598	7,015	4,764

Note 19 Equipment, tools and installations

	2015-12-31	2014-12-31	2013-12-31
Cost as of January 1	15,097	11,827	11,471
Purchases	760	81	93
Reclassifications	2,398	3,189	263
Accumulated cost as of December 31	18,255	15,097	11,827
Depreciation as of January 1	-12,029	-10,143	-8,405
Depreciation for the year	-2,222	-1,886	-1,738
Accumulated depreciation as of December 31	-14,251	-12,029	-10,143
Carrying amount as of December 31	4,004	3,068	1,684

Note 20 Inventories

Inventories consist of components, third-party products and finished products. Inventories recognized as costs during the year include the cost of goods sold amounting to TSEK 121 (1 217) (and 389 for 2013).

Note 21 Trade accounts receivable

	2015-12-31	2014-12-31	2013-12-31
Trade accounts receivable, gross	56,107	43,839	28,791
Reserve for doubtful receivables	-200	0	0
Trade accounts receivable, net after reserve for doubtful	55,907	43,839	28,791

Management considers the carrying amount of trade accounts receivable, net after reserves for doubtful receivables, to be the same as fair value. The company has not had any customer losses during 2013-2015. 2015 an accrual for doubtful debts of TSEK 219 was made.

	2015-12-31	2014-12-31	2013-12-31
Reserve for doubtful receivables during the year	200	0	0
Total	200	0	0

Age analysis, trade accounts receivable	2015-12-31	2014-12-31	2013-12-31
Not overdue	44,821	21,634	23,789
Overdue by 30 days	3,970	19,279	1,838
Overdue by 31-60 days	490	569	1,332
Overdue by 61-90 days	3,716	1,085	951
Overdue by >90 days	2,910	1,272	881
Total	55,907	43,839	28,791

The company expects payment to be received for trade accounts receivable that are overdue but have not been written down as the customers have a good payment history.

Note 22 Prepaid expenses and accrued income

	2015-12-31	2014-12-31	2013-12-31
Prepaid costs for goods sold	1,048	0	22
Other items	0	0	127
Förutbetalda kostnader för såld vara	1,329	3,805	92
Other items	2,311	1,817	1,284
Carrying amount	4,688	5,622	1,525

Note 23 Cash and cash equivalents

	2015-12-31	2014-12-31	2013-12-31
Available funds on accounts at banks and other credit institutions	21,057	17,217	13,036
Total	21,057	17,217	13,036

Note 24 Share capital

At the beginning of the 2015, 2014 and 2013 financial years the registered share capital amounted to SEK 649,171 shares at a quota value of SEK 1.

Note 25 Other paid-in-capital

Other paid-in capital consists of the share premium reserve.

Note 26 Translation reserve

The translation reserve is for translation differences upon translation of foreign operations to SEK.

Note 27 Accrued expenses and deferred income

	2015-12-31	2014-12-31	2013-12-31
Accrued salaries	11,233	7,393	6,220
Accrued vacation pay	2,254	1,978	1,451
Accrued social insurance contributions	1,930	1,628	1,249
Prepaid income	27,866	12,486	4,677
Accrued interest expense	1,971	0	0
Other items	943	1,921	822
Carrying amount	46,197	25,406	14,419

Note 28 Assets pledged and contingent liabilities

	2015-12-31	2014-12-31	2013-12-31
Chattel mortgage	6,000	6,000	6,000
Total	6,000	6,000	6,000
Contingent liabilities			
None	0	0	0

Note 29 Transactions with related parties

Transactions between the company and its subsidiaries, which are parties related to the company, were eliminated upon consolidation and therefore no disclosures about these transactions are provided in this note. There are no other related parties.

Loans to related parties

Loans to related parties	2015-12-31	2014-12-31	2013-12-31
Liabilities to related parties	10,180	10,143	10,083
Total	10,180	10,143	10,083

Liabilities to related parties are reported under other current liabilities.

Disclosures on remuneration to senior executives are presented in Note 12.

Note 30 Events after the closing day

On March 31, an extraordinary general meeting resolved to increase the share capital by 30,221 preference shares of series P6. Payment for the new shares will take the form of offsetting against previous claims on the company. The share capital was thereafter raised with SEK 30.221. The issue is at the end of the period in progress. See note 31.

On 14 November 2016, the extraordinary shareholders' meeting resolved on a directed issue of 266 new ordinary shares of class B, which increased the share capital with SEK 266 to a total of SEK 688,837, and on a share split, meaning that each share was split into 20, which increased the number of shares in the company to a total of 13,776,740 (3,572,680 ordinary shares and 10,204,060 preference shares). In addition, the extraordinary shareholders' meeting adopted new articles of association, which included making the company public.

