

Net Insight Interim Report

January – June 2020



Net Insight AB (publ) corp.id.no. 556533–4397

April – June 2020

- Net sales amounted to SEK 105.0 (125.2) million, a decrease of -16.1% year-on-year. In comparable currencies net sales decreased by -17.0%.
- Operating earnings amounted to SEK 1.1 (15.6) million, corresponding to an operating margin of 1.0% (12.4%). Excluding foreign exchange rate differences of SEK -7.2 (-0.8) million, operating earnings were SEK 8.3 (16.4) million.
- Net income for the period for continuing operations and for the Group, including divested operations, was SEK 1.8 (11.8) million and SEK 1.8 (2.2) million, respectively.
- Earnings per share, basic and diluted, for the Group was SEK 0.00 (0.01).
- Total cash flow for the Group was SEK -10.3 million (-12.3).

January – June 2020

- Net sales amounted to SEK 199.0 (233.8) million, a decrease of -14.9% year-on-year. In comparable currencies net sales decreased by -16.8%.
- Operating earnings amounted to SEK 6.7 (11.1) million, corresponding to an operating margin of 3.4% (4.7%). Excluding foreign exchange rate differences of SEK 3.1 (-0.3) million, operating earnings were SEK 3.6 (11.4) million.
- Net income for the period for continuing operations was SEK 3.6 (9.1) million. Net Income for the Group, including divested operations, was SEK 250.2 (-6.4) million. This includes capital gains related to discontinued operations of SEK 246.4 (-) million.
- Earnings per share, basic and diluted, for the Group was SEK 0.65 (-0.02).
- Total cash flow for the Group was SEK 235.1 million (-44.2).

Positive result given the market conditions

Crister Fritzson, CEO, Net Insight

Significant events:

- Crister Fritzson assumes the CEO position
- Important major deals on several markets
- First Aperi orders
- Continued negative Covid-19 impact
- Change and strengthening of executive management

FINANCIAL HIGHLIGHTS

SEK millions	Apr-Jun			Jan-Jun			Jul 2019-	Jan-Dec	Change
	2020	2019	Change	2020	2019	Change	Jun 2020	2019	
Continuing operations									
<i>Net sales per business area</i>									
Media Networks	88.3	106.4	-17.0%	164.3	200.0	-17.9%	342.1	377.8	-9.5%
Resource Optimization	16.6	18.8	-11.3%	34.7	33.8	2.4%	71.6	70.8	1.2%
Net sales	105.0	125.2	-16.1%	199.0	233.8	-14.9%	413.7	448.6	-7.8%
Operating earnings	1.1	15.6		6.7	11.1		-8.0	-3.6	
<i>Operating margin</i>	1.0%	12.4%		3.4%	4.7%		-1.9%	-0.8%	
Net income	1.8	11.8		3.6	9.1		-10.2	-4.6	
EBITDA	-5.5	15.1		-7.2	17.6		-31.4	-6.6	
<i>EBITDA margin</i>	-5.2%	12.0%		-3.6%	7.5%		-7.6%	-1.5%	
Total Group, including discontinued operations									
Net Income	1.8	2.2		250.2	-6.4		224.3	-32.2	
Total cash flow	-10.3	-12.3		235.1	-44.2		238.1	-41.2	

Streaming Solutions was divested in 2020 and is reported separately as discontinuing operations in this report.

CEO's Statement



” Important major deals on several markets

Positive results given the market conditions

There was extensive uncertainty relating to Covid-19 at the beginning of the second quarter. Gradually improving market conditions, several major deals and active cost-cutting measures generated positive earnings in the quarter. We continued to strengthen the Nimbra portfolio, and the acquisition of Aperi has generated positive effects. Revenues were SEK 105 million. Operating earnings amounted to SEK 1 million and were negatively affected by exchange rate effects.

Market situation and Covid-19

The extensive uncertainty at the beginning of April has gradually decreased as countries are starting to ease restrictions and many sporting leagues restarted towards the end of the quarter. Major events such as the Olympics and the UEFA European Football Championships have been postponed which had a negative impact on revenues in the quarter, although most related deals have been postponed rather than cancelled. In the longer term, major leagues have a continued need for expanding their media networks to meet growing capacity requirements, and we secured new deals for sporting leagues in Europe and North America in the quarter. The reduced live event activity is expected to continue to have a negative impact on our customers in the service provider segment.

