

Interim report
January - September 2020



Contents

Quarterly development in brief.....	3	Income statement.....	9
CEO's comments.....	5	Balance sheet	10
The company's development.....	7	Cash flow	10
Other company information	8	Changes in equity	10
		Share and shareholders	11
		Definitions.....	12
		Shareholder information	13

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 8-505 651 72 info@augment.se, is acting as the company's Certified Adviser.

Quarterly development in brief

Initial volume order from a large US ISP, extended scope project agreement with Tier 1 Operator in North America and signed VAR-agreement in Germany and the UK.

Key ratios

SEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full-year 2019
Net sales	346,553	178,947	1,068,214	2,245,520	2,822,067
Gross profit/loss	-3,982,221	-71,572	-1,948,040	-162,072	259,277
Gross margin, %	Neg.	Neg.	Neg.	Neg.	9%
Operating loss (EBIT)	-17,160,056	-13,624,785	-48,768,163	-47,085,489	-65,108,321
Operating margin (EBIT %)	Neg.	Neg.	Neg.	Neg.	Neg.
Loss after financial items	-17,439,827	-13,856,735	-49,159,530	-47,400,864	-65,760,609
Loss after tax	-17,439,827	-13,856,735	-49,159,530	-47,400,864	-65,760,609
Earnings per share	-0.95	-1.12	-2.71	-3.83	-3.59
Earnings per share after dilution	-0.93	-1.03	-2.62	-3.53	-3.51
Equity ratio, %	40.0	32.2	40.0	32.2	74.9
Cash flow, including financing activities	-10,427,312	-3,788,271	-26,642,745	14,836,369	21,745,099
Cash flow per share	0.57	-0.31	1.46	1.20	1.19
Cash flow per share after dilution	0.56	-0.28	1.42	1.11	1.16
Number of shares outstanding at the end of the period	18,294,931	12,361,442	18,294,931	12,361,442	18,294,931
Number of shares outstanding at the end of the period after dilution	18,734,924	13,410,730	18,734,924	13,410,730	18,734,924
Average number of shares outstanding during the period	18,294,931	12,361,442	18,294,931	10,548,109	12,423,128
Average number of shares outstanding during the period after dilution	18,734,924	13,410,730	18,734,924	11,576,397	13,293,376

Financial performance

July–September 2020

- Net sales amounted to SEK 346,553 (178,947), corresponding to a year-on-year increase of 93%.
- The operating loss was SEK -17,160,056 (-13,624,785), driven by a stock devaluation of 3 891 000 SEK within hospitality in a segment which has been effected by a weakening in demand due to Covid-19.
- The Board decided to start implementing the method of Capitalisation of own-developed immaterial fixed assets.
- The loss after tax was SEK -17,439,827 (-13,856,735), corresponding to earnings per share of SEK -0.95 (-1.12).
- Cash flow including financing activities during the quarter was SEK -10,427,312 (-3,788,271).

January–September 2020

- Net sales amounted to SEK 1,068,214 (2,245,520), corresponding to a year-on-year decrease of 52%.
- The operating loss was SEK -48,768,163 (-47,085,489), a decline driven by stock devaluation in one product segment which has partly been met by the product development capitalization model implemented in Q3.
- The loss after tax was SEK -49,159,530 (-47,400,864), corresponding to earnings per share of SEK -2.69 (-3.83).
- Cash flow including financing activities during the period was SEK -26,642,745 (14,836,369).

Significant events during the quarter

July - September

- Technetix Group Limited signs reseller agreement with InCoax.
- InCoax terminates Covid-19 short term work time reductions during August.
- InCoax performs a fully guaranteed rights issue of approx.48 MSEK and enters into agreement on offset issue of convertibles.

Significant events after the end of the quarter

October

- InCoax rights issue is registered as completed.
- North American Tier 1 Operator extends co-operation with InCoax and places order for field trials.
- Peter Hasselberg appointed interim CFO.

