

INCOAX

Interim report
January – March 2021



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About InCoax Networks AB

InCoax Networks AB (publ) is innovating the future of broadband access. InCoax MoCA Access 2.5 platform provides the next generation cost-efficient multi-gigabit Fiber Access Extension solutions to the world’s leading telecom, cable- and broadband service providers.

To keep updated on corporate information, visit incoax.com. Augment Partners AB, tel. +46 8-604 22 55 info@augment.se, is acting as the company’s Certified Adviser.

Quarterly development in brief

Sales success with historically high revenue in combination with decreased costs.

Key ratios

SEK	Jan-Mar 2021	Jan-Mar 2020	Full-year 2020	Full-year 2019
Net sales	5,170,689	241,767	3,788,463	2,822,067
Gross profit/loss	314,979	160,562	-5,404,535	259,277
Gross margin, %	6%	66%	Neg.	9%
Operating loss (EBIT)	-7,110,805	-17,371,881	-57,405,382	-65,108,321
Operating margin (EBIT %)	Neg.	Neg.	Neg.	Neg.
Loss after financial items	-7,131,222	-17,411,159	-57,822,219	-65,760,609
Loss after tax	-7,131,222	-17,411,159	-57,822,219	-65,760,609
Earnings per share	-0.26	-0.95	-2.11	-3.59
Earnings per share after dilution	-0.25	-0.93	-2.03	-3.51
Equity ratio, %	44.6	58.9	57.0	74.9
Cash flow, including financing activities	-7,404,655	-17,122,806	-12,643,002	21,745,099
Cash flow per share	0.27	0.94	0.46	1.19
Cash flow per share after dilution	0.26	0.91	0.44	1.16
Number of shares outstanding at the end of the period	27,442,396	18,294,931	27,442,396	18,294,931
Number of shares outstanding at the end of the period after dilution	28,531,396	18,734,924	28,531,396	18,734,924
Average number of shares outstanding during the period	27,442,396	18,294,931	20,581,797	12,423,128
Average number of shares outstanding during the period after dilution	28,531,666	18,909,899	21,252,782	13,293,376

Financial performance

January–March 2021

- Net sales amounted to SEK 5,170,689 (241,767), the highest invoicing in a quarter in the company's history. This is driven by invoicing to a large North American customer.
- The operating loss was SEK -7,110,805 (-17,371,881), an improvement due to increased sales and lower personnel cost.
- The loss after tax was SEK -7,131,222 (-17,411,159), corresponding to earnings per share of SEK -0.26 (-0.95).
- Cash flow including financing activities during the quarter was SEK -7,404,655 (-17,122,806).

Significant events during the quarter

- InCoax receives follow-on order of SEK 3.2M from US Fiber/LAN operator.
- North American Tier 1 operator extends cooperation with InCoax and the product development proceeds according to plan.
- Initial order (via VAR) from US based system integrator specialized in *Garden Style Apartment Complexes*.
- InCoax becomes member of US based *Fiber Broadband Association*.
- InCoax, BBF and MoCA articles published on the release of the BBF TR-419 standard for Fiber Access Extension over coax networks. InCoax gained international media recognition with approximately 100 articles published.
- InCoax announces a rights issue release of SEK 41M fully guaranteed by one of the majority owners, Saugatuck Invest AB.

Significant events after the end of the quarter

- InCoax receives two follow-on orders of SEK 5M total from US Fiber/LAN operator.
- InCoax carries out a new rights issue release of SEK 41,163,592.50 before issue costs, fully guaranteed by one of the main owners Saugatuck Invest AB
- InCoax intensify marketing and communication strategy through panel discussion participation with leading broadband technology actors such as; the Broadband Forum, British Telecom and Verizon/MoCA. Additional articles are published with significant impact in the trade press and cost-effective targeted marketing through social media.





CEO's comments

Successful quarter with increased sales

Continued orders led to a successful first quarter with the highest sales in the Company's history. This, combined with reduced costs, significantly improved financial results and cash flow. The development project with the US Tier 1 operator is progressing according to plan.

Continued orders in growth segments

During the first quarter of 2021 and to date, InCoax has won continued orders from the US-based fiber/LAN operator. We are now in the midst of a more regular roll-out with this operator and we believe that there is still a great need for our solution.

We receive good feedback from the customer regarding the system's capabilities as well as its quality and reliability. Installations of our system are currently taking place in 9 metropolitan areas in the United States, and we see potential for more. We see this as a very good reference customer, which gives us continued opportunities for expansion with this and also other operators with the same or similar use cases.

