



On 30 June 2020, the Annual General Meeting in InCoax Networks AB, reg. no. 556794-1363, resolved in respect of the appropriation of the company's profit, in accordance with the proposal from the board of directors as set out on page 25 in this Annual Report.

Annual Report 2019



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About InCoax

InCoax develops innovative broadband connection solutions for hotels, apartment blocks and townhouses. With In:xtnd™ we are offering market operators the next generation of smart and sustainable network solutions over existing infrastructure. Keep updated about the company on www.incoax.com and about our product solutions on www.inxtnd.com.

A nighttime photograph of a city skyline reflected in water. The scene features several tall skyscrapers with glowing windows, some with red and blue light accents. In the foreground, a brick building and a waterfront promenade with outdoor seating are visible. The water in the foreground shows clear reflections of the city lights.

Join the Gigabit
speed revolution



This is InCoax

InCoax develops innovative broadband connection solutions at Gigabit speeds, primarily for hotels, apartment blocks and townhouses. The company provides worldwide the next generation of smart and sustainable network products and solutions to Cable TV, telecom and fiber operators as well as internet service providers.

InCoax was established in 2009 and was the first company in the world to create products and solutions for broadband access via coaxial networks based on MoCA technology. InCoax has driven the development of the MoCA Access™ 2.5 standard since 2016 and is now an active member and represented on the board of Multimedia over Coax Alliance (MoCA®). The company's new product generation, In:xtnd™, is based on this standard, enabling broadband at Gigabit speeds. MoCA Access™ is a standard mainly for hotels, apartment blocks and townhouses and is based on the well-established, robust MoCA standard for home networks to which more than 270 million units have to-date been delivered. With In:xtnd™, an operator or internet provider can offer its customers the same performance as a Fiber/LAN solution but at a much lower cost.

InCoax's solution includes four main system components:

- In:xtnd™ Control, the control unit
- In:xtnd™ Access, the modem.
- In:xtnd™ Combine, coaxial cable components.
- In:xtnd™ Manage, software control system.

The company's operating activities are focused on Gävle and Malmö in Sweden, where around 30 employees, including consultants, are located. The company is also represented through sales teams in Europe and North America. InCoax mainly targets three different customer groups:

- Hospitality customers (hotels, vessels, housing platforms and healthcare facilities).
- Cable TV, telecom and fiber operators.
- Internet service providers.



Multimedia over Coax Alliance

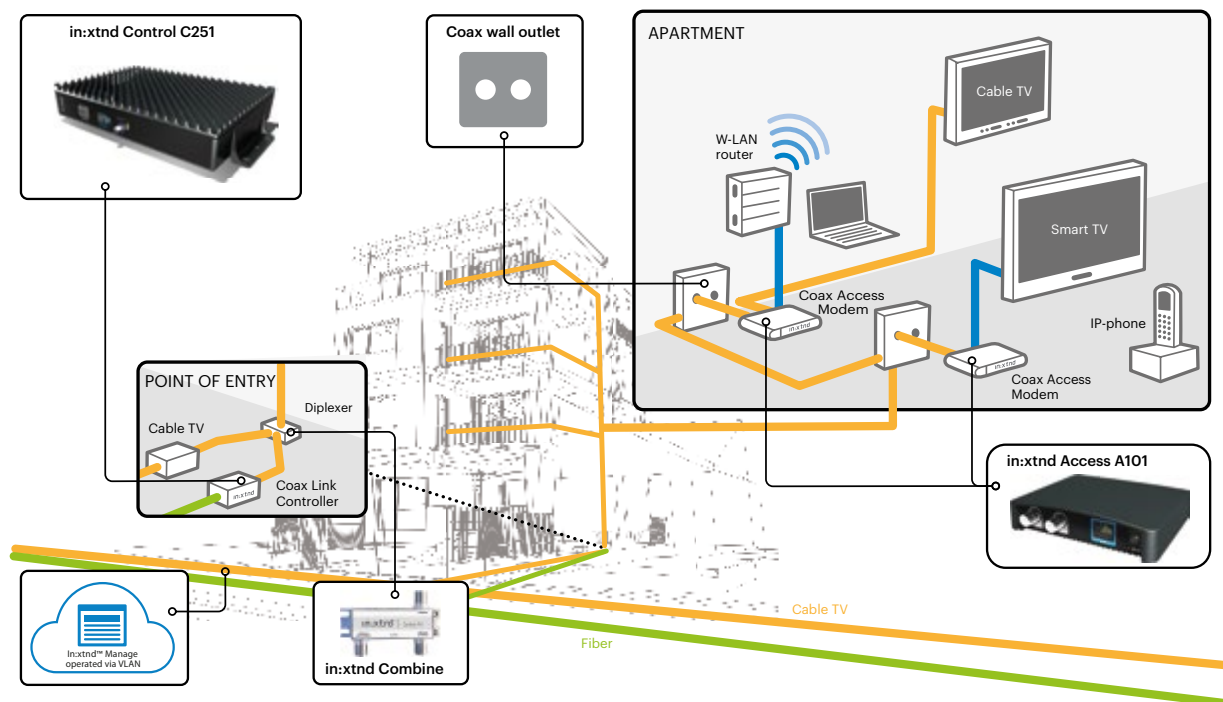
Multimedia over Coax Alliance (MoCA®) is an international standardization consortium that develops technology and publishes specifications for coaxial-cable based networks. MoCA® has more than 225 certified products and 23 members. MoCA® Access™, which is a further development of the in-home technology to provide a connection to the home, is a solution that can be used in many market segments where network access could be offered, including:

- Broadband operators installing fiber deep into networks or to buildings (FTTB – Fiber To The Building), and who wish to use the existing coax cables of the property without diminishing performance.
 - Cable TV operators that wish to offer symmetrical broadband services and higher guaranteed capacity than today's DOCSIS (Data Over Cable Service Interface Specification).
 - Internet service providers building fiber-based networks where the optical signal ends in the basement and who wish to use existing coaxial cables to reach every unit or apartment in the property.
 - FWA (Fixed Wireless Access) operators using 4G/5G/Wi-Fi to residential areas and that need a connection between the wireless network and the respective apartment, without installing new cables.
 - System integrators that design and install networks in hotels, vessels, housing platforms, healthcare facilities and other buildings where coaxial cables are already installed.
- MoCA Access™ 2.5, which is the latest standard solution, creates the conditions for speeds of up to 2.5 Gbit/s to be achieved in an existing coaxial network.

Creating value by using free capacity in existing coaxial networks

- Easy installation and maintenance.
- Short conversion time and rapid commissioning.
- Access to buildings that are not accessible for fiber solutions.
- Minimal disruption and impact on residents.
- Low environmental impact through reuse of existing infrastructure.
- Upgradable, future-proof technology.

SYSTEM OUTLINE





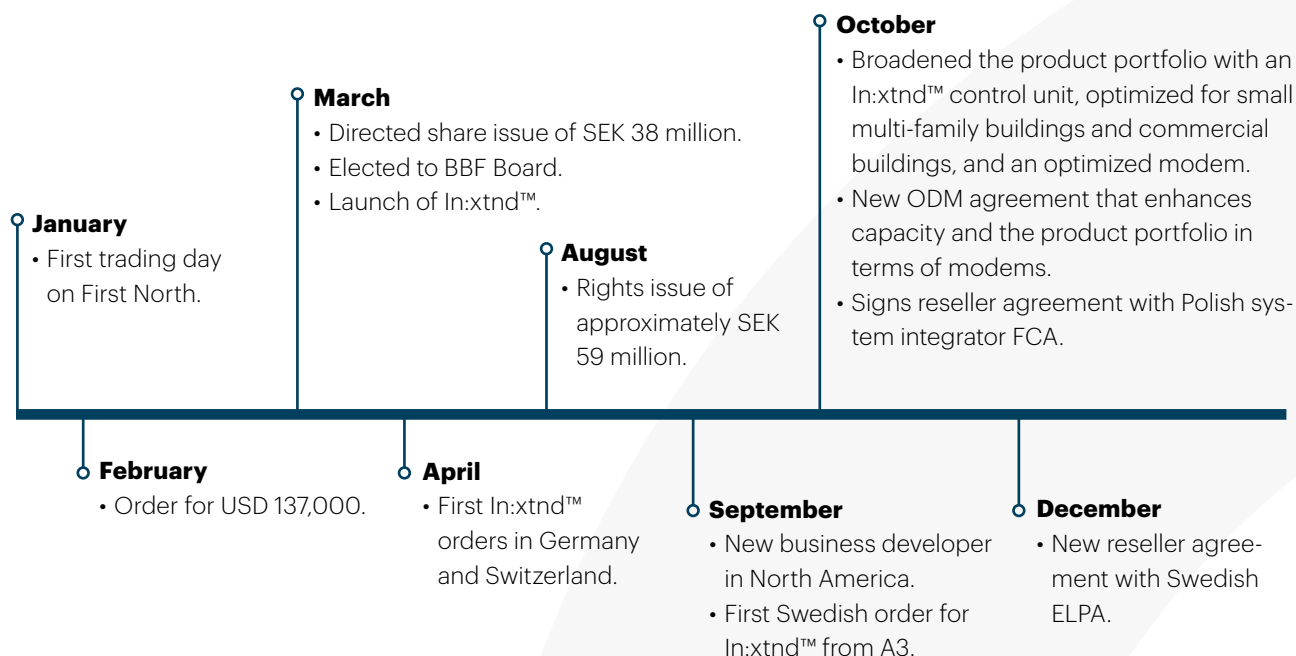
2019 in figures

- Net sales amounted to SEK 2,822,067 (1,486,816), which is equivalent to an increase of 90% compared with the corresponding period in the preceding year.
- The company posted an operating loss of SEK –65,108,321 (–49,115,341), a reduction driven primarily by organizational growth.
- The loss after tax was SEK –65,760,609 (–49,315,174), corresponding to earnings per share of SEK –3.59 (–5.29).
- Cash flow including financing activities during the period was SEK 21,745,099 (4,379,126).