- InCoax receives an initial volume order for from US Fiber/LAN Operator.
- The Board takes decision on Q3 inventory write-down of 3,891 kSEK regarding a product line in the hospitality segment that was affected by the sharp fall in demand due to Covid-19.

November

- Alf Eriksson elected new member of the Board.
- InCoax decides to implement the method of Capitalisation of own-developed immaterial fixed assets (development costs) as new accounting principle from July 1, 2020. During Q3 2,664 kSEK has been activated and booked as restricted equity in the balance sheet.



CEO's comments

A clear focus on selected market segments and strategic orders

During the 3rd quarter InCoax was awarded initial orders from Operator customers in strategic market segments with good potential for growth. In parallel, the work to establish and build up channels for indirect sales has made good progress according to plan.

Increased focus on selected market segments

InCoax is active on an expansive global broad-band market which is now quickly moving from Megabit to Gigabit transmission speeds. The need of increased bandwidth has been a trend for a long time but has now, not at least due to the Covid-19 pandemic, been accelerated.

In order to effectively win contracts it is of great importance to have a clear analysis of which Operator use-cases our products fit in to. Therefore, InCoax needs to have a very good understanding about Operators' current networks and how they are being managed.

The market segment and use case that our current system in:xtnd fits best in to is in Fiber/LAN applications. Therefore, our marketing- and sales activities have been primarily directed to this segment since Q2 2020.

This has been done through activities directed at selected Operators as well as by activating indirect channels through Value Added Resellers (VAR) and distributors.

The result of these focused activities has been good and has led to an order from an US based Fiber/LAN Operator. This Operator has a great potential for future expansion and sales of InCoax system-solutions.

The first volume order includes installations in three metropolitan areas in the US; Denver, Miami and San Diego. This Operator has a great potential for future expansion and sales of InCoax system-solutions. Based on the on-going dialogue with the Operator, we expect a continued roll-out during Q4 2020 and further in 2021 in a gradual ramp-up. The potential for InCoax is approx. 100k subscribers within the current program at the Operator. We view the initial order as a very good start that can grow into a substancial and intertesting business for InCoax.

In addition, this order can serve as a very good reference for other customers and we have already noted an increased interest from several operators.

In addition InCoax was also awarded an extended development order from a North American Tier-1 Operator.

We already received an initial order back in June 2020 to perform a Proof of Concept and the Operator has now decided to move on with an extended scope development order aiming for laboratory and field tests of a product with developed HW and SW close to a final product. Given successful results from tests to be performed during Q2 2021 and with the extended scope, it means we are close to a product ready for volume deliveries to this Operator. In doing this InCoax will have a system-solution that opens-up a significantly larger market-segment.

With this solution we will be able to offer a very competitive alternative to G.fast (a technology which uses copper/twisted pair telephone networks as media) in a future proof multi-gigabit MoCA Access solution with a XGS-PON network interface (10Gbps). The development is currently progressing very well in a close cooperation with the North American Operator and will, given successful results, open up a market with several million subscribers in North America as well as in Europe. The fact that the North American Operator is co-funding the project is also a very positive signal that indicates commitment to our product solution.

An important factor in being relevant to the Operators is to be compatible to their provisioning and management systems. We has developed our system in order to achieve this important compliance factor by implementing those standardized protocols that are most frequently used by higher tier Operators now and in the future.

Based on the communication we have had with Operators during 2020 and the analysis we have done accordingly, I judge that InCoax now is very well positioned to be able to gradually start to take a significant market share in the selected Operator segments that we now very clearly address.



Partners & Organisation

During Q3 we signed a Value Added Reseller (VAR) agreement with UK based Technetix Group Ltd. Technetix is active in more than 70 countries and has strong sales channels to operators in UK, the Netherlands, Germany and the US. In doing this InCoax has now established a partner-base for indirect sales on the markets that are most relevant for us. In order to get the indirect sales going, we are intensifying the activities to train all relevant staff on our products and systems at our partners.