Travel restrictions continued to have a negative impact on approaching new customers and testing/installation of physical products. We have implemented cost-cutting measures, including short-term redundancies in Sweden. To step up the pace of our Nimbra development, most of the development team reverted to full time towards the end of the quarter. Our main scenario remains a gradual and slow recovery from Q3 onwards.

Media Networks

In the quarter, we secured several deals for customers looking to expand their media network capacity using modern and flexible solutions. A major sporting league in North America signed an order worth USD 2.5 million relating to products, consultancy services and a 5-year support contract. The order relates to a new 100G IP media network and is designed to meet the highest quality and security standards required for broadcasting today's most exclusive live sporting events. The network is extremely flexible and offers support for tomorrow's remote and distributed production environments.

On our Swedish domestic market, the service provider Mobilelinks during the first six months chose Net Insight's solutions for the expansion of network capacity and connectivity to 50 PoPs (Points of Presence) at arenas and broadcasters throughout the Nordic countries. Both the North American contract

and the Mobilelinks deal are based on our high capacity platform Nimbra 1060.

Alongside our partner METCO (Middle East Telecommunications Company), we won a deal worth over USD 1 million for a national media network for contribution and distribution. The order includes products, consulting services and a 3-year support contract.

We continued to invest in the development of our Nimbra portfolio and launched several important solutions in the quarter, including cloud-based solution Nimbra Edge, as well as new functionality for other Nimbra products. For the Aperi products, development continued according to plan, and we secured deliveries to important existing customers such as Telstra, Arqiva and Orange. The positive customer response confirms that Aperi's open, IP-based and virtualized product portfolio complements and strengthens our media transport offering. Going forward, the plan is to broaden sales of Aperi to include more customers.

Resource Optimization

At the beginning of July, we launched ScheduALL Evolution, a new cloud-based SaaS and associated analytics components. Customer activity was high in the quarter, with numerous demonstrations of the new solution. In general, ScheduALL was also negatively affected by Covid-19, mainly regarding new customer sales.

Foundation for future growth

The first step on the journey towards building the new and growing Net Insight is to ensure internal efficiency and clear priorities. As part of this work, we established a new structure and strengthened the management team in the quarter. We've completed recruitment for the new position Chief Commercial Officer, as well as a new CFO. We have also started to identify and prioritize strategic growth initiatives and internal areas of improvement.

To conclude, we are posting a relatively strong quarter given the external conditions

Solna, Sweden, July 21, 2020
Crister Fritzson, CEO

EXTRAORDINARY EVENTS

Covid-19 and business impact

The global spread of Covid-19 has had an impact on customers on all our main markets. Larger events have been postponed, with consequential deferral of related business. Activity in the live-event related business has been lower than normal, and our view is that this will continue to have a negative impact on service providers, which is one of our main customer groups.

We as well as our customers have adapted to the current situation with travel restrictions, through e.g. remote work and increased usage of video meetings, etc. For existing customer relations this has worked fairly well, but it's challenging to approach and win new customers. In the beginning of the quarter measures were taken to reduce the impact on our staff, our business operations and our financial position. For staff in Sweden, working time has been reduced with approximately 20% through furloughs. At the end of the quarter, the Nimbra development pace was increased, and a large part of the development team returned to full time.

Two deals from previous periods have been reversed following the postponement of the Olympics until 2021. This has affected operating earnings in the second quarter with SEK -3.5 million. Operating earnings have further been positively affected with SEK 1.9 million for Covid-19 related governmental grants, of which SEK 1.6 million is attributable to Sweden. For the US operations we have received a non-interest-bearing loan corresponding to SEK 9.2 million under the US Covid-19 government grants program. The loan will be forgiven if certain criteria are met. The loan has not affected the income statement for the period.

Our main scenario still assumes a gradual recovery from the third quarter. Global travel restrictions are expected to remain for the rest of the year. At the time of this report, we estimate that Covid-19 does not have any material impact on the company's assets. However, the large uncertainty makes predictions on future development difficult, and the company continuously evaluates the situation and need for measures. Net Insight's overall strategy for this extraordinary situation is to weather the storm – prioritizing R&D and continue to drive strategic development projects, protect the financial position through active cost control and prepare a rapid activity level increase when we see signs of recovery in the market.

REVENUES

Net sales in the second quarter of 2020 were SEK 105.0 (125.2) million, a decrease of -16.1%. In comparable currencies, sales decreased by -17.0%.