Key ratios

SEK	2019	2018
Net sales	2,822,067	1,486,816
Gross profit/loss	259,277	–2,657,321
Gross margin, %	9	Neg.
Operating loss (EBIT)	–65,108,321	–49,115,341
Operating margin (EBIT %)	Neg.	Neg.
Loss after financial items	–65,760,609	–49,315,174
Loss after tax	–65,760,609	–49,315,174
Earnings per share	–3.59	–5.29
Earnings per share after dilution	–3.48	–4.77
Equity ratio, %	74.9	64.3
Cash flow, including financing activities	21,745,099	4,379,126
Cash flow per share	1.19	0.47
Cash flow per share after dilution	1.15	0.42
Number of shares outstanding at the end of the period	18,294,931	9,321,442
Number of shares outstanding at the end of the period after dilution	18,909,899	10,328,730
Average number of shares outstanding during the period	12,423,128	7,126,094
Average number of shares outstanding during the period after dilution	13,293,376	7,975,385

Significant events during the year



Significant events after the end of the year

February

- The Board of Directors updated the financial goals.
- NetNordic installs Gigabit network at a hotel in Gothenburg based on In:xtnd™.

March

- Jörgen Ekengren appointed new CEO for the company on March 17, 2020.
- New reseller agreement with Swedish Barcom.

April

- Review of costs arising from the COVID-19 pandemic and new dates for the Annual General Meeting and publication of the Annual Report.

- The Nomination Committee proposes Kevin Foster as new Board member.
- VAR agreement with the system integrator Hirschmann Multimedia for the Dutch and Belgian markets.
- Helge Tiainen appointed new Head of Product Management, Marketing & Sales.
- Emil Bendroth appointed new CFO.
- VAR-agreement with TDL for the Canadian market.
- Received Tillväxtverket's approval of grants for so called "short-term work" which have been implemented.

May

- VAR-agreement with Core for the US market.



Did you know?

- ▶ A coaxial cable has the capacity to transmit 25 Gb of data per second.
- ▶ MoCA stands for Multimedia over Coax Alliance.
- ▶ InCoax is represented on the Boards of the leading broadband development bodies, MoCA and BBF (Broadband Forum).
- ▶ In:xtnd™ utilizes spare frequency band alongside the TV signal.
- ▶ In:xtnd™ may play a key part in the roll out of the 5G network in major cities, where you can't build enough base stations so that everyone gets connected with promised capacity indoors, by using the coaxial network in parallel with the mobile network for 5G services so called Fixed Mobile Convergence.
- ▶ The Last Mile Challenge describes the problem of transferring fiber capacity from the street in to the user.
- ▶ MoCA® Access™ was set up to solve The Last Mile Challenge.

Our values

Easy

User-friendly solutions and procedures for easy project design, installation and operation.

Smart

Function, design and interface. Sustainable, future-proof and cost-efficient.

Brave

We challenge established fiber technology with new and innovative broadband solutions.

CEO's comments

Focus on more system design and sales through partners

As I look back on the past year, I note that 2019 was an intensive and eventful 12 months. The year began with our listing on Nasdaq First North Growth Markets, which was followed by two share issues, a seat on the Broadband Forum (BBF) Board, the launch of In:xtnd™, a broader product portfolio and a number of other significant events to build a more streamlined and strong InCoax moving forward.

Competitive offering with initial sales

In spring 2019, we launched our new product generation In:xtnd™, which was received with great interest by the market and a large number of evaluation packages were sold as a result. Based on our own tests and feedback from initial customers, we know that our solution works and that it offers the right performance. But customers build their networks differently, with varying degrees of complexity, so they need to carry out extensive testing in their individual networks. One effect of this during the year has been that the evaluation periods have taken much longer than our initial estimates. The complexity of the network also places higher demands on us as a supplier, requiring us to serve more as of a system supplier rather than a product supplier. However, this is not a disadvantage for us but rather a competitive advantage that provides us with an excellent opportunity to create greater customer value, deeper customer relationships and better long-term margins. During the second half of the year, we broadened the product portfolio with an In:xtnd™ control unit, optimized for small multi-family buildings and commercial buildings, and an optimized modem. Deliveries of these products began in February 2020, and the broader portfolio provides us with a competitive offering and low cost per connection even for smaller buildings. The InCoax offering mainly targets four different market segments and it is therefore particularly gratifying that we, during the year, saw the first sales of In:xtnd™ to several of these market segments: Hospitality, telecom operators, fiber operators and cable operators. We have gained reference customers in each

of these market segments and customers who have verified both the technology and us as supplier.

In parallel with these initial sales, at December 31 we had 29 potential customers in the test phase, and our aim is to finalize deals with most of these customers.

We also have high expectations of two ongoing projects, where we have collaborated over the past six months with two of the world's largest operators, with a large subscriber base each. It is clear in these cases that our expertise in system design and system integration is a key factor in taking the project to the next level. These collaborations have confirmed that we have this expertise.

Establishing an organization and partners

During the year, we worked to reach our internal objectives, which are linked to the communicated priorities for 2019. The time-consuming evaluations and decision-making processes by customers, which I referred to above, have however influenced the pace of our commercialization. As a means of scaling up sales and production moving forward and supporting potential customers during their assessments, we were actively involved in 2019 in establishing our organization and implementing IS/IT support to have good preparation for increased sales. For example, during the year we signed collaborations with design agencies and ODM partners. This ensures access to resources for hardware development, competitive component prices and the right production capacity looking ahead.

We also adjusted our strategy to increase focus on sales through competent partners, who are already well-



known and well-established in their own markets and have existing customer bases and possess the relevant technical know-how. During the year, we signed reseller agreements with selected partners in the EU and with several interesting business discussions initiated in North America.

Additional sales-oriented initiatives carried out during the year include strengthening the organization, with a new business developer in North America.

Sales increase and strong financial position

In 2019, our net sales rose 90% to SEK 2,822,067 (1,486,816). The main contributing factor was the launch of In:xtnd™ in March, which generated sales of initial evaluation packages. The operating loss widened, however, compared with the year-earlier period to SEK –65,108,321 (–49,115,341), which was expected and is attributable to the rise in costs associated with our organizational growth. The company's financial position strengthened during the year, partly due to the IPO, and partly due to the two share issues of a total SEK 85 million in the first and fourth quarter, respectively. At

the end of the year, the equity ratio was 74.4% (64.3) and cash and cash equivalents were SEK 29,476,495 (7,731,397). I view rising sales and a strong financial position as a clear sign that we are doing the right things and that developments are progressing in the right direction.

Updated financial goals

The Board of Directors resolved early in February 2020 to update our financial goals. This is, as mentioned earlier, a result, of evaluations by our customers, which are taking much longer than we initially expected, and that the business and decision-making cycles for larger operators with high-volume contracts are longer. Our goal of more than SEK 300 million in sales will therefore be moved to 2021, while retaining the goal of more than SEK 1,000 million in sales by 2023. The sales goal for 2020 was set to SEK 50 million.

The goal for the EBIT margin will also be adjusted from a long-term goal of more than 20%, to 10% by 2021 and more than 20% EBIT by 2022 and beyond.

Continued focus accelerating commercialization

In 2019, we continued to strengthen InCoax and prepare the ground for accelerated commercialization. In recent months, we have analyzed the potential effects of the Covid-19 pandemic, closely monitoring developments and taking measures to mitigate the adverse effects. That being said, we are also seeing an increased interest and need for connected homes in the wake of the pandemic, which in the long run may drive increased demand for the company's products. With a competitive system offering and strong local partners, together with a few major projects in the pipeline and 29 potential customers in the test phase, I feel very confident of a breakthrough in 2020. In parallel, we are also actively involved on the Boards of MoCA and BBF, and work with Business Sweden, which generates additional opportunities. Altogether, I am looking forward to many exciting meetings in 2020, more transactions and further positive developments for InCoax.

Gävle, May 2020

Jörgen Ekengren
CEO



Market and trends

To promote the positive development of safety, health, jobs, environment and transport, the objective of a Gigabit Society has been on the agenda of many countries in the world in recent years. However, ambitious national targets risk not be achieved due to the limitations of conventional technologies.

Need for bandwidth

The number of services and applications that require a fast broadband connection is increasing and is expected to continue to do so for the foreseeable future. Not least as a result of Covid-19, where students have distance education and many need to be able to work from home. Private applications, including Smart Homes with a high use of IPTV and Web-TV as well as tablets, smartphones and online games, today account for about 75% of all traffic over connected devices. The market is shifting toward larger screens, which require higher resolution (4K/8K) and connection requiring more bandwidth.

The number of connected devices is growing rapidly. By 2023, 29.3 billion devices are expected to be connected worldwide, an increase of 10.9 billion devices since 2018. This would mean some 3.6 devices per person will be connected in 2023. Most of these devices will be in North America (13.4 billion devices; 63% increase since 2018) and Western Europe (9.4 billion devices; 68% increase since 2018). The number of devices in Eastern and Central Europe (4.0 billion devices; 60% increase since 2018) is expected to be roughly in line with the global average.

The number of Machine-to-Machine (M2M) connections is expected to increase in percentage terms at the same rate as the number of devices and will consist of 14.7 billion connections in 2023. The largest share of the total IP traffic is expected to use fixed networks. Rapid expansion of the 5G network will not replace fixed networks, but rather the 5G expansion will accelerate the expansion of fixed networks, creating opportunities for players such as InCoax. The telecom industry is driving Fixed-Mobile Convergence (FMC), which strives to use fixed and mobile networks in a more integrated and effective manner, to provide more access points for customers and to reduce operating complexity in network systems.

Gigabit Society

The concept of the Gigabit Society has been on the agenda for a large share of countries in the world in recent years. Offering high-speed broadband to a larger

share of the population and to various institutions can be viewed as an essential prerequisite for healthier citizens and better conditions to solve both basic and advanced health needs.

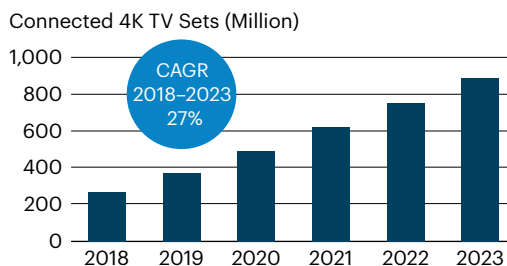
As the security situation grows increasingly complex, and the fight against terrorism is particularly felt in urban environments and in protecting essential public services, such as electricity, water and transportation, Artificial Intelligence (AI) and the Internet of Things (IoT) are important tools.