InCoax's strategic direction is to be a system solution partners to defined segments of the Operator market. This means an increased focus on how to tie our active participation in global standardization forums (BBF, MoCA Alliance, ETSI) to system solutions developed in close collaboration with strategic Operator customers. This will provide solutions that also fit into a large global market that can be addressed also through indirect channels by our partners.

From being an engineering company to great extent built on in-house resources, we have during 2020 intensified the collaboration with external partners in the development of HW and SW as well as industrialization and manufacturing. Going forward InCoax will focus on value added core competences in business development, marketing/sales, system engineering and integration, specifications, reference-designs, test & verifica-

tion, project management and customer service together with partners.

Sales & Financial status

The Covid-19 pandemic had continued to have a big negative impact on the Hospitality market (hotels etc.). On the other hand, InCoax has noted positive movements on the Operator market and in general an increased demand of solutions for multi-Gigabit services. The need has been more obvious during the pandemic due to increased work, learning and streaming from home.

During Q3 InCoax has executed OPEX reductions which are expected to give full effect in Q4.

During Q3 InCoax successfully conducted a new rights issue that was heavily oversubscribed. This indicates a continued trust from the investors in InCoax and its strategy.

Financial targets

As part of the new strategy development, InCoax has decided to depart from earlier communicated financial targets. The Company is still of the opinion that a commercial break-through is expected in 2021 and to a great extent as part of collaborations with distribution partners where InCoax future revenues could come partly from royalties.

The Company has therefore chosen to communicate the following financial targets:

- Volume deliveries to a minimum of two Tier-1 Operators and to achieve positive cash flow on a monthly basis during 2H 2021.

Continued focus on Sales

During Q3 2020 we have been awarded very important customer order in the sense that this indicates the starting point for InCoax to enter into the high volume segments to which we can provide cost efficient solutions requested by higher tier Operators. The target is to achieve recurrent sales with selected strategic Operator customers as well as having an indirect sales model through partners. During Q3 2020 I have seen a clear progress towards these objectives.

Gävle, November 2020

Jörgen Ekengren
CEO

The company's development

Net sales and earnings

July–September 2020

Net sales amounted to SEK 346,553 (178,947), corresponding to a year-on-year increase of 93%.

The operating loss for the quarter was SEK -17,160,056 (-13,624,785), a decline driven by stock devaluations of SEK 3,891,000.

InCoax decides to implement the method of Capitalisation of own-developed immaterial fixed assets (development costs) as new accounting principle from July 1, 2020.

The loss after tax for the period was SEK -17,439,826 (-13,856,735), corresponding to earnings per share of SEK -0.95 (-1.12).

January–September 2020

Net sales amounted to SEK 1,068,214 (2,245,520), corresponding to a year-on-year decrease of 52%.

The operating loss was SEK -48,768,163 (-47,085,489), a decline driven by stock devaluation within hospitality in a segment which has been effected by a weakening in demand due to Covid-19.

The loss after tax was SEK -49,159,530 (-47,400,864), corresponding to earnings per share of SEK -2,69 (-3,83).

Net financial items and tax

Net financial items in the quarter amounted to SEK -279,771 (-231,950).

Net financial items for the nine-month period amounted to SEK -391,367 (-315,376).

Cash flow

Cash flow from operating activities during the quarter amounted to SEK -7,763,312 (-17,396,370).

Cash flow from investments in Q3 amounted to SEK -2,664,000 (0) related to Capitalisation of own-developed immaterial fixed assets.

Total cash flow for the quarter amounted to SEK -10,427,312 (3,788,271) and for the nine-month period was SEK -26,642,745 (14,836,369).

Investments

The company's investments during the quarter amounted to SEK 2,664,000 (0) and for the nine-month period to SEK 2,664,000 (685,633).

Financial position

The company's total assets at the end of the quarter amounted to SEK 57,579,713 (45,812,801). The equity ratio was 40% (32.2) and cash and cash equivalents at the end of the period were SEK 2,833,750 (22,567,767). The rights issue payment arrived at the company's account October 5 and amounted to SEK 32,103,657 net.