During the first quarter of this year, we started in-depth discussions with three additional US-based operators and one EU-based operator. This shows that our more focused strategy is the right one.

Market potential remains undiminished

Our focus on selected market segments is paying off and we are competing in a very large international market for broadband solutions. Consumer demand for

bandwidth continues to increase, and this trend has been accentuated during the ongoing Covid-19 pandemic. Consumers in developed markets are demanding ever-higher gigabit speeds in their internet connections. The backbone networks for fiber are being expanded at an undiminished pace and from a time and cost perspective, the challenge of providing a high-performance gigabit connection to every flat in a multi-family building persists. For our operators, this is an obstacle to growing their subscriber base.

The key figure "Homes Passed", i.e., the number of buildings the fiber passes out on the street, continues to climb. In the internet service market, we are seeing more and more of a "Gigabit Race" between traditional telecom, cable and fiber operators, who are all trying to attract new subscribers and win over existing ones. InCoax thus operates in a very large and growing market. This entails both great opportunity and a risk of becoming unfocused and opportunistic. The key to closing deals quickly is knowing the use cases to which our solutions are best suited and maintaining a very good knowledge of our operators' networks and how these are operated.

InCoax has implemented a clear strategy

The strategy we developed in 2020 has now being fully applied. InCoax now has a clearer definition of which segment of the market we address. One important element was the initiation of sales to customers in the right market segment, where our current system in:xtnTM fits in without further development. If we can identify the fiber/LAN operator customers in this segment who have the right growth plans and which are aiming to sell multi-gigabit services in XGS-PON solutions in the future, then we can grow with the operator customers over time and gradually develop our system to provide higher-level service and functionality that meet the demands of the operators.

In 2020 we determined that in order to address the really large volume segments of the market, we need to further develop our system to be fully compatible with the solutions that Tier 1 operators use to control and monitor their networks. The collaboration with the North American Tier 1 operator that we started in 2020 has been invaluable for our ability to carry this off. We are seeing a

continued interest from the operator and we will start lab and field tests at the end of the second quarter. As has already been stated, the tests will be carried out according to specifications that are close to a finished product/system. This means that the time from completed tests to commercial rollout can be relatively short. The development project with the North American operator means that we will have a system that opens up a significant market consisting of many large operators with the same or similar use cases.

Strengthened position to gain significant market shares

With the further developed solution, we have a very competitive alternative to G.fast (which uses the old copper networks originally intended for telephony) in a future-proof multigigabit solution with a XGS-PON interface (10Gbps). The fact that the North American operator is co-financing this project is also a very positive signal indicating a great deal of interest and commitment.



One important factor in our ability to sell to operators is compatibility with the provisioning and support systems they use. InCoax has progressively developed our system to fulfil this important selling point by implementing the standardized protocols that operators currently use and are expected to use in the future.

Another very positive factor is that during the first quarter of 2021, the Broadband Forum (“BBF”) published a new standard, TR 419, for “Fiber To The Extension Point” that defines the architecture and implementation standard of PON fiber networks extended across coaxial cable networks with the MoCA Access™ standard. This will facilitate the future compatibility of our system and allow operators to integrate InCoax’s system solution into their fiber networks in an established manner.

During the quarter, InCoax strengthened its position to gain significant market shares in the defined customer segments that we are now targeting in order to achieve future growth.

Partners and organization

As has already been stated, InCoax has established a partner base for indirect sales in the markets most relevant to us. We have intensified our efforts to train all relevant VAR staff in the use of our products and systems, in order to initiate sales in these channels as well. During the first quarter, we have initiated a review of our partner base that aims to focus on the partners who have their own capacity and are willing to make their own investment to drive sales in indirect channels. InCoax’s strategic focus is to be a system solution partner to defined segments of the operator market. This means an increased focus on tying our active participation in standardization forums to our system solutions, in close dialogue with strategic operator customers. InCoax has been an active member of BBF, MoCA Alliance and ETSI for some time now. During the first quarter, we have extended our activities to include membership in the Fiber Broadband Association, as this will yield valuable contacts in the US fiber operator industry.

Efforts to intensify our collaboration with external partners in order to execute the development of hardware and software, industrialization and manufacturing have continued to go well. By focusing more on our own resources and value-adding core competences, we achieve a more time-efficient and cost-effective way to develop our system solution and supply it to the market.