Connected cars are believed to account for the fastest rise in connected devices, as smart guidance of transportation provides a tool to achieve key climate goals.

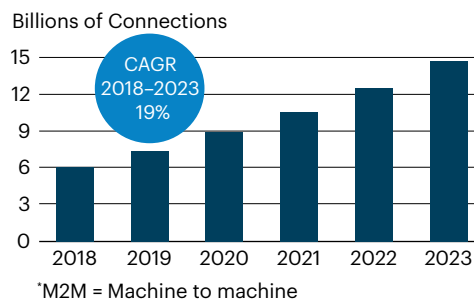
Labor market developments and business needs rely on secure access to information and services to face up to global competition. The development of services and applications creates job opportunities, ways of working and new professions.

In the home, developments are driven by smart appli-

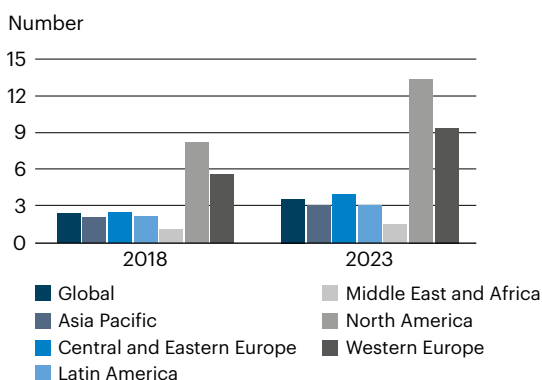
Increasing video definition: By 2023, 66 percent of connected flat-panel TV sets will be 4K



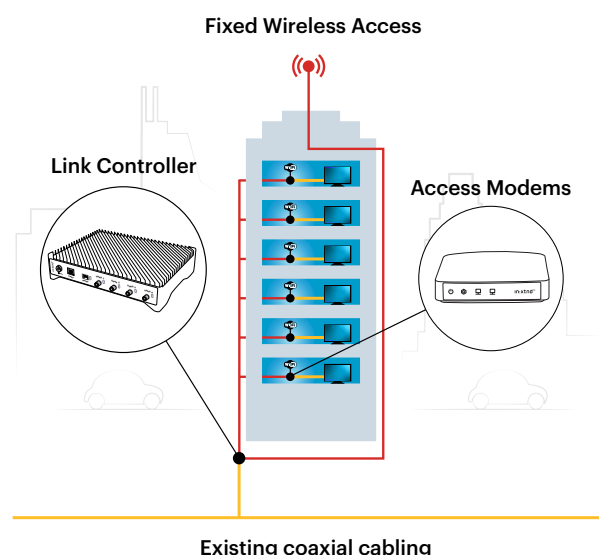
Global M2M connection growth*



Average number of devices and connections per capita



Source: Cisco Annual Internet Report, 2018-2023.



cations for controlling heat, light and the consumption of information, media and particularly entertainment.

A Gigabit Society free of censorship has been identified as one of the most important democracy issues of the future. The roll out of fiber, especially in urban environments is progressing rapidly to achieve established objectives, often with government support. Private initiatives are then needed to connect properties along the path of the fiber.

Despite these objectives and high ambitions, a Gigabit Society remains a distant idea in most markets. A large number of countries are far from reaching their targets. According to the EU, all households in the Union must have a broadband connection of at least 100 Megabit per second (Mbps) by 2025. The target for 2020 is 50%, but this figure was only 15.4% in 2018. Worldwide, the average fixed broadband speed is expected to rise by about 20% per year, which is the same growth rate as expected for Europe and North America. Nonetheless, only 46% of North America's and 22% of Western Europe's population are expected to have access to broadband of at least 100 Mbps by 2023. The equivalent figure for Eastern Europe is 6%¹⁾.

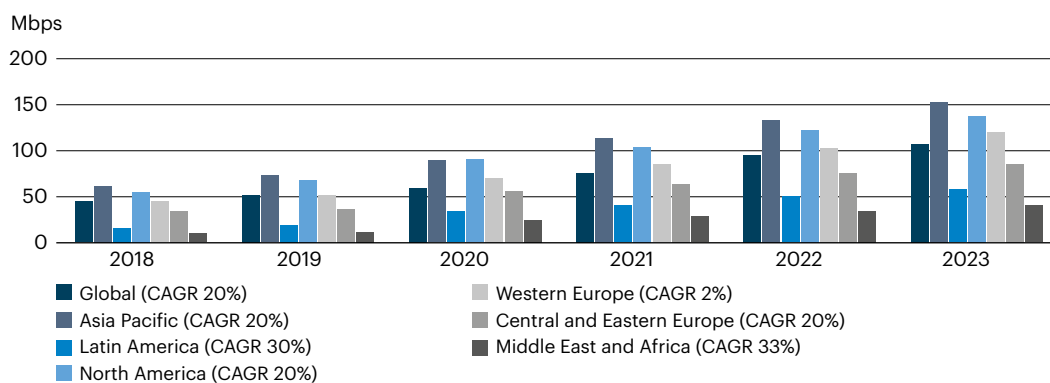
Last Mile Challenge

There are many reasons why the goal will not be reached, despite extensive roll out of fiber in cities and rural areas, but one major contributory factor is the Last Mile Challenge. This alludes to the difficulty of solving the connection from the street to the property and on to the consumer. Contributory factors vary from market to market, and from country to country, and depend on a combination of history, technology, demographics and market dynamics. Two strong reasons are, however, high costs as well as the complexity associated with installing fiber or data cables to each apartment. Fiber and broadband access often end in the street and never reach consumers and applications in properties.

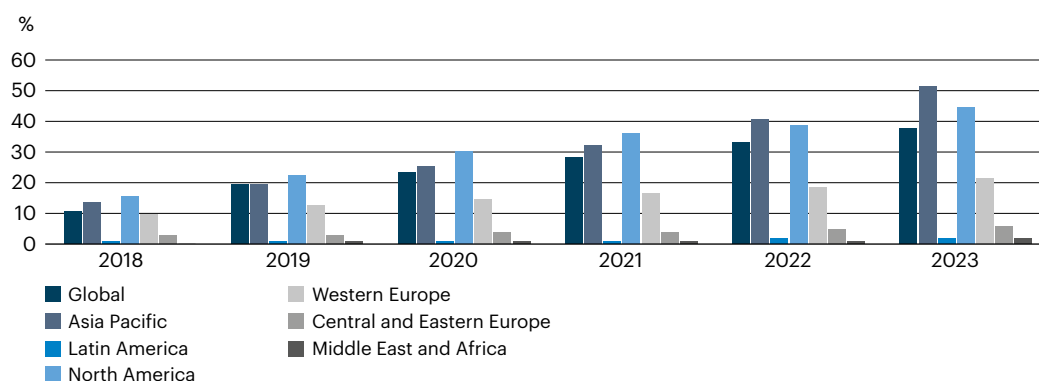
InCoax estimates that up to 500 million apartments in, for example, the EU, China and the US will need to be upgraded to meet the strategic objectives set pertaining to internet speed. In the EU alone, there are 230 million apartments, of which FTTH penetration in several large markets is less than 10%. In principle, most of these apartments already have coaxial cables installed, with

1) Cisco Annual Internet Report, 2018–2023.

Fixed broadband speeds (in Mbps), 2018–2023



Broadband speed greater than 100 Mbps, 2018–2023



the capacity to deliver internet speeds of up to 25 Gbps with future technological developments. This means Gigabit speeds can be delivered using existing coaxial cables, without the need to install fiber in properties. Taking into account the number of households that will require access to the internet with Gigabit speeds, InCoax estimates that the addressable market will be worth at least SEK 10 billion per year, depending on the type of technology used. Given the low level of expansion for Fiber To The Home (FTTH) in apartment blocks in a number of the EU's major economies, InCoax sees substantial future potential for its products, primarily in the UK, DACH (Germany, Austria and Switzerland), Italy, Spain and the Netherlands. There is also substantial market potential in North America (US and Canada).

Competitive position

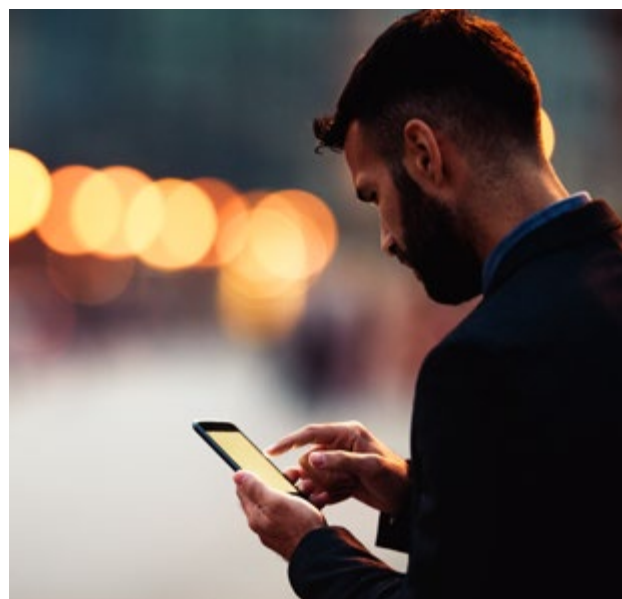
A number of different technologies/platforms providing broadband access are available in the market today, which can be summarized according to four main varieties:

- Telephone cable (ADSL/VDSL, G.fast)
- Fiber/LAN with data cables
- Coaxial cable with DOCSIS
- Coaxial cable with MoCA Access™ 2.5

The four technologies/platforms differ with respect to connectivity, symmetry²⁾, installation cost, contract term to an operator and so forth.