Note 31 Transition to IFRS

This is Edgware's first financial report to be prepared in accordance with the EU-adopted International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (formerly IFRIC). In the past Edgware has applied the Swedish Annual Accounts Act and the Swedish Accounting Standards Board (BFN) general guideline BFNAR 2012:1 Annual accounts and consolidated accounts ("K3").

The transition date to IFRS was set at January 1, 2013. The transition to IFRS is reported in accordance with the standard IFRS 1 First-time Adoption of International Financial Reporting Standards. The main principle in IFRS 1 requires that a company applies all of the IFRS standards retrospectively when establishing the opening balance according to IFRS. Accordingly, the comparative figures for 2013 and 2014 have been restated according to IFRS.

The following tables present and quantify the material effects of the transition to IFRS as deemed by the company.

CONSOLIDATED BALANCE SHEET 2013-01-01	Reference	Previous accounting principles	Effect of transition to IFRS	IFRS
ASSETS				
Intangible non-current assets		0	0	0
Property, plant and equipment		3,065	0	3,065
Financial assets		29,105	0	29,105
Current assets		35,417	0	35,417
TOTAL ASSETS		67,587	0	67,587
EQUITY AND LIABILITIES				
Equity				
Share capital		649	0	649
Other paid-in capital		82,001	0	82,001
Other equity including equity		0	0	0
Translation reserve		0	0	0
Retained earnings including profit for the year		-33,030	0	-33,030
Total equity		49,620	0	49,620
Non-current liabilities		1,200	0	1,200
Current liabilities		16,767	0	16,767
TOTAL EQUITY AND LIABILITIES		67,587	0	67,587

CONSOLIDATED INCOME STATEMENT 2013	Reference	Previous accounting principles	Effect of transition to IFRS	IFRS
Net sales		128,253	0	128,253
Cost of goods and services sold		-37,137	-626	-37,763
Gross income		91,116	-626	90,490
Operating expenses				
Selling expenses		-32,003	0	-32,003
Administrative expenses		-19,370		-19,370
Research and development expenses		-36,707	5,390	-31,317
Other operating income		0		0
Other operating expenses		-556		-556
Operating income		2,480	4,764	7,244
Profit/loss from financial items				
Financial income		1,281	0	1,281
Financial expense		-2,908	0	-2,908
Profit after financial items		853	4,764	5,617
Pre-tax profit		853	4,764	5,617
Tax on profit for the year		-2,637	-1,049	-3,686
PROFIT FOR THE YEAR		-1,784	3,715	1,931
Attributable to:				
Owners of the parent		-1,784	3,715	1,931

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2013	Reference	Previous accounting principles	Effect of transition to IFRS	IFRS
Profit for the year		-1,784	3,715	1,931
Other comprehensive income				
Items that may be transferred to profit or loss:				
Translation differences for the year		-2,725	0	-2,725
Total items that may be transferred to profit or loss		-2,725	0	-2,725
COMPREHENSIVE INCOME FOR THE YEAR		-4,509	3,715	-794
Attributable to:				
Owners of the parent		-4,509	3,715	-794

CONSOLIDATED BALANCE SHEET 2013-12-31	Reference	Previous accounting principles	Effect of transition to IFRS	IFRS
ASSETS				
Intangible non-current assets		0	4,764	4,764
Property, plant and equipment		1,684	0	1,684
Financial assets		26,969	-1,049	25,920
Current assets		53,760	0	53,760
TOTAL ASSETS		82,413	3,715	86,128
EQUITY AND LIABILITIES				
Equity				
Share capital		649	0	649
Other paid-in capital		82,001	0	82,001
Other equity including equity		0	0	0
Translation reserve		0	0	0
Retained earnings including profit for the year		-34,547	3,715	-30,832
Total equity		48,103	3,715	51,818
Non-current liabilities		1,200	0	1,200
Current liabilities		33,110	0	33,110
TOTAL EQUITY AND LIABILITIES		82,413	3,715	86,128

Description of material impact on cash flow for 2013

The transition to IFRS has not had any material impact on the Group's cash flow

CONSOLIDATED INCOME STATEMENT 2014	Reference	Previous accounting principles	Effect of transition to IFRS	IFRS
Net sales		148,175	0	148,175
Cost of goods and services sold		-39,184	-2,244	-41,428
Gross income		108,991	-2,244	106,747
Operating expenses				
Selling expenses		-37,342		-37,342
Administrative expenses		-23,767		-23,767
Research and development expenses		-37,262	4,495	-32,767
Other operating income		0		0
Other operating expenses		164		164
Operating income		10,784	2,251	13,035
Profit/loss from financial items				
Financial income		6,130	0	6,130
Financial expense		-2,342		-2,342
Profit after financial items		14,572	2,251	16,823
Pre-tax profit		14,572	2,251	16,823
Tax on profit for the year		-5,578	-495	-6,073
PROFIT FOR THE YEAR		8,994	1,756	10,750
Attributable to:				
Owners of the parent		8,994	1,756	10,750