Sales and financial standing

Sales have developed well, especially in the North American market, and we are showing the highest sales in the Company’s history. We are now seeing the effect of cost reductions completed in the fourth quarter of 2020. Based on the sales forecasts we see for our systems, as of the third quarter of 2020, we have also started to activate development costs attributed to our upgraded system addressing the needs of Tier 1 operators.

In doing so, InCoax has shown good improvements in all key figures for the second quarter in a row, and I would say that this constitutes a clear trend break.

InCoax announced a new share issue during the first quarter of 2021. The total amounts provided to the Company will be SEK 41 million in the first step and SEK 21 million in the second step (based on Warrants in Dec 2021).

Financial targets

I am still of the opinion that a commercial breakthrough can be expected in 2021, including through collaboration with distribution partners where InCoax’s future revenue may take the form of licensing revenue.

We are aiming to achieve positive cash flow on a monthly basis by the end of 2021.

Continued focus on sales

Our strategic focus has proven to be the right one for initiating - and gradually increasing - sales. During the first quarter and until now, we have received continued orders from the US-based fiber/LAN operator, and we are seeing a continued demand. Based on this reference, we have initiated further discussions with several operators with similar use cases, both in the US and in Europe.

In the next step, work with the North American Tier 1 operator could open up a very large market in the really high-volume segments of the international operator market.

Gävle May 2021

Jörgen Ekengren
Chief Executive Officer

Partner organizations

To be compatible with the operator’s networks, it is important that InCoax solutions support the standards that are in use. InCoax is therefore active in a number of the forums that define these standards.

Partner organizations

InCoax has for several years been involved in MoCA® where they have (amongst other things) been leading the working group responsible of the MoCA Access™ 2.5 standard, present in the current product generation of in:xtnd™.

During 1st quarter of 2018, InCoax went from the member status *Contributor* to *Promotor*, gaining a seat at the Board of Directors for MoCA®. InCoax is the only European board member. As MoCA®, InCoax has entered the Broadband Forum, a consortium responsible of defining standards for telecom operators. The purpose is to influence how MoCA Access™ can be integrated in the telecom operator’s networks and systems, with the aim to simplify the application of the standard. In the beginning of 2019, InCoax was elected member of the BBF Board of Directors.

InCoax also participates in the Small Cell Forum, where work is done with the backhaul solutions necessary for 5G, which present possibilities for the technology. To strengthen knowledge and presence on the US market, InCoax also became a member of the Fiber Broadband Association in 2021.

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 Access™ is a solution suited for a variety of market segments where broadband access is offered:

- Broadband operators installing fiber deep into networks or to buildings (FTTB), 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 on their existing coax networks.
- 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.

- Operators using 4G/5G/Wi-Fi in residential areas and need a connection between the wireless network and the individual apartment, without installing new cables.
- Companies that design and install networks in hotels, restaurants, offices and other buildings.
- MoCA Access™ 2.5 creates the conditions for speeds of up to 2.5 Gbit/s to be achieved in an existing coaxial network.

Broadband Forum (BBF)

Broadband Forum is a consortium of approximately 200 leading actors in the telecom, equipment, computer, network and services sector. BBF’s work ensures fast and effective market access for services and companies through standardized platforms and methods that allow good economy and scalability.

Small Cell Forum

Small Cell Forum works for large scale implementation of small base stations and has the task of increasing the pace in the delivery of integrated and heterogeneous networks. Small Cell Forum is acting for overall trade standard implementation, positive legislative implementation and that a common architecture and interoperability is achieved. Small Cell Forum is marketing the potential in the small base station through communication with journalists, analysts, regulators, interest groups and standardization bodies.

Fiber Broadband Association

Fiber Broadband Association is an American member-run organization for the promotion of broadband expansion in North and South America. The organization represents companies and interest organizations throughout the broadband ecosystem such as; manufacturers, consultants, consumers, decision makers, system and application providers.

The company's development

Net sales and earnings

January–March 2021

Net sales amounted to SEK 5,170,689 (241,767), the highest invoicing in a quarter in the company's history. This is driven by invoicing to a large American customer. The invoicing contains both of sales of new equipment as well of service agreements which will enable a good contact with the customer in the future.

The operating loss was SEK -7,110,805 (-17,371,881), an improvement due to increased sales and lower personnel cost. The strategic change and the decreased personnel cost has impacted the quarter with full strength.

The loss after tax was SEK -7,131,222 (-17,411,159), corresponding to earnings per share of SEK -0.26 (-0.95).