Net sales for the period were SEK 199.0 (233.8) million, a decrease of -14.9%. In comparable currencies, sales decreased by -16.8%.

Net Insight's solutions are sold all over the world and we have customers in around 70 countries. Many customers are global, with central purchasing functions for subsidiaries. Revenue per region for Media Networks, our largest Business Area, varies over time depending on where events take place. Revenue per region is therefore less relevant. We report revenue by region separately (see table on page 10) but without comments.

Revenues by Business Area

Net Insight has the following Business Areas: Media Networks and Resource Optimization. See also comments in CEO's statement.

Media Networks

Media Networks encompasses the Nimbra portfolio. A Nimbra solution normally consists of software as well as hardware and support. Customers with existing software licenses sometimes purchase only hardware, which means the mix between software and hardware revenues may vary over time. Revenues are mainly driven by events and specific larger deals can have a significant impact on quarterly revenue. There is no clear seasonality, why revenue on a rolling 12-month basis is a better indicator than a single quarter.

Revenues for the second quarter were SEK 88.3 (106.4) million, a decrease of -17.0%. The decrease is largely attributable to the Covid-19 pandemic's impact on business. Revenue decreased for hardware and software, whereas service revenue increased slightly.

Revenues for the six-month period were SEK 164.3 (200.0) million, a decrease of -17.9%. Revenues decreased mainly for hardware, but also for software and services.

Resource Optimization

Resource Optimization encompasses ScheduALL, a pure software solution. Revenues are derived from software licenses sales, support and professional services. The business model for the coming solution is SaaS, Software as a Service.

Revenues for the second quarter were SEK 16.6 (18.8) million, a decrease of -11.3%. The increase is attributable mainly to software licenses.

Revenues for the six-month period were SEK 34.7 (33.8) million, an increase of 2.4%.



EARNINGS

Gross profit for the second quarter was SEK 69.4 (78.5) million, a decrease by -11.7%. The decrease is explained by the lower revenue for Media Networks, partially offset by lower amortization of R&D expenditure. Gross profit included amortization of capitalized development expenditure of SEK -8.7 (-9.2) million. Gross margin excluding and including amortization of capitalized development expenditure was 74.4% (70.1%) and 66.1% (62.7%) respectively.

Operating expenses in the second quarter of SEK -61.4 (-62.2) million were in line with the corresponding period of the previous year. Operating expenses has been positively affected with SEK 1.6 (-) million related to governmental Covid-19 relief support.

Sales and marketing expenses were SEK -28.6 (-28.9) million, and administration expenses to SEK -16.4 (-16.0). Development expenses were SEK -16.3 (-17.3) million. Total development expenditure, i.e. before capitalization, increased to SEK -36.8 (-32.1) million, primarily because of increased efforts for the Nimbra portfolio. Other operating income and expenses were SEK -6.9 (-0.8) million, mainly related to foreign exchange rate gains.

Operating earnings were SEK 1.1 (15.6) million, corresponding to an operating margin of 1.0% (12.4%). This includes foreign exchange rate differences of SEK -7.2 (-0.8) million. Further, operating earnings has been affected with SEK -3.5 (-) million for the reversal of two deals from previous periods, due to the Covid-19 related postponement of the Olympic games. Excluding these items, operating earnings were SEK 11.8 (16.4) million.

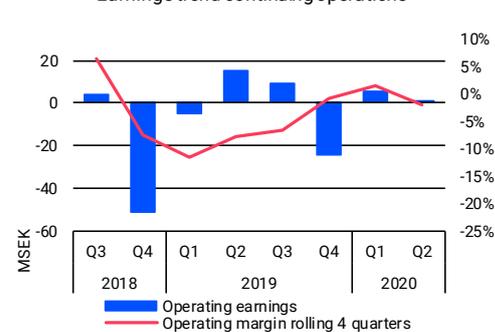
EBITDA was SEK -5.5 (15.1) million, corresponding to an EBITDA margin of -5.2% (12.0%). The decrease is attributable to the lower operating earnings and an increase of total development expenditures, i.e. before capitalizations.

In the second quarter, net financial items amounted to SEK 0.7 (-0.8) million.

Profit before tax for the second quarter was SEK 1.8 (14.8) million, and net income was SEK 1.8 (11.8) million, corresponding to a net margin of 1.7% (9.4%). Including Discontinued operations, net income was SEK 1.8 (2.2) million.