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 2020-07-01.

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, and currencies and prices 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 third quarter of 2019.

Related-party transactions

GetITsafe Security Partner Norden AB, 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 145,991 during the third quarter.

In June 2020, the company raised a bridge loan of a total of SEK 5 million from Saugatuck Invest AB. The loan was set off against shares in connection with the new rights issue. Interest payment has been made by InCoax of SEK 48,315. Saugatuck Invest AB is 100% owned by the Chairman of the Board Peter Agardh.

Seasonal variation

InCoax does not experience any seasonal variations in its sales.



Income statement

SEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full-year 2019
Sale of services	11,080	54,326	40,606	1,408,506	1,490,797
Sale of goods (including discounts)	335,473	111,899	988,158	824,464	1,318,735
Other	0	12,722	39,450	12,550	12,535
Total net sales	346,553	178,947	1,068,214	2,245,520	2,822,067
Other operating income	45,630	37,417	1,474,614	365,714	467,630
Total sales	392,183	216,364	2,542,828	2,611,234	3,289,697
Cost of sales	-4,374,404	-287,936	-4,990,868	-2,773,306	-3,030,420
Gross profit/loss	-3,982,221	-71,572	-1,948,040	-162,072	259,277
Gross profit margin	Neg.	Neg.	Neg.	Neg.	9%
Premises costs	-364,262	-316,586	-1,100,649	-1,049,289	-1,416,639
Market costs, including sales fees]	-1,206,852	-924,002	-4,417,258	-4,521,162	-6,906,986
Data/tele	-94,740	-98,050	-412,295	-273,846	-383,209
Accounting/auditing	-298,964	-260,040	-1,183,129	-932,555	-1,337,036
Other (including consulting fees)	-4,230,421	-6,338,199	-14,838,208	-21,602,909	-29,293,215
Total other expenses	-6,015,239	-7,936,877	-21,951,539	-28,379,761	-39,337,086
Personnel costs	-6,983,074	-5,460,341	-24,190,354	-18,155,291	-25,436,961
Total personnel	-6,983,074	-5,460,341	-24,190,354	-18,155,291	-25,436,961
Depreciation and amortization	-307,893	-118,857	-461,839	-351,227	-550,743
Other operating expenses	-25,575	-37,137	-216,391	-37,137	-42,808
Loss before financial items	-17,160,056	-13,624,785	-48,768,163	-47,085,489	-65,108,321
Interest income	0	3,442	0	3,442	3,529
Interest expenses	-279,771	-235,392	-391,367	-318,818	-655,817
Total financial items	-279,771	-231,950	-391,367	-315,376	-652,288
Loss after financial income and expenses	-17,539,826	-13,856,735	-49,159,530	-47,400,864	-65,760,609

Balance sheet

SEK	Sep 30, 2020	Sep 30, 2019	Full-year 2019
Equity subscribed for, not paid-up	32,103,657		
Non-current assets	3,877,342	1,638,930	1,675,181
Inventories	13,808,772	16,177,421	17,838,815
Current receivables	4,956,191	5,428,682	4,190,376
Cash and cash equivalents	2,833,750	22,567,767	29,476,495
Total current assets	53,702,370	44,173,870	51,505,686
Total assets	57,579,712	45,812,801	53,180,868
Equity	23,041,010	14,741,515	39,807,405
Non-current liabilities	0	3,245,786	0
Current liabilities	34,538,702	27,825,499	13,373,462
Total equity and liabilities	57,579,712	45,812,801	53,180,868

Cash flow

SEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full-year 2019
Opening cash flow	13,261,062	26,356,037	29,476,495	7,731,397	7,731,397
Cash flow from operating activities	-7,763,312	-17,396,370	-23,978,745	-50,757,438	-72,038,577
Cash flow from investments	-2,664,000	0	-2,664,000	-685,633	-921,399
Cash flow from financing activities	0	13,608,100	0	66,279,440	94,705,075
Closing cash flow	2,833,750	22,567,766	2,833,750	22,567,766	29,476,495
Cash flow for the period	-10,427,312	-3,788,271	-26,642,745	14,836,369	21,745,099