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2014	Reference	Previous accounting principles	Effect of transition to IFRS	IFRS
Profit for the year		8,994	1,756	10,750
Other comprehensive income				
Items that may be transferred to profit or loss:				
Translation differences for the year		106	0	106
Total items that may be transferred to profit or loss		106	0	106
COMPREHENSIVE INCOME FOR THE YEAR		9,100	1,756	10,856
Attributable to:				
Owners of the parent		9,100	1,756	10,856

CONSOLIDATED BALANCE SHEET 2014-12-31	Reference	Previous accounting principles	Effect of transition to IFRS	IFRS
ASSETS				
Intangible non-current assets		0	7,015	7,015
Property, plant and equipment		3,068	0	3,068
Financial assets		21,725	-1,544	20,181
Current assets		75,694	0	75,694
TOTAL ASSETS		100,487	5,471	105,958
EQUITY AND LIABILITIES				
Equity				
Share capital		649	0	649
Other paid-in capital		82,001	0	82,001
Other equity including equity		0	-1,766	-1,766
Translation reserve		0	0	0
Retained earnings including profit for the year		-27,821	7,237	-20,584
Total equity		54,829	5,471	60,300
Non-current liabilities		1,200	0	1,200
Current liabilities		44,458	0	44,458
TOTAL EQUITY AND LIABILITIES		100,487	5,471	105,958

Description of material impact on cash flow for 2014

The transition to IFRS has not had any material impact on the Group's cash flow.

Note 32 Investment in subsidiary

In the annual report for 2015 the number for translation differences for the year, investment in subsidiary has been switched around between 2013 and 2014. This has been corrected in this offering circular.

Note 33 Reclassification of receivables

Security deposits to landlords and Business Sweden have been reclassified from prepaid expenses and accrued income to other long-term receivables, since they have a maturity of longer than one year. Total amount reclassified as of 2015-12-31 was SEK 3.2 million and as of 2014-12-31 SEK 0.8 million.

AUDITOR'S REPORT REGARDING HISTORICAL FINANCIAL INFORMATION

To the Board of Directors of Edgeware AB (publ), org.nr 556691-7554

The Auditor's Report on historical financial statements

We have audited the consolidated financial statements for Edgeware AB (publ) on pages F-23–F-40, which comprise the consolidated balance sheet as of 31 December 2015, 31 December 2014 and 31 December 2013 and the consolidated income statement, cash flow statement and statement of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' and the Managing Director's responsibility for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation and the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

The auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses. This recommendation requires that we comply with FAR's ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

An audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU/Annual Accounts Act and additional applicable framework of the consolidated financial position of Edgeware AB (publ) as of 31 December 2015, 31 December 2014 and 31 December 2013 and its financial performance, statement of changes in equity and cash flows for these years.

Stockholm 29th of November 2016

Signature on Swedish original

Erik Olin

Authorised Accountant

DEFINITIONS

Edgeware, the Company or the Group	Edgeware AB (publ), the group in which Edgeware AB (publ) is the parent company or a subsidiary of the group, as the context may require.
Carnegie	Carnegie Investment Bank AB (publ).
EUIPO	European Union Intellectual Property Office.
Handelsbanken	Handelsbanken Capital Markets, a part of Svenska Handelsbanken AB (publ).
Joint Bookrunners	Carnegie and Handelsbanken.
Code	The Swedish Corporate Governance Code.
EUR	Euro.
Euroclear Sweden	Euroclear Sweden AB.
Founders	Joachim Roos, Kalle Henriksson and Lukas Holm.
Global Coordinator	Carnegie.
MSEK	Million Swedish kronor.
MXN	Mexican peso.
Nasdaq Stockholm	The regulated market operated by Nasdaq Stockholm AB.
Offering	The offer of shares as set out in the Offering Circular.
Offering Circular	This Offering Circular.
Offering Price	The final offering price which is expected to be determined within the range of SEK 25 – 30.
Placing Agreement	The agreement regarding placing of shares described in section “ <i>Legal considerations and supplementary information – Placing Agreement</i> ”.
Price Range	The price range of SEK 25 – 30, within which the Offering Price will be determined.
Principal Owners	Creandum KB, Creandum I Annex Fund AB, Amadeus III, Amadeus III Affiliates Fund LP and Amadeus EII LP.
Securities Act	The U.S. Securities Act of 1933, as amended.
SEK	Swedish krona.
Selling Shareholders	The Principal Owners, the Founders and Micron.
USD	US Dollar.

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