Cash flow including financing activities during the quarter was SEK -7,404,655 (-17,122,806).

Net financial items and tax

Net financial items in the quarter amounted to SEK -20,417 (-39,278) this is interest paid to Norrlandsfonden.

Cash flow

Cash flow from operating activities during the quarter amounted to SEK -2,620,544 (-17,033,638)

Cash flow from investments in Q1 amounted to SEK -4,784,111 (0) related to Capitalisation of own-developed immaterial fixed assets.

Total cash flow for the quarter amounted to SEK -7,404,655 (17,122,806) .

Investments

The company's investments during the quarter amounted to SEK 4,784,111 (0).

Financial position

The company's total assets at the end of the quarter amounted to SEK 39,233,503 (37,887,830).

The equity ratio was 44.6% (58.9) and cash and cash equivalents at the end of the period were SEK 9,428,838 (12,353,689).



Other company information

Accounting policies

The interim report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board's general recommendation, BFNAR 2012:1 Annual reports and consolidated financial statements (K3). The accounting policies applied correspond to the accounting policies applied to the presentation of the Annual Report for 2019.

The InCoax Board decided to start implementing the method of Capitalisation of own-developed immaterial fixed assets starting 1 July 2020.

Amounts are stated in Swedish kronor unless otherwise indicated. Figures in parenthesis pertain to the corresponding period in the preceding year

Risks and uncertainties

The company has identified a number of different risks and uncertainties, such as: Customer demand for InCoax's technology and products, competing technologies, product liability, supplier dependence,

dependence on key persons and employees, financing and capital requirements, currencies, prices and availability of key components.

The company continuously engages in preventive measures to minimize these risks and uncertainties as far as possible. For a full account of the risks to which the company is subject, refer to the prospectus created in conjunction with the company's rights issue in the Spring of 2021.

Related-party transactions

GetITsafe Security Partner NordenAB, in which company InCoax CTO Thomas Svensson is a partner and chairman of the Board, has performed consulting services for InCoax. The total invoiced amount for the consulting services amounts to SEK 476,784 during the first quarter.

Seasonal variation

InCoax does not experience any seasonal variations in its sales.



Income statement

SEK	Jan-Mar 2021	Jan-Mar 2020	Full-year 2020	Full-year 2019
Sales of services	578,673	1,120	104,390	1,490,797
Sales of goods (including discounts)	4,592,016	253,393	3,684,073	1,318,735
Other	0	-12,746	0	12,535
Total net sales	5,170,689	241,767	3,788,463	2,822,067
Capitalized development costs	4,784,111		7,246,948	
Other operating income	0	59,013	1,865,300	467,630
Total sales	9,954,800	300,780	12,900,711	3,289,697
Cost of sales	-4,855,710	-140,218	-9,088,608	-3,030,420
Gross profit/loss	314,979	160,562	-5,404,535	259,277
Gross profit margin	6%	66%	-143%	9%
Premises costs	-303,400	-366,918	-1,393,942	-1,416,639
Market costs, including sales feesj	-476,100	-1,213,262	-5,978,718	-6,906,986
Data/tele	-87,500	-66,859	-765,414	-383,209
Accounting/auditing	-815,277	-482,439	-2,067,367	-1,337,036
Other (including consulting fees)	-7,004,767	-6,356,095	-21,367,825	-29,293,215
Total other expenses	-8,687,044	-8,485,573	-31,573,266	-39,337,086
Personnel costs	-3,402,433	-8,780,025	-28,256,425	-25,436,961
Total personnel	-3,402,433	-8,780,025	-28,256,425	-25,436,961
Depreciation and amortization	-120,418	-153,946	-1,053,965	-550,743
Other operating expenses		-112,899	-333,829	-42,808
Loss before financial items	-7,110,805	-17,371,881	-57,405,382	-65,108,321
Interest income	0	0	0	3,529
Interest expenses	-20,417	-39,278	-416,837	-655,817
Total financial items	-20,417	-39,278	-416,837	-652,288
Loss after financial income and expenses	-7,131,222	-17,411,159	-57,822,219	-65,760,609