Gross earnings for the six-month period were SEK 127.5 (144.4) million. Operating expenses of SEK -124.6 (-133.0) million decreased following cost reduction initiatives. Operating earnings were SEK 6.7 (11.1). EBITDA was SEK -7.2 (17.6) million. The decrease is attributable to the lower operating earnings and an increase of total development expenditures, i.e. before capitalizations. A retroactive reclassification of foreign exchange effects for the period January-March, related to the divestment of the Sye operations during the first quarter, have affected Operating earnings with SEK -2.7 million. See further under Accounting Policies below.

Earnings trend continuing operations



Earnings trend excl. Items affecting comparability continuing operations



Key Ratios continuing operations	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
	2020	2019	2020	2019	Jun 2020	2019
Net sales, SEK millions	105.0	125.2	199.0	233.8	413.7	448.6
Net sales YoY, change in %	-16.1%	5.3%	-14.9%	1.9%	-3.1%	-0.2%
Gross earnings	69.4	78.5	127.5	144.4	265.4	282.3
Gross margin	66.1%	62.7%	64.1%	61.8%	64.2%	62.9%
Operating earnings	1.1	15.6	6.7	11.1	-8.0	-3.6
Operating margin	1.0%	12.4%	3.4%	4.7%	-1.9%	-0.8%
EBITDA	-5.5	15.1	-7.2	17.6	-31.4	-6.6
EBITDA margin	-5.2%	12.0%	-3.6%	7.5%	-7.6%	-1.5%

Earnings per Business Area

Media Networks

Operating earnings for Media Networks for the second quarter decreased and amounted to SEK 7.9 (23.9) million, corresponding to an operating margin of 9.0% (22.4%). The earnings decrease is attributable to Covid-19 impact on revenue. The Aperi operation, which was acquired during the first quarter, affected Operating earnings with SEK -2.0 (-) million. Total development expenditure increased because of further portfolio investments, including the Aperi acquisition, and amounted to SEK -27.6 (-20.6) million.

Operating earnings for the six-month period were SEK 4.6 (29.7) million, corresponding to an operating margin of 2.8% (14.9%). The decrease is primarily attributable to Covid-19 impact on revenue. Total development expenditure increased because of further portfolio investments, including the Aperi acquisition, and amounted to SEK -57.0 (-41.7) million.

Resource Optimization

For Resource Optimization, operating earnings for the second quarter amounted to SEK 0.5 (-7.7), a clear improvement versus the corresponding period. This is due to higher gross earnings as well as to a decrease of operating expenses, primarily due to efficiency measures but also to a higher capitalization rate of development expenditure. Total development expenditure decreased slightly and amounted to SEK -9.3 (-11.6).

Operating earnings for the six-month period were SEK -1.3 (-18.7). This is due to higher revenue and gross earnings as well as to a decrease of operating expenses, primarily due to efficiency measures but also to a higher capitalization rate of development expenditure.

Total development expenditure decreased slightly and amounted to SEK -20.1 (-20.8)

INVESTMENTS INCLUDING DIVESTED OPERATIONS

Second quarter investments were SEK 22.7 (21.0) million, of which SEK 20.5 (14.8) million related to capitalization of expenditure for development. Depreciation and amortization in the second quarter totaled SEK 13.9 (19.2) million, of which SEK 8.7 (14.1) million related to amortization of capitalized expenditure for development.

Investments for the first six months were SEK 47.1 (38.5) million, of which SEK 41.8 (37.5) million related to capitalization of expenditure for development. Depreciation and amortization for the first six months totaled SEK 27.8 (38.9) million, of which SEK 17.2 (28.7) million related to amortization of capitalized expenditure for development.

At the end of the period, net value of capitalized expenditure for development was SEK 209.2 million. Net value of capitalized expenditure for development as of December 31, 2019, was SEK 184.6 million for continuing operations and SEK 264.3 million for the Group, including divested operations.

Investments per Business Area

Investments per Business Area only reflects capitalized expenditure for development.

Media Networks

Capitalized expenditure for development in the second quarter amounted to SEK 12.8 (9.2) million, and amortization to SEK -7.1 (-7.6) million. For the six-month period, capitalized expenditure for development amounted to SEK 27.4 (15.2) million, and amortization to SEK -14.4 (-17.8) million.

At the end of the period, net value of capitalized expenditure for development was SEK 139.2 million, against SEK 126.0 million as of December 31, 2019.