Competition is thus intense and as a market participant it is important to remain at the forefront of technological developments, patents, qualitative solutions and services. With InCoax's new product generation, In:xtnd™, based on MoCA Access™ 2.5, operators/providers can offer the end user:

- The same type of service as fiber or data cables (CAT6) but at a much lower cost.
- Gigabit speeds and a network where the solution can coexist with the current cable TV.
- Higher guaranteed broadband speeds per apartment compared with DOCSIS and with symmetrical upload/download traffic speeds, which is increasingly important with interactive TV, games and VR/AR.
- Significantly faster broadband speeds than ADSL/VDSL at a lower cost. Moreover, ADSL/VDSL does not offer symmetrical upload/download speeds.
- Faster and cheaper service compared with G.fast, which does not offer symmetrical upload/download speeds.



Broadband Forum (BBF)

Broadband Forum (BBF) is the leading organization in the communication industry with a focus on promoting broadband innovation, developing new standards and refining broadband technology's ecosystem. BBF's project encompass areas such as 5G, Connected Home, Cloud-CO and Access, and its working groups and projects collaborate to

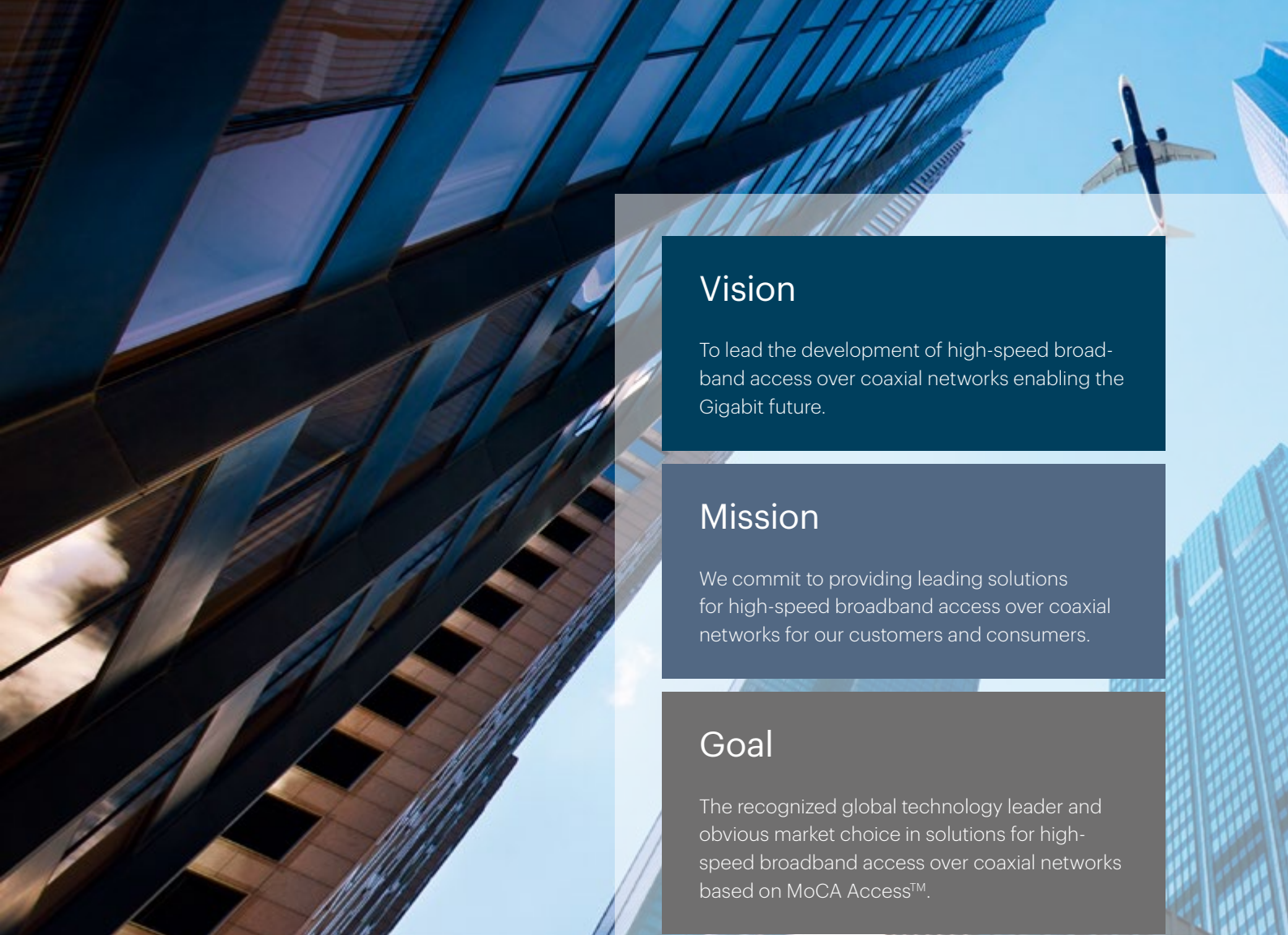
- define best practice for global networks
- enable new services to create revenues
- establish strategies for technology migration
- construct tools for unit, service and development management in IP networks for homes and businesses

BBF also develops

- specifications for architecture to manage broadband packet networks
- unit and service control
- computer models for software
- reference implementations
- interoperability and
- certification of the broadband market

As part of BBF, InCoax contributes knowledge of fiber access extensions and 5G Fixed Mobile Convergence. Through Helge Tiainen, InCoax has a seat on the BBF Board until 2021. BBF has approximately 160 members who represent major suppliers, including Nokia, Juniper, Intel and Huawei, as well as operators such as BT, Orange, Deutsche Telecom, Vodafone and many others.

2) Refers to same speed upstream and downstream.



Vision

To lead the development of high-speed broadband access over coaxial networks enabling the Gigabit future.

Mission

We commit to providing leading solutions for high-speed broadband access over coaxial networks for our customers and consumers.

Goal

The recognized global technology leader and obvious market choice in solutions for high-speed broadband access over coaxial networks based on MoCA Access™.

Goals and strategy

InCoax's vision is clear: the company aims to lead the development of high-speed broadband access over coaxial networks and create long-term, sustainable value for its customers. Together with the company's mission, goal, strategy and values, a clear framework and priorities are created for work in both the short and long term.

Financial goals and ambitions

In connection with the company's listing on First North in January 2019, the InCoax Network's Board of Directors adopted financial goals and formulated forward-looking ambitions. The goals were revised early in 2020:

New goal for sales

Sales of SEK 300 million in 2021 and more than SEK 1,000 million by 2023. For 2020 the sales goal is SEK 50 million.

New goal for EBIT margin

EBIT margin of 10% in 2021 and more than 20% EBIT in 2022 and beyond.

Strategy

Profitable sales and growth

Commercialize the new In:x-
tnd™ product
generation in Europe

Expand geographically
in Europe, the US and the Mid-
dle East

Expand the In:xnd™ product
portfolio

Quality and scaling up

Quality assure
all processes

Secure increased volumes

Optimize sales and operations
planning

Recruitment, expertise
and culture

Financing

Innovation and patents

Active participation in MoCA®
and the BBF as well as
expanded leadership within
MoCA Access™

Fiber access extension
over Coax

5G/Fixed mobile convergence

MoCA Access 3.0

Strengthen patent portfolio
by adding more patents

Our values

Easy

Simplifying complex problems through easy, attractive solutions is at the core of what we do. We are easy to collaborate with and do business with. We are flexible, pragmatic and honest. InCoax makes it as easy as possible for our resellers, distributors, customers and users. This is apparent in everything from market-driven product development, product design and packaging to marketing, sales, installation, manuals and support.

Smart

Creating future-proof, sustainable solutions is smart. The fact that these are efficient and reuse existing infrastructure at a reasonable cost is also smart. We market smart, proprietary products and functions, which offer a high-quality and attractive user experience. We have an open approach and are transparent.

Brave

We are pioneers and visionaries in our field. We have developed In:x-tnd™, where we use new technology to enable easier, faster and better solutions. Curiosity and innovative thinking are important, as is having the courage to challenge. We are the driving force in MoCA® for MoCA Access™ and are pursuing the widespread implementation of this standard through the BBF.



Our solutions

InCoax's value creation is based on the utilization of spare capacity in a property's existing coaxial network (antenna cable network) to connect fiber and provide broadband access. The In:xtnd™ solution offers customers a cost-efficient network solution with Gigabit speeds for easy, fast and stable roll out of broadband.

InCoax is active in the market for physically connecting properties to broadband. The company uses free capacity in existing coaxial networks to provide high-speed broadband access, IPTV, VoIP, IoT and Web-TV without needing to install new cables. The company's technology works for all coaxial cable networks used to distribute TV signals, such as terrestrial, cable and satellite TV

services. The solution can also be used for connecting broadband via WiFi and cellular networks (3G, 4G, 5G) through a Fixed Wireless Access Extension.

InCoax's business is based on meeting rigorous customer demands for quality and service with equipment and solutions that are cost-efficient, easy to install and offer a fast and stable broadband connection.