Changes in equity

SEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full-year 2019
Equity at the start of the period	7,777,683	29,990,150	39,807,405	26,184,260	26,184,260
New share issues and subscription rights	32,415,572	-1,391,901	32,493,134	35,958,120	79,383,755
Loss for the period	-17,439,827	-13,856,735	-49,159,530	-47,400,864	-65,760,609
Equity at the end of the period	23,041,010	14,741,515	23,041,010	14,741,515	39,807,405
Changes in equity for the period	15,263,327	-15,248,635	-16,766,395	-11,442,745	13,623,146

Share and shareholders

Ownership structure

The number of shareholders at September 30, 2020, was 1,793. 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 64.5%.

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-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 September 30, 2020

Name	Number of shares	Holding, %
Saugatuck Invest AB	5,040,000	27.5
Norrlandsprövkarna AB	2,094,128	11.4
BLL Invest AB	2,038,216	11.1
Coeli Wealth Management AB	873,290	4.8
Six SIS AG	590,319	3.2
Handelsbanken Liv Försäkringsaktiebolag	353,427	1.9
Getitsafe Security Partner Norden AB	288,132	1.6
Nordnet Pensionsförsäkring AB	270,079	1.5
Försäkringsaktiebolaget Avanza Pension	254,655	1.4
Other shareholders (approximately 1,783)	6,492,685	35.5
Total	18,294,931	100.0

Source: On the basis of lists from Euroclear on September 30, 2020, and information known by the company from major shareholders.

Shareholder data is pre-rights issue, since that was not formally settled until early October.

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.

XGSPON A standard for data links, capable of delivering shared Internet access rates up to 10 Gb/s over fiber.

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

Interim report Oct-Dec 2020	March 26, 2021
Annual Report 2020	May 28, 2021
Interim report Jan-Mar 2021	June 17, 2021
Interim report Apr-Jun 2021	September 24, 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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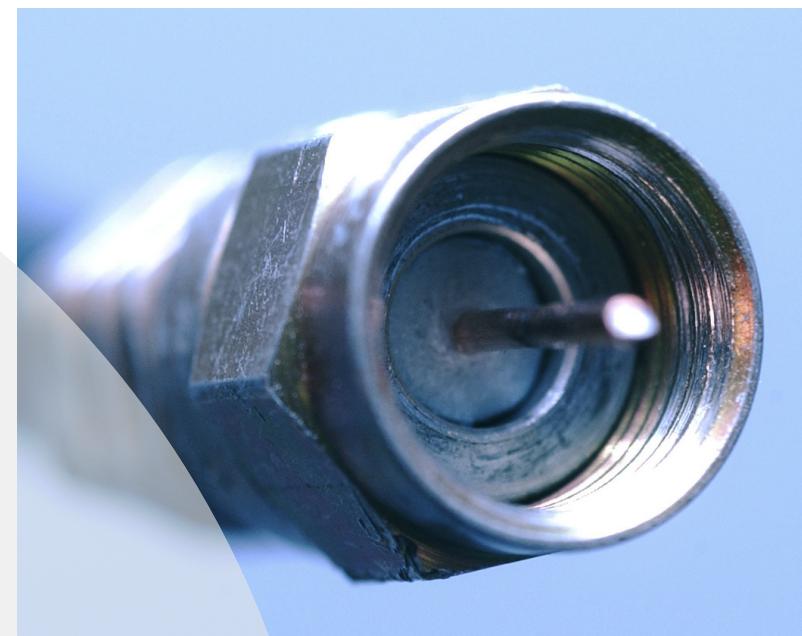
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About InCoax Networks AB

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 8 505 651 72 and info@augment.se, as its Certified Adviser. Pareto Securities AB is the company's liquidity provider.



INCOAX