Resource Optimization

Capitalized expenditure for development in the second quarter amounted to SEK 7.7 (5.6) million, and amortization to SEK -1.6 (-1.6) million. For the six-month period, capitalized expenditure for development amounted to SEK 14.4 (9.5) million, and amortization to SEK -2.7 (-2.7) million

At the end of the period, net value of capitalized expenditure for development was SEK 70.0 million, against SEK 58.5 million as of December 31, 2019.

CASH FLOW AND FINANCIAL POSITION INCLUDING DISCONTINUED OPERATIONS

Cash flow from operating activities in the second quarter was SEK 13.8 (10.6) million. Total cash flow was SEK -10.3 (-12.3) million. Total cash flow includes a US Covid-19 government grant loan of 9.2 MSEK (-). The grant is a non-interest-bearing loan, which will be forgiven if certain criteria are met. The loan has not affected the income statement for the period and is recorded as an operating liability.

Cash flow from operating activities for the six-month period was SEK -16.4 (-0.1) million, and total cash flow was 235.6 (-44.2). The divestment of Business Area Streaming Solutions in the first quarter had a cash impact of SEK 302.3 (-) million.

Cash and cash equivalents were SEK 256.7 million at the end of the period, against SEK 52.3 million as of 31 December 2019.

Remaining tax loss carryforwards for group companies amounted to SEK 101.5 million at the end of the period, compared to SEK 102.8 million as of December 31, 2019. Deferred tax assets have been recognized for the tax loss carryforwards. For more information, see the section Tax on page 14.

Equity was SEK 714.7 million at the end of the period, against SEK 463.7 million as of 31 December 2019. The equity/assets ratio was 78.2%, against 67.6% as of 31 December 2019. For information about warrants, share repurchases and share structure, see the section Contributed equity on page 14.

The Company has previously announced an ambition to propose a capital redistribution. Given the current uncertainties, a decision regarding the form and timing for a capital redistribution has been pushed forward in time.

EMPLOYEES

The average number of employees and consultants at Net Insight during the second quarter and the six-month period was 198 (188) and 198 (190) respectively, of which 127 (110) and 127 (111) respectively in the parent company Net Insight AB (publ).

Crister Fritzson assumed the CEO position on April 1. During the second quarter, changes in the executive management per June 1 were announced. Per Lindgren assumed the Chief Technology Office role. Ulrik Rohne assumes a new role as Chief Operating Officer. Mårten Blixt was appointed to the new role Chief Commercial Officer and assume the position in August 2020. Further it was announced that the CFO will be leaving his position, and that Joakim Schedvins has been appointed successor and will assume the CFO position latest in November 2020.

PARENT COMPANY

Parent company net sales were SEK 88.2 (139.9) million in the second quarter, and net income was SEK -2.2 (1.8) million. In the second quarter, intra-group sales totaled SEK 1.6 (29.5) million, and intra-group purchases SEK -11.4 (-45.6) million.

For the six-month period, parent company net sales were SEK 168.4 (269.5) million, and net income was SEK 198.0 (7.5) million. The financial net includes result from participation in group companies of SEK 196.5 (1.8) million, which for 2020 relates to capital gains from divestment of subsidiary, and for 2019 from dividend from subsidiary. For the six-month period, intra-group sales totaled SEK 6.3 (63.5) million, and intra-group purchases SEK -24.5 (-86.5) million.

Intra-group sales and purchases have decreased due to the intra-group restructuring that was done during the last quarter of 2019, including the parent company acquisition of all immaterial rights related to Nimbra from a subsidiary.

Progress in the parent company in the first quarter and the full year largely shadowed Group progress as indicated above for the business area Media Networks

RISK AND SENSITIVITY ANALYSIS

Net Insight's operations and results of operations are affected by a number of external and internal factors. The company conducts a continuous process to identify all risks present, and to assess how each risk should be managed.

Primarily, the risks the company is exposed to are market-related risks (including competition, technological progress and political risks), operational risks (including product liability, intellectual property, disputes, customer dependency and contract risks) as well as financial risks.

See page 3 for Covid-19 and impact on business.

No additional critical risks and uncertainty factors, other than those reviewed in the Annual Report for 2019, arose during the period or are anticipated in 2020.

For a complete review of the company's risk and sensitivity analysis, and its risk management process, see pages 28–30 and 49–50 of the Annual Report for 2019.