Balance sheet

SEK	Mar 31, 2021	Mar 31, 2020	Full-year 2020
Non-current assets	14,539,425	1,521,235	9,875,732
Inventories	7,824,152	17,714,569	11,405,617
Current receivables	7,441,088	6,298,337	5,057,203
Cash and cash equivalents	9,428,838	12,353,689	16,833,492
Total current assets	24,694,078	36,366,595	33,296,312
Total assets	39,233,503	37,887,830	43,172,044
Equity	17,483,791	22,307,078	24,615,013
Non-current liabilities	3,245,789	0	3,245,789
Current liabilities	18,503,923	15,580,751	15,311,242
Total equity and liabilities	39,233,503	37,887,830	43,172,044

Cash flow

SEK	Jan-Mar 2021	Jan-Mar 2020	Full-year 2020	Full-year 2019
Opening cash flow	16,833,493	29,476,495	29,476,495	7,731,397
Cash flow from operating activities	-2,620,544	-17,033,638	-50,080,769	-72,038,577
Cash flow from investments	-4,784,111	0	-8,437,849	-921,399
Cash flow from financing activities	0	-89,168	45,875,616	94,705,075
Closing cash flow	9,428,838	12,353,689	16,833,493	29,476,495
Cash flow for the period	-7,404,655	-17,122,806	-12,643,002	21,745,099

Changes in equity

SEK	Jan-Mar 2021	Jan-Mar 2020	Full-year 2020	Full-year 2019
Equity at the start of the period	24,615,013	39,807,405	39,807,405	26,184,260
New share issues and subscription rights		-89,168	42,629,827	79,383,755
Loss for the period	-7,131,222	-17,411,159	-57,822,219	-65,760,609
Equity at the end of the period	17,483,791	22,307,078	24,615,013	39,807,405
Changes in equity for the period	-7,131,222	-17,500,327	-15,192,392	13,623,146



Share and shareholders

Ownership structure

The number of shareholders March 31, 2021, was 1,618. The largest shareholder was Saugatuck Invest AB, with 23.6% of the shares and votes in InCoax. The company's ten largest shareholders together hold shares equivalent to 66.0%.

Shares and share capital

The company's share capital at the end of the period amounted to SEK 6,860,599, distributed between 27,442,396 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-up and freely transferable. According to InCoax's Articles of Association, adopted by the General Meeting on June 30, 2020, the share capital must not be less than SEK 4,550,000 and not exceed SEK 18,200,000, distributed between no fewer than 18,200,000 shares and no more than 72,800,000 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 March 31, 2021

Name	Number of shares	Holding, %
Saugatuck Invest AB	6,468,572	23.6
Norrlandspojkarna AB	3,522,700	12.8
BLL Invest AB	3,466,788	12.6
Nordnet Pensionsförsäkring AB	1,911,967	7.0
Försäkringsaktiebolaget Avanza Pension	1,132,587	4.1
Handelsbanken Liv Försäkringsaktiebolag	530,140	1.9
SEB Life International Insurance	300,000	1.1
Getitsafe Security Partner Norden AB	288,132	1.0
Coeli Wealth Management AB	259,571	0.9
Lars Axelsson	239,999	0.9
Other shareholders (approximately 1,608)	9,321,940	34.0
Total	27,442,396	100.0

Source: On the basis of lists from Euroclear on March 31, 2021, and information known by the company from major shareholders.

Definitions

Financial

Total assets The company's combined assets.

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.

Other

VAR Value Added Reseller.

Tier-1 Operator An Operator who own and operate a network with subscribers counted by the million.

Internet Service Provider ISP A supplier of broadband connections and services operating in own or hired access network capacity.

XGS-PON An updated standard for Passive Optical Networks (PON) that can support higher speed 10 Gbps symmetrical data transfer and is part of the family of standards known as Gigabit-capable PON, or G-PON.

G.fast A protocol standard for DSL (Digital Subscriber Line) for copper phone networks capable of Internet access rates of 100Mb/s to (under perfect conditions) 1Gb/s.



Financial calendar

2021 Annual General Meeting	June 15, 2021
Interim report Apr–Jun 2021	August 20, 2021
Interim report Jul–Sep 2021	November 25, 2021

This interim report has not been reviewed by the company's auditors. The Board of Directors certifies that the interim report gives a true and fair view of the company's operations, financial position and results.

Financial reports

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

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

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About InCoax Networks AB

InCoax Networks AB (publ) is innovating the future of broadband access. InCoax MoCA Access 2.5 platform provides the next generation cost-efficient multi-gigabit Fiber Access Extension solutions to the world's leading telecom, cable and broadband service providers.

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 8 604 22 55 and info@augment.se, as its Certified Adviser. Pareto Securities AB is the company's liquidity provider.



INCOAX



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