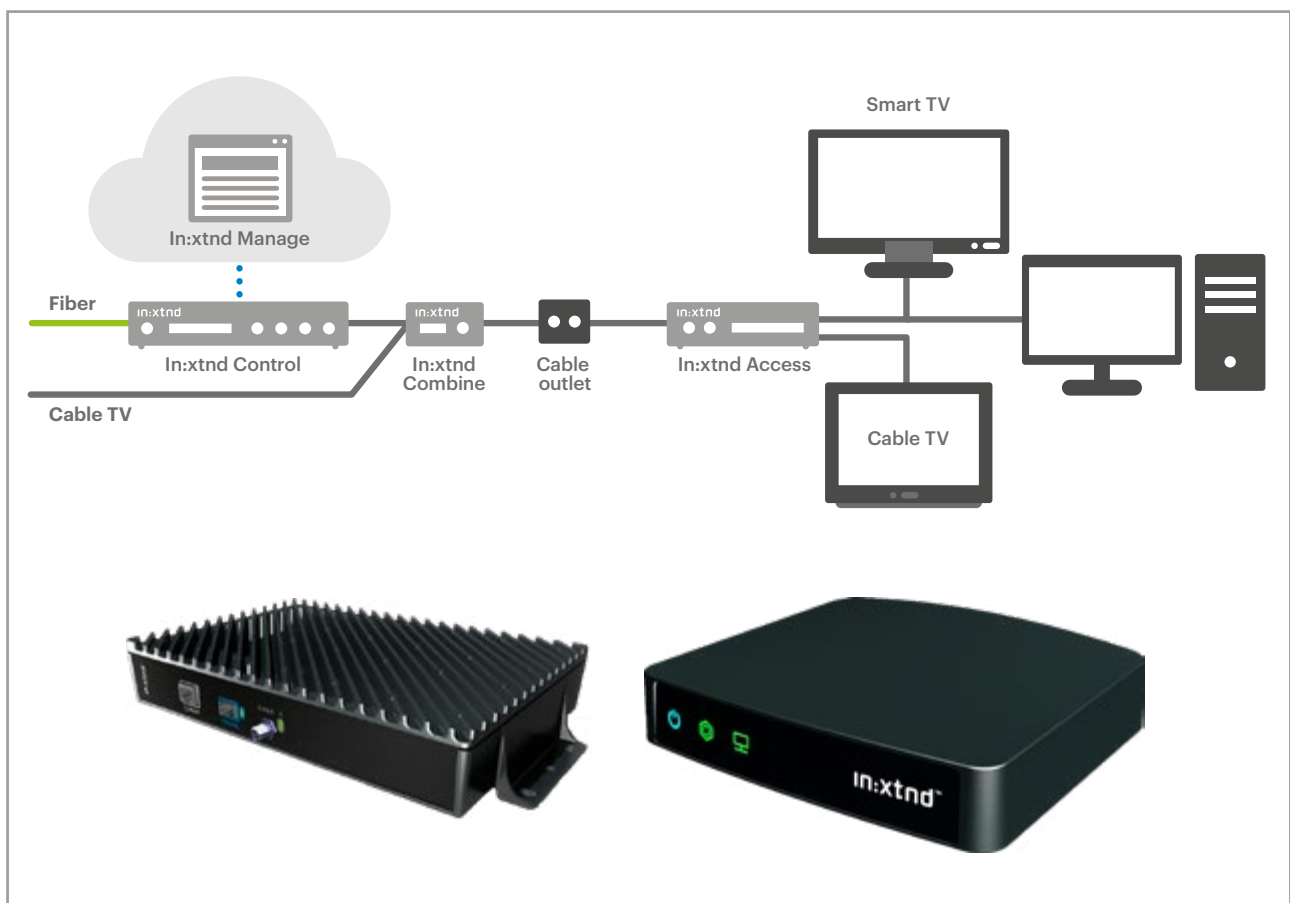
The product brand In:xtn[™] provides the conditions for customers to reach internet speeds of up to 2.5 Gbps. This means that customers who use InCoax products are able to offer their end consumers the same services and quality as a Fiber/LAN solution, but at a considerably lower fixed cost. The broadband solution comprises both hardware and software, and includes four main system components:

- In:xtn[™] Control, the control unit
- In:xtn[™] Access, the modem.
- In:xtn[™] Combine, coaxial cable components.
- In:xtn[™] Manage, software control system.

In order to provide Gigabit speeds (Gigabit per second – Gbps) in coaxial cables, fiber networks must be connected to the property. The incoming signal from the fiber network is received by an In:xtn[™] Control that prioritizes and steers the traffic. When an existing TV service is to be used alongside the signal, the signal then moves via a diplexer (connector box) using the existing

coaxial network to the antenna sockets, where an In:xtn[™] Access modem is connected. A computer, switch, router or smart TV can then be connected using an Ethernet cable and any existing TV service through an antenna cable. Using In:xtn[™], the broadband connection can operate with speeds of up to 2.5 Gbps downstream and 2.0 Gbps upstream. A system with the same upstream and downstream speed is referred to as symmetrical and is increasingly important in today's advanced applications. InCoax's current system solution currently offers 1Gbps symmetrical speed. The products are designed for a quick and easy installation to provide fiber capacity in apartments with a minimum of disruption to end users.

The system is fully commercialized and continuously under development in order to meet future requirements for performance and usability. Coaxial cables are considered to have a capacity for symmetrical data transfer up to 25 Gbps.





Our customers

In close collaboration with our customers, InCoax is active in offering a cost-efficient, easy and quick broadband connection. It also has a close cooperation with distributors and resellers to effectively market the offering to third-party customers.

With the In:xtnd™ solution, InCoax mainly targets three different customer groups:

- Hospitality customers (hotel & care facilities).
- Cable TV, telecom and fiber operators.
- Internet Service Providers, ISP.
- Indirectly, installation and service companies and end users and consumers are also targeted.

Distributors and resellers

InCoax is building a European and North American distributor and reseller network in order to effectively scale

up and reach a wider customer base. Market forces and dynamics differ from market to market and segment to segment, which is why it is important to have a deep understanding of the market players. Distributors and local resellers are key business partners to achieve the desired sales volumes.

Hospitality customers

InCoax is actively working with partners to carry out the installation of the company's products for hotel chains and care facilities. The burden on existing access points

is great as media consumption is changing and shifting to more on-demand services, and as more people use their mobile devices for entertainment or video calls. These are often installed in the corridors of hotels and hospitals, and accordingly it is difficult to achieve sufficient access from the rooms for the many hand-held devices. Today, hotels are creating advanced service and infotainment systems, which also require fast access. In other words, a high-speed network in hotel rooms is becoming a hygiene factor. The use of free capacity in existing coaxial cables, which is the basis of InCoax's product solution, provides a cost-efficient and attractive solution to solve this problem.

It is particularly attractive to hotels and care facilities to avoid interruptions in operations for major refurbishment and cable installation. The fast and easy installation of In:xtnd™ can be completed in parallel with ordinary activities.

Cable TV, telecom and fiber operators

Cable TV operators already provide services over coaxial networks, but their existing technological platforms cannot provide service with high guaranteed capacity or symmetrical upstream and downstream. Competitiveness and future business opportunities may decline if they fail to upgrade their expertise and offering. An upgrade to the cable TV standard DOCSIS 3.1, which makes symmetry possible, will be very costly for these operators. The fact that MoCA Access™ 2.5 is a standard that can be used in parallel with other technologies,

such as DOCSIS (3.0/3.1), is a major benefit for InCoax. Cable TV operators can choose to retain their existing DOCSIS 3.0 solution and instead of upgrading to DOCSIS 3.1 use In:xtnd™ in parallel with this solution. Customers can receive the same services as for Fiber/LAN, but at much lower cost.

Telecom operators mainly use a building's existing telephone cables to provide a broadband connection. However, telephone cables have major limitations, such as speed and development opportunities. In:xtnd™ offers the potential to tackle these limitations without the need to install fiber in the property. For the same reasons, In:xtnd™ is an easy and cost-efficient solution for fiber operators to reach inside apartments.

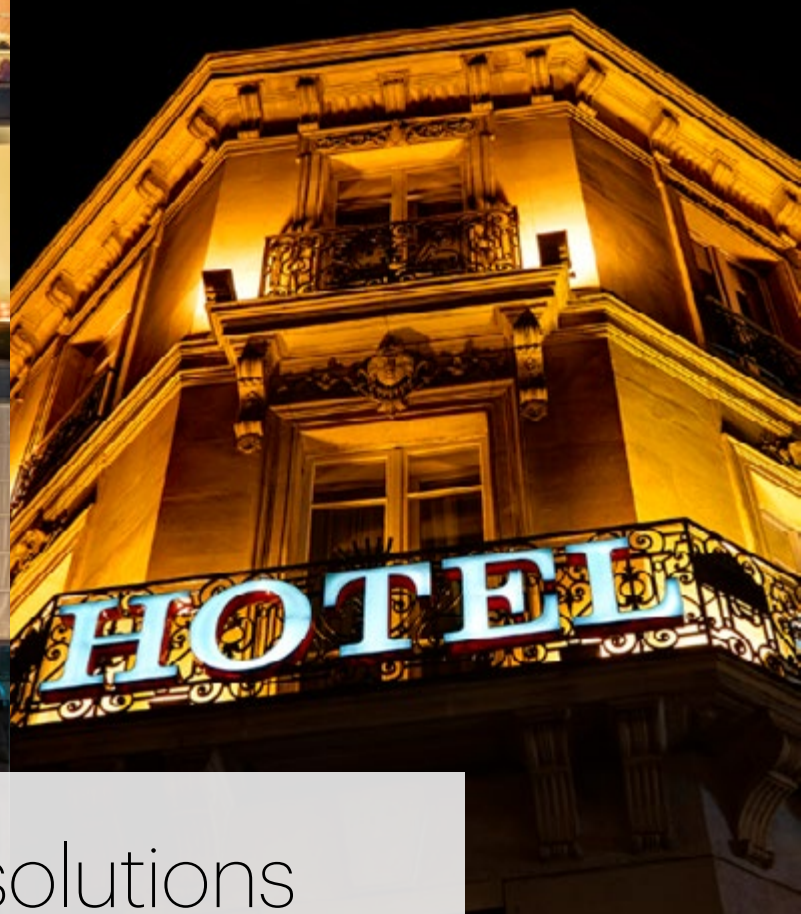
Internet service providers

It is crucial for internet service providers to have access to a high-speed network to efficiently deliver their services. In:xtnd™ allows a property to be easily upgraded to meet their needs for speed, flexibility and manageability. Customers can individually receive services that are tailored to their wishes, in terms of for example access speeds.

Installation and service companies

Another customer segment that can see substantial benefits with In:xtnd™ are installation and service companies. Using their expertise in the coaxial cable network and In:xtnd™ they can upgrade their offering, watch their market grow and become more competitive.





Smart solutions
for smart buildings





Share and shareholders

Ownership structure

The number of shareholders at December 30, 2019, was 1,135. The largest shareholder was Saugatuck Invest AB, with 27.5% of the shares and votes in InCoax. The company's ten largest shareholders together hold shares equivalent to 71.4%.

Shares and share capital

The company's share capital at the end of the period amounted to SEK 4,573,732.75, distributed between 18,294,931 shares of the same type, each with a quota value of SEK 0.25. Shares in the company are denominated in SEK. Shares in the company were issued in accordance with Swedish law.