SEASONALITY

In the past three calendar years, average seasonality has been fairly modest. Net sales for continuing operations in the first, second, third and fourth quarter has been on average approximately been 25% of annual sales respectively.

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
	2020	2019	2020	2019	Jun 2020	2019
Continuing operations						
Net sales	104,957	125,167	198,952	233,825	413,677	448,550
Cost of sales	-35,606	-46,659	-71,421	-89,394	-148,278	-166,251
Gross earnings	69,351	78,508	127,531	144,431	265,399	282,299
Sales and marketing expenses	-28,568	-28,911	-57,182	-61,145	-124,853	-128,816
Administration expenses	-16,446	-15,980	-32,204	-34,202	-65,357	-67,355
Development expenses	-16,348	-17,283	-35,183	-37,694	-68,265	-70,776
Other operating income and expenses	-6,903	-764	3,728	-315	-14,909	-18,952
Operating earnings	1,086	15,570	6,690	11,075	-7,986	-3,600
Net financial items	700	-767	-2,120	463	-5,592	-3,009
Profit/loss before tax	1,786	14,803	4,570	11,538	-13,578	-6,609
Tax	-4	-2,996	-999	-2,432	3,398	1,965
Net income continuing operations	1,782	11,807	3,570	9,106	-10,179	-4,644
Discontinued operations, net after tax	-	-9,632	246,580	-15,465	234,501	-27,543
Net Income	1,782	2,175	250,150	-6,359	224,322	-32,187
Net income for the period attributable to the shareholders of the parent company	1,782	2,175	250,150	-6,359	224,322	-32,187
Earnings per share, based on net income attributable to the parent company's shareholders during the period						
Earnings per share basic and diluted continuing operations (SEK)	0.00	0.03	0.01	0.02	-0.03	-0.01
Earnings per share basic and diluted including discontinuing operations (SEK)	0.00	0.01	0.65	-0.02	0.59	-0.08
Average number of outstanding shares in thousands, basic	382,758	382,758	382,758	382,858	382,758	382,812

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
	2020	2019	2020	2019	Jun 2020	2019
Net income	1,782	2,175	250,150	-6,359	224,322	-32,187
Other comprehensive income						
<i>Items that may be reclassified subsequently to the income statement</i>						
Translation differences	-5,579	-71	-136	2,698	1,070	3,904
Total other comprehensive income, after tax	-5,579	-71	-136	2,698	1,070	3,904
Total other comprehensive income for the period	-3,797	2,104	250,014	-3,661	225,392	-28,283
Total comprehensive income for the period attributable to the shareholders of the parent company	-3,797	2,104	250,014	-3,661	225,392	-28,283

CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Jun 30, 2020	Mar 31, 2020	31 Dec 2019
ASSETS			
Non-current assets			
Capitalized expenditure for development	209,196	202,461	184,582
Goodwill	65,791	70,575	65,582
Other intangible assets	10,166	9,939	10,560
Right-of-use assets	47,377	50,326	52,394
Equipment	29,402	31,478	29,531
Deferred tax asset	26,184	27,048	26,997
Deposits	5,184	5,224	5,186
Total non-current assets	393,300	397,051	374,832
Current assets			
Inventories	62,693	58,568	44,584
Accounts receivable	114,767	115,923	103,771
Other receivables	56,848	65,381	17,179
Cash and cash equivalents	286,677	298,178	52,280
Assets held for sale	-	-	93,840
Total current assets	520,985	538,050	311,654
TOTAL ASSETS	914,285	935,101	686,486
EQUITY AND LIABILITIES			
Equity attributable to parent company's shareholders			
Share capital	15,597	15,597	15,597
Other paid-in capita	1,192,727	1,192,727	1,192,727
Translation reserve	9,337	14,916	9,473
Accumulated deficit	-502,952	-505,684	-754,052
Total shareholders' equity	714,709	717,556	463,745
Non-current liabilities			
Lease liabilities	37,332	39,721	41,517
Other liabilities	17,501	22,414	20,649
Total non-current liabilities	54,833	62,135	62,166
Current liabilities			
Lease liabilities	10,031	10,469	10,586
Accounts payable	21,682	30,319	35,821
Other liabilities	113,030	114,622	111,173
Liabilities directly associated with assets held for sale	-	-	2,995
Total current liabilities	144,743	155,410	160,575
TOTAL EQUITY AND LIABILITIES	914,285	935,101	686,486