All shares issued are fully paid and freely transferable. According to InCoax's Articles of Association, adopted by an extraordinary general meeting on November 20, 2018, the share capital must not be less than SEK 1,825,000 and not exceed SEK 7,300,000, distributed between no fewer than 7,300,000 shares and no more than 29,200,000 shares.

Dividend

The InCoax Board of Directors is of the opinion that focus going forward should primarily be on promoting growth and there is no prospect of a dividend in the near future.

Ownership structure on December 30, 2019

Name	Number of shares	Holding, %
Saugatuck Invest AB	5,040,000	27.5
Norrlandspojkarna AB	2,094,128	11.4
BLL Invest AB	2,038,216	11.1
Charles Tooby	1,279,914	7.0
Richard Tooby	595,634	3.3
Nordnet Pensionsförsäkring AB	527,809	2.9
Lars Axelsson	395,278	2.2
Handelsbanken Liv Försäkringsaktiebolag	391,126	2.1
John Fällström	360,737	2.0
Fredrik Lundgren	334,506	1.8
Other shareholders (approximately 1,125)	5,237,583	28.6
Total	18,294,931	100.0

Source: On the basis of lists from Euroclear on December 30, 2019, and information known by the company from major shareholders.

Directors' report

The Board of Directors and the CEO of InCoax Networks AB 556794-1363, with its registered office in Gävle, hereby submit the 2019 Annual Report. The annual report is prepared in SEK.

Information about the operations

The company, which was registered on November 23, 2009, develops and sells products for broadband access via coaxial cables.

Market/Sales

Sales are mainly conducted to operators and the hospitality segment in EU. The company conducted comprehensive marketing activities in 2019 targeting the operator segment for the new In:xtnd™ product generation.

Comments on the financial performance in 2019

Income

The company's net sales amounted to SEK 2,822,067 (1,486,816), an increase of 90%. The main contributing factor was the launch of In:xtnd™ in March, which generated sales of initial evaluation packages.

Earnings

The operating loss for the year was SEK -65,108,321 (-49,115,341), a wider loss compared with the preceding year, attributable to higher costs linked to the growth of the company's organization. Loss after tax for the year was SEK -65,760,609 (-49,315,174).

Expenses

The company's increased expenses in 2019 are predominantly due to higher material, personnel and consulting costs to complete and launch the new In:xtnd™ product generation and strengthen the organization prior to the commercialization phase.

Cash flow

Cash flow was affected positively by the new share issue carried out during the year. Cash flow from operating activities for the full year amounted to SEK -72,038,579 (-52,215,892). Cash flow from financing activities for the year amounted to SEK 94,705,075 (57,627,286). Cash flow including financing activities for the year totaled SEK 21,745,098 (4,379,126).

Organization/Personnel

In 2019, the company continued its efforts to strengthen its organization through the recruitment of key employees with broad expertise in project management, product launch, sales and R&D. At the end of the year, InCoax's operating organization comprised 37 (30) people, of whom 24 (19) were employees and 13 (11) contracted consultants.

Investments

The company's investments totaled SEK 921,399 (1,032,268), mainly in test equipment.

Research and development

In 2019, research and development work continued with greater intensity and included the submission of patent applications. A new product generation was developed, In:xtnd™, which supports the new MoCA Access™ standard and can provide much higher bandwidth compared with earlier products. Alongside the development of these products, CE/FCC labeling was completed. The company has also broadened its product portfolio with an In:xtnd™ control unit, optimized for small multi-family buildings and commercial buildings, and an optimized modem with the aim of providing a more complete solution for customers and to gain new customer segments.

Equity

SEK	Share capital	Share capital under reg.	Share premium reserve under reg.	Retained earnings	Profit/loss for the year
At the beginning of the year	2,138,844	191,517	15,129,804	58,039,270	-49,315,174
New issue	2,434,889	-191,517	-15,129,804	92,222,306	
Warrants				47,880	
Transfer of earnings for the preceding year				-49,315,174	49,315,174
Loss for the year					-65,760,609
At the end of the year	4,573,733	0	0	100,994,281	-65,760,609

Multi-year summary

SEK	2019	2018	2017	2016	2015
Net sales	2,822,067	1,486,816	2,715,816	1,819,716	2,173,646
Gross profit/loss	259,277	-2,657,321	669,953	-279,762	-1,169,097
Gross margin, %	9	Neg.	25	Neg.	Neg.
Operating loss	-65,108,321	-49,115,341	-27,793,723	-15,419,642	-10,297,186
Operating margin (EBIT), %	Neg.	Neg.	Neg.	Neg.	Neg.
Loss after financial items	-65,760,609	-49,315,174	-27,968,223	-15,720,953	-10,565,054
Loss after tax	-65,760,609	-49,315,174	-27,968,223	-15,720,953	-14,290,265
Total assets	53,180,868	40,734,440	12,085,048	16,255,265	6,375,670
Equity ratio, %	74.9	64.3	11.6	64.3	Neg.

Share

In 2019, the company conducted two new share issues, after which its share capital increased by SEK 2,434,888.75 (939,284.75) of which SEK 191,516.50 from the share issue in December 2018 and an increase in the premium reserve by SEK 92,222,305.75 (74,203,495.25), including SEK 15,129,803.5 from the share issue in December 2018, which was registered at the beginning of 2019. On December 31, the company's share capital amounted to SEK 4,573,732.75 (2,138,844), distributed between 18,294,931 (8,555,376) shares outstanding of the same class.

Convertible debt instruments

On December 31, convertible debt instruments outstanding amounted to SEK 3,245,786.

Warrants

The company's employees were invited to subscribe for warrants, of whom five subscribed for a total of 42,000 warrants. As part of the rights issue, these warrants were recalculated in accordance with the conditions of the warrant agreement, which increased the number of warrants by 1,680. During the year, 436,000 warrants expired without subscribing for shares. Overall, the number of warrants outstanding amounted to 438,313 (832,313) on December 31.

Significant events during the financial year

InCoax was listed on First North, and the first trading day was January 3. In the spring of 2019, the company launched the new In:xtnd™ product generation, which led to initial sales of a large number of evaluation packages and several reseller agreements started. In the autumn, the product portfolio was extended with an In:xtnd™ control unit, optimized for small multi-family buildings and commercial buildings. In addition, a new ODM agreement was signed to enhance capacity and the product portfolio in terms of modems.

Events after the balance sheet date

February

- The Board of Directors updated the financial goals.
- NetNordic installs Gigabit network at a hotel in Gothenburg based on In:xtnd™.

March

- Jörgen Ekengren appointed new CEO for the company on March 17, 2020.
- New reseller agreement with Swedish Barcom.

April

- Review of costs arising from the COVID-19 pandemic and new dates for the Annual General Meeting and publication of the Annual Report.
- The Nomination Committee proposes Kevin Foster as new Board member.
- VAR agreement with the system integrator Hirschmann Multimedia for the Dutch and Belgian markets.
- Helge Tiainen appointed new Head of Product Management, Marketing & Sales.
- Emil Bendroth appointed new CFO.
- VAR-agreement with TDL for the Canadian market.
- Received Tillväxtverket's approval of grants for so called "short-term work" which have been implemented.

May

- VAR-agreement with Core for the US market.

In 2020, the company has been affected by the spread of COVID-19. InCoax can see that the ongoing COVID-19 pandemic is impacting the company's customers, mainly in hospitality and among smaller operators, and that customers are less willing to place orders. In response to the drop in demand, the company begun work to reduce its costs. These measures include furloughs that have reduced staff numbers by 45% for a period of four months.

Expected future developments and significant risks and uncertainties

Expected future outlook

The new MoCA Access™ standard, which supports up to 2.5 Gbps, was launched in June 2018. InCoax led the preparation of the standard and is the leading player in this field of technology. Efforts to establish InCoax technology and products, which were ongoing in previous years, continued in 2019, and are expected to yield results in 2020 through the In:xtnd™ product generation, which was launched during the year. Altogether, sales are expected to increase sharply in 2020 compared with 2019.

Significant risks and uncertainties

The company has identified a number of different risks and uncertainties, such as: the risk of being unable to meet a sudden increase in demand for our technology, competing technologies, supplier dependence, dependence on key individuals and employees, financing and capital requirements, and currencies and prices of key components.

The company continuously engages in preventive measures to minimize these risks and uncertainties as far as possible.

There is a risk that the company will not receive sufficient capital to conduct business for another 12 months with current capital and current expenses. It is projected that the company has liquid funds for operations for about 6 months. Intensive efforts have been made to secure capital requirements during the spring, and the company believes that a financing solution will be in place shortly.

The Board of Directors and management have studied the potential impact of the COVID-19 pandemic on the company. At the time of the publication of this annual report, it is difficult to estimate whether this impact will be short-term, i.e. a number of months, or whether the impact will be more long-term. The Board of Directors and management have noted a degree of uncertainty in the macro environment, which has led to uncertainty in the ability to receive deliveries and find an outlet for the company's products. The Board of Directors and management are carefully monitoring developments and are taking continuous action to limit the adverse impact on the company.

Proposed distribution of profit

SEK	2019
The amount at the disposal of the Board of Directors	
Retained earnings	-119,846,330
Share premium reserve	220,840,611
Loss for the year	-65,760,609
Total	35,233,672
To be carried forward	35,233,672
Total	35,233,672

For information about the company's profit/loss and position in general, refer to the following income statement and balance sheet with accompanying notes.

Income statement

SEK	Note	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
<i>Operating income</i>			
Net sales		2,822,067	1,486,816
Other operating income		467,630	134,447
		3,289,697	1,621,264
<i>Operating expenses</i>			
Goods for resale		–3,030,420	–4,278,585
Other external costs	1	–39,337,086	–25,514,280
Personnel costs	2	–25,436,961	–19,273,676
Depreciation, amortization and impairment of tangible and intangible assets		–550,743	–1,670,064
Other operating expenses		–42,808	–
Operating loss		–65,108,321	–49,115,341
<i>Profit from financial items</i>			
Interest income and similar profit/loss items		3,529	0
Interest expenses and similar profit/loss items		–655,817	–199,833
Loss after financial items		–65,760,609	–49,315,174
Loss before tax		–65,760,609	–49,315,174
Loss for the year		–65,760,609	–49,315,174

Balance sheet

SEK	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Equity subscribed for, not paid in		0	15,321,320
<i>Non-current assets</i>			
Intangible assets		0	0
<i>Tangible assets</i>			
Machinery and other technical equipment	4	1,675,181	1,304,526
Total non-current assets		1,675,181	1,304,526
<i>Current assets</i>			
Inventories, etc.			
Finished products and goods for resale		16,311,679	10,301,659
Advances to suppliers		1,527,136	3,114,224
		17,838,815	13,415,884
<i>Current receivables</i>			
Trade receivables		539,664	69,225
Other receivables		1,911,618	2,539,509
Prepaid expenses and accrued income		1,739,094	352,579
		4,190,376	2,961,313
Cash and bank balances		29,476,495	7,731,397
Total current assets		51,505,686	24,108,594
TOTAL ASSETS		53,180,868	40,734,440

Equity and liabilities

SEK	Note	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Equity			
<i>Restricted equity</i>			
Share capital (18,294,931 shares)		4,573,733	2,138,844
Unregistered share capital		0	191,517
		4,573,733	2,330,361
<i>Unrestricted equity</i>			
Share premium reserve under registration		0	15,129,804
Retained profit or loss		100,994,281	58,039,270
Loss for the year		–65,760,609	–49,315,174
		35,233,673	23,853,899
Total equity		39,807,405	26,184,260
<i>Non-current liabilities</i>	5		
Convertible debt instruments		0	3,245,786
Other non-current liabilities		0	0
		0	3,245,786
<i>Current liabilities</i>			
Trade payables		3,381,017	5,881,346
Current tax liabilities		981,539	511,751
Other current liabilities	5	4,702,476	1,886,181
Accrued expenses and deferred income		4,308,431	3,025,116
Total current liabilities		13,373,462	11,304,394
Total liabilities		13,373,462	14,550,180
TOTAL EQUITY AND LIABILITIES		53,180,868	40,734,440

Cash flow statement

SEK	Note	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
<i>Operating activities</i>			
Loss after financial items		–65,760,609	–49,315,174
Adjustment for non-cash items		550,743	1,670,064
Income tax paid		–65,209,866	–47,645,110
		469,788	456,239
Cash flow from operating activities before changes in working capital		–64,740,078	–47,188,871
<i>Cash flow from changes in working capital</i>			
Increase/decrease in inventories		–4,422,931	–8,869,363
Increase/decrease in receivables		–1,229,063	–967,380
Increase/decrease in operating liabilities		–1,646,505	3,414,787
Cash flow from operating activities		–72,038,579	–53,610,827
Acquisition of tangible assets		–921,399	–1,032,268
Cash flow from investing activities		–921,399	–1,032,268
<i>Financing activities</i>			
Share options redeemed		47,880	240,360
New issue		100,789,233	60,071,460
Issuance costs		–6,132,038	–1,289,600
Borrowings			334,564
Repayment of loans			–1,729,499
Cash flow from financing activities		94,705,075	57,627,286
Cash flow for the year		21,745,098	4,379,126
Cash and cash equivalents at the beginning of the year		7,731,397	3,352,272
Cash and cash equivalents at the end of the year		29,476,495	7,731,397

Supplementary disclosures

Accounting and valuation principles

General accounting principles

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general recommendation, BFNAR 2012:1 Annual reports and consolidated financial statements (K3). The accounting principles are unchanged from last year.

Foreign currency

Monetary items in foreign currency are translated at the closing day rate. Non-monetary items are not translated but instead recognized at the rate on the acquisition date.

Valuation principles, etc.

Receivables are recognized at the amount at which they are expected to accrue.

Other assets and liabilities are recognized at cost, unless otherwise indicated below.

Revenue recognition

Revenue is recognized at the fair value of the amount that has been received or will be received and recognized to the extent that it is probable that the financial benefits will accrue to the company and if the revenue can be reliably calculated.

Sale of goods

When selling goods, revenue is reported on delivery.

Financial assets and liabilities

Financial assets and liabilities are accounted for in accordance with chapter 11 (Financial instruments valued at acquisition cost) in BFNAR 2012:1.

Accounting in and derecognition from the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a part of the financial instrument's contractual agreement. A financial asset is derecognised from the balance sheet when the contractual right to the cash flow from the asset has expired or been settled. The same applies for when the risks and benefits that are associated with the

holding in all material aspects are transferred to another party and the Company does not possess any control over the financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or expired.

Valuation of financial assets

Financial assets are at the first recognition date valued at their acquisition cost, including possible transaction expenditures that are directly attributable to the acquisition of the asset.

Financial current assets are at the first recognition date valued at the lowest of the acquisition cost and the net selling price at the balance sheet date.

Accounts receivable and other receivables that form current assets are valued individually at to the amount expected to be received.

Financial non-current assets are after the first recognition date valued at acquisition cost with deduction of potential impairments and with addition of potential revaluations.

Interest-bearing financial assets are valued at amortised cost.

Valuation of financial liabilities

Financial liabilities are valued at amortised cost.

Intangible assets

The company recognizes internal accumulated intangible assets in accordance with the expensing development model. This entails that any expenditure pertaining to the preparation of an internal accumulated intangible asset is not capitalized but expensed directly.

Non-current assets

Intangible and tangible assets are recognized at cost, less accumulated depreciation, amortization and any impairment.

Depreciation and amortization take place on a straight-line basis over the expected useful life, taking into account any significant residual value. The following rates of depreciation and amortization are applied:

- Machinery and other technical facilities – 5 years
- Capitalized expenditure for development work – 5 years

Leases

The company recognizes all leases, both finance and operating, as operating leases. Operating leases are recognized as an expense on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost and net realizable value at the end of the reporting period. Net realizable value refers to the expected selling price of the good less selling costs. The valuation method chosen means inventory obsolescence has been taken into account.

Income tax

Total taxes comprise current tax and deferred tax. Taxes are recognized in the income statement except when an underlying transaction is recognized directly against equity, in which case the related tax effect is also recognized in equity.

Current tax is income tax relating to the current financial year and the portion of income tax not yet recognized from previous financial years. Current tax is calculated using the tax rate prevailing at the end of the reporting period.

Deferred tax is income tax pertaining to future financial years arising from previous events. Deferred tax is recognized according to the balance sheet method. According to this method, deferred tax liabilities and deferred tax assets for temporary differences between the recognized and taxable values of assets and liabilities are recognized as are other taxable deductions or deficits.

Deferred tax assets are recognized net against deferred tax liabilities only if they can be paid in a net amount.

Deferred tax is calculated using the tax rate applicable at the end of the reporting period. The effects of changes to applicable tax rates are recognized in the period when the change was legislated. Deferred tax assets are recognized as financial assets and deferred tax as a provision.

Deferred tax assets pertaining to loss carryforwards or other forward-looking taxable deductions are recognized to the extent that it is probable that the deduction can be set off against a future taxable surplus.

Due to the correlation between accounting and taxation, the deferred tax liability attributable to untaxed provisions is not recognized separately.

Taxable deficits amounted to SEK -185,487,271. The company has elected not to recognize deferred tax on loss carryforwards.

Remuneration of employees

Remuneration of employees pertains to all forms of remuneration that the company offers to its employees. Short-term remuneration includes salaries, paid holidays, paid leave, healthcare and bonuses. Short-term remuneration is recognized as a cost and liability when there is a legal or informal obligation to disburse remuneration as a result of an earlier event and a reliable estimation of the amount can be made.

Compensation in the event of termination, to the extent that the remuneration does not give the company any future financial benefits, is only recognized as a liability and an expense when the company has a legal or informal obligation to either

- (a) terminate the employment of an employee or group of employees prior to the normal date of termination of employment; or
- (b) provide compensation upon termination by offering to encourage voluntary resignation.

Severance payments are only reported when the company has a detailed plan for the termination and has no realistic opportunity to cancel the plan.

Pensions

The company's pension plans for remuneration after termination of employment consist solely of defined contribution pension plans. For defined contribution plans, the company pays fixed contributions to a separate legal entity. When the contribution is paid, the company has no further obligations. Defined contribution plans are recognized as a cost as the pension is earned.

Notes

Note 1 Operating leases – lessee

Lease costs for leases during the year amounted to SEK 1,725,216 (1,205,724) and pertained to SEK 1,136,766 in lease of premises, SEK 492,292 in machinery leases and SEK 96,158 for company cars.

Lease costs for the year

SEK	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Lease costs for the year	1,725,216	1,205,724
Of which lease of premises	1,136,766	884,042
Machinery leases	492,292	247,543
Company cars	96,158	74,140

Future minimum lease payments relating to non-cancellable operating leases

SEK	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Within 1 year	1,163,226	1,191,100
Between 1–5 years	2,975,567	3,511,829
>5 years	–	561,000
Total	4,138,793	5,263,929

Future lease payments pertain to leases of premises and company cars.

Note 2 Employees and personnel costs

Average number of employees

	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Men	19	15
Women	2	2
Total	21	17

Salaries and other remuneration as well as social security costs, including pension costs

SEK	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Salaries and other remuneration	16,376,808	12,649,781
Social security costs	8,761,404	6,405,453
(of which, pension costs)	3,292,337	2,330,082

Remuneration in the event of termination of employment

In the event of the CEO's employment being terminated, a mutual six-month (6) notice period will apply. If employment is terminated by the company, the CEO – in addition to the termination payment – has the right to receive severance pay corresponding to six (6) times the fixed monthly salary upon termination of employment. For other senior executives, a mutual period of notice is applied of between four (4) and six (6) months. However, CTO Thomas Svensson has a notice period of six (6) months if notice is given by the employee and a notice period of twelve (12) months if notice is issued by the company.

Note 3 Capitalized expenditure for development work and similar activities

SEK	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Accumulated cost		
At the beginning of the year	6,126,540	6,126,540
At the end of the year	6,126,540	6,126,540
Accumulated amortization		
Amortization for the year	–6,126,540	–4,901,232
At the end of the year	–6,126,540	–6,126,540
Carrying amount at the end of the year	–	–

Note 4 Machinery and other technical equipment

SEK	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Accumulated cost		
At the beginning of the year	2,264,729	1,232,461
New purchases	921,399	1,032,268
At the end of the year	3,186,128	2,264,729
Accumulated amortization		
Amortization for the year	–960,204	–515,448
At the end of the year	–1,510,947	–960,204
Carrying amount at the end of the year	1,675,181	1,304,526

Note 5 Non-current liabilities

SEK	Jan 1, 2019– Dec 31, 2019	Jan 1, 2018– Dec 31, 2018
Liabilities that fall due for payment more than one year from the end of the reporting period		
Convertible debt instruments*	–	3,245,786
Other liabilities	–	–
Total	–	3,245,786

* Since Dec 31, 2019, reported under current receivables as expiry date is less than one year.

On February 16, 2018, a resolution was approved to issue a convertible debt instrument of SEK 3,245,786.25 to Norrlandsfonden, which was paid by through a set-off of existing debt instruments of SEK 2,791,222 and a cash payment of SEK 454,564.25. The repayment date was set at April 30, 2020 and the conversion rate at SEK 18.55 per share.

Note 6 Events after the balance sheet date

February

- The Board of Directors updated the financial goals.
- NetNordic installs Gigabit network at a hotel in Gothenburg based on In:xtnd™.

March

- Jörgen Ekengren appointed new CEO for the company on March 17, 2020.
- New reseller agreement with Swedish Barcom.

April

- Review of costs arising from the COVID-19 pandemic and new dates for the Annual General Meeting and publication of the Annual Report.
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- Emil Bendroth appointed new CFO.
- VAR-agreement with TDL for the Canadian market.
- Received Tillväxtverket's approval of grants for so called "short-term work" which have been implemented.

May

- VAR-agreement with Core for the US market

In 2020, the company has been affected by the spread of COVID-19. InCoax can see that the ongoing COVID-19 pandemic is impacting the company's customers, mainly in hospitality and among smaller operators, and that customers are less willing to place orders. In response to the drop in demand, the company begun work to reduce its costs. These measures include furloughs that have reduced staff numbers by 45% for a period of four months.

Signatures of the Board of Directors and auditor

Gävle, May 13, 2020

Richard Tooby
Chairman of the Board

Jörgen Ekengren
CEO

Anders Nilsson

Pär Thuresson

Patrik Widlund

Peter Agardh

Our auditor's report was submitted May 14, 2020
KPMG AB

Mikael Larsson
Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of InCoax Networks AB, corp. id 556794-1363

Report on the annual accounts

Opinions

We have audited the annual accounts of InCoax Networks AB for the year 2019. The annual accounts of the company are included on pages 24-34 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of InCoax Networks AB as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of InCoax Networks AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Significant uncertainty factors regarding the assumption of going concern

Without affecting our statements above, we would like to draw attention to the income statement and balance sheet in the annual report, which shows that the company reports a loss for the financial year. The Board of Directors' report states that the company has identified

a risk that the company will not be able to receive adequate funding for the business. Such financing is not secured at the time of submission of the annual report. These conditions indicate that there is a significant uncertainty factor that can lead to significant doubts about the company's ability to continue operations.

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

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

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

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

Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of InCoax Networks AB for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and

ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

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

Auditor's responsibility

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Sundsvall 14 May 2020
KPMG AB

Mikael Larsson
Authorized Public Accountant

Board of Directors



Richard Tooby

MBA. Born 1969.

Chairman of the Board since 2016 and,
Board member since 2016.

Board member of RT Advisory Services AB.

Shareholding: 595,634.



Anders Nilsson

Master of Engineering. Born 1951.

Board member since 2017.

Chairman of the Board of NP3 Properties AB
and Board member of Lime Technologies AB,
Eurocon Consulting AB and Softronic AB as
well as Chairman of the Board/Board member
of a number of unlisted companies.

Shareholding: 84,821.



Peter Agardh

MBA. Born 1967.

Board member since 2019.

Chairman of the Board of Agenta Advisors AB
and Longshore AB. Board member of AB Apri-
ori, Agenta Investment Management AB, Fan-
wei III Holding AB, Saugatuck Invest AB and
Tantal Investment AB. Deputy Board member
of Admera Education AB and Nordic Econom-
ics Consulting AB. CEO of Agenta Investment
Management AB.

Shareholding: 5,040,000 through companies.



Pär Thuresson

Master of Engineering. Born 1964.

Board member since 2018.

Senior Vice President R&D for GN Hearing A/S
and deputy Board member of ManyNames AB.

Shareholding: 5,000.



Patrik Widlund

Business economics. Born 1962.

Board member since 2014.

CMO of Svea Ekonomi AB and CEO of Widlund
Management AB. Chairman of the Board of
Kraftpojckarna Holding AB and Glomo AB as
well as Board member of companies including
Payson AB.

Shareholding: 15,000 through companies.

Management group



Jörgen Ekengren

*CEO**

Employed since 2018. Bachelor of Science in Engineering. Born 1963.

2013–2018: Sony Mobile Communications Taiwan – Director ODM/EMS Business Operations and Deputy Head of Global Manufacturing.

1995–2013: Ericsson Radio Systems/Ericsson Mobile Communications/Sony Ericsson/Sony Mobile – General Manager and Director positions in Operations and Sourcing.

Shareholding: 40,000.

* Peter Carlsson was CEO until March 16, 2020.



Helge Tiainen

*Chief Sales & Marketing Officer (CSMO)**

Co-founder, active in InCoax since 2009, most recently as Director Business Development.

Faculty of Science and Engineering, Linköping, Nokia Landscape, Nokia intern MBA. Born 1956.

2001–2009: Active in about 60 companies, including as COO of Clavister.

1998–2000: CEO, MultiQ.

1989–1997: Vice President, Nokia Multimedia.

Shareholding: 78,933, privately, though companies and under management.

Warrants: 0.

* Håkan Rusk was CSMO until April 5, 2020.



Emil Bendroth

*Chief Financial Officer (CFO)**

Employed since 2020.

MBA. Born 1973.

2019–2020: Prisjakt, Head of Control.

2018–2019: InCoax, Interim CFO.

2017–2018: Prostalund, CFO.

Consultant assignments as Senior Controller and Controller respectively at ArjoHuntleigh AB (now Arjo) and Jeld-Wen Sverige AB.

2000–2011: Doro AB, Group Controller.

Shareholding: 0.

Warrants: 0.

* Marie Svensson was CFO until April 5, 2020.



Thomas Svensson

Chief Technology Officer (CTO)

Employed since 2011.

Technical college graduate. Born 1955.

2011–2017: InCoax Networks AB – Chief Executive Officer (CEO). 1981–2017: TEDAKO – Operating sole proprietorship.

2000–2005: Service Factory AB – Founder and Head of Marketing/Sales and Product Management.

1995–2000: Telia AB – Vice President Network Services and Head of Router Net and Internet Division.

1976–1995: Telia AB – Various senior positions.

2009–current: getITsafe Security Partner Norden AB – Chairman of the Board.

Shareholding: 33,000.

Definitions

Financial

Total assets The company's combined assets.

Gross margin Gross profit/loss as a ratio of net sales.

Gross profit/loss Net sales less cost of goods sold.

Net sales Main revenue from operations, invoiced costs, subsidiary income and income adjustments.

Profit/loss after financial items Profit/loss after financial income and expenses, but before extraordinary income and expenses.

Profit/loss after tax Profit/loss after financial items, including tax costs.

Operating margin (EBIT) Operating profit/loss as a ratio of net sales.

Operating profit/loss Profit/loss before net financial items and tax.

Equity ratio (%) Adjusted equity (equity and untaxed reserves less deferred tax) as a percentage of total assets.

Technical

CAT cable CAT cable is a twisted-pair signal cable, comprising twisted conductors. The conductors are twisted to counteract disturbance, primarily cross-talk. Cat6 cable is primarily used in data communication. The two main disadvantages of twisted-pair cable are its high power loss, referred to as dampening per meter, which means that no more than a score or maximum of 100 meters of this cable can be laid without needing a repeater station.

Chip-set A chip-set is a set of integrated chips designed to work together on the motherboard.

Fiber Optical fiber contains a special type of mineral glass fiber for the transfer of light signals over long distances at very high capacity, such as for data and telecommunication.

Hospitality Customer segment that includes hotels, holiday parks, hospitals, prisons, cruise ships and accommodation platforms.

Coaxial cable Coaxial cable is a two-pole electrical cable comprising a metallic conductor, the center conductor, surrounded by insulating material, the dielectric, which in turn is enclosed by a conductive casing, the screen. Coaxial cables can transfer signals at high frequencies with low dampening, meaning they can transfer data traffic at high capacity.

Symmetrical products Symmetrical products can handle communication at the same data speed in both directions.

Financial calendar

2020 Annual General Meeting	June 30, 2020
Interim report Apr–Jun 2020	August 14, 2020
Interim report Jul–Sep 2020	November 5, 2020

Annual Report 2019

This publication constitutes the annual accounts of InCoax Networks AB, Corporate Registration Number SE 556794 1363.

The annual report can be obtained through the channels below.

This annual report is also available in Swedish.

Financial reports

Further operational information is available from InCoax Networks AB's website: www.incoax.com

For questions concerning the report, please contact:

Jörgen Ekengren, CEO
jorgen.ekengren@incoax.com

or

Emil Bendroth, CFO
emil.bendroth@incoax.com

Financial statements in digital form can be ordered by e-mailing info@incoax.com or phoning +46 26 420 90 42.

Other contact

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About InCoax Networks AB

InCoax Networks AB (publ.) is innovating the future of broadband access. In:xtnd™ provides the next generation of smart and sustainable networking products and solutions to the world's leading telecom and broadband service providers. InCoax Networks AB (publ.) was founded in 2009, with its headquarters located in Gävle and offices in Malmö, Sweden.

Since January 3, 2019, the company's share (INCOAX) has been admitted to trading on Nasdaq First North Stockholm, with Augment Partners AB, tel. +46 8 505 651 72 and info@augment.se, as its Certified Adviser. Pareto Securities AB is the company's liquidity provider.





INCOAX