CHANGES IN CONSOLIDATED EQUITY, IN SUMMARY

SEK thousands	Attributable to parent company's shareholders				Total shareholders' equity
	Share capital	Other paid-in capital	Translation reserve	Accumulated deficit	
January 1, 2019	15,597	1,192,727	5,569	-720,028	493,865
Repurchase of own shares	-	-	-	-1,837	-1,837
Total comprehensive income	-	-	3,904	-32,187	-28,283
December 31, 2019	15,597	1,192,727	9,473	-754,052	463,745
January 1, 2020	15,597	1,192,727	9,473	-754,052	463,745
Warrants issued	-	-	-	950	950
Total comprehensive income	-	-	-136	250,150	250,014
June 30, 2020	15,597	1,192,727	9,337	-502,952	714,709

CONSOLIDATED STATEMENT OF CASH FLOWS INCLUDING DISCONTINUED OPERATIONS

SEK thousands	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
	2020	2019	2020	2019	Jun 2020	2019
Ongoing activities						
Profit/loss before tax	1,786	2,549	251,212	-8,137	217,698	-41,651
Income tax paid	-	-	-	-	-371	-371
Depreciation, amortization & impairment	13,929	19,163	27,838	38,915	66,771	77,848
Other items not affecting liquidity	7,183	1,029	-244,726	665	-230,162	15,229
Cash flow from operating activities before changes in working capital	22,898	22,741	34,324	31,443	53,936	51,055
Changes in working capital						
Increase-/decrease+ in inventories	-4,121	4,912	-19,075	-1,738	-20,019	-2,682
Increase-/decrease+ in receivables	9,689	1,872	-15,859	-37,586	20,155	-1,572
Increase+/-decrease- in liabilities	-14,618	-18,899	-15,765	7,815	-9,537	14,043
Cash flow from operating activities	13,848	10,626	-16,375	-66	44,535	60,844
Investment activities						
Investment in intangible assets	-22,701	-20,553	-44,047	-37,768	-96,438	-90,159
Investment in tangible assets	-2	-434	-3,028	-749	-4,209	-1,930
Disposal of subsidiary, net effect on cash	-	-	302,348	-	302,348	-
Increase-/decrease+ in financial assets, net	-	32	-	32	14	46
Cash flow from investment activities	-22,703	-20,955	255,273	-38,485	201,715	-92,043
Financing activities						
Amortization leasing	-2,400	-1,935	-4,781	-3,843	-9,092	-8,154
Warrant premiums paid	950	-	950	-	950	-
Repurchase of own shares	-	-	-	-1,837	-	-1,837
Cash flow from financing activities	-1,450	-1,935	-3,831	-5,680	-8,142	-9,991
Net change in cash and cash equivalents	-10,305	-12,264	235,067	-44,231	238,108	-41,190
Exchange differences in cash and cash equivalents	-1,196	-204	-720	262	-355	627
Cash and cash equivalents at the beginning of the period	298,178	61,392	52,330	92,893	48,924	92,893
Cash and cash equivalents at the end of the period	286,677	48,924	286,677	48,924	286,677	52,330

SEGMENTS

The company's segments are the business areas Media Networks and Resource Optimization. The business area Streaming Solutions was divested in 2020, hence the business area is reported separately as discontinuing operations and are excluded from the segment reporting.

SEK thousands	Apr-Jun 2020				Apr-Jun 2019			
	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total
Net Sales	88,323	16,634	-	104,957	106,414	18,753	-	125,167
Gross earnings	58,771	10,558	22	69,351	68,124	10,362	22	78,508
Net margin	66.5%	63.5%		66.1%	64.0%	55.3%		62.7%
Operating earnings	7,946	547	-7,407	1,086	23,875	-7,696	-609	15,570
Gross margin	9.0%	3.3%		1.0%	22.4%	-41.0%		12.4%
Net financial items			700	700			-767	-767
Profit/loss before tax continuing operations				1,786				14,803

SEK thousands	Jan-Jun 2020				Jan-Jun 2019				Jul 2019-Jun 2020				Jan-Dec 2019			
	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total
Net Sales	164,294	34,658	-	198,952	199,993	33,832	-	233,825	342,065	71,612	-	413,677	377,764	70,786	-	448,550
Gross earnings	105,522	21,966	43	127,531	127,792	16,596	43	144,431	220,087	45,220	92	265,399	242,357	39,850	92	282,299
Gross margin	64.2%	63.4%		64.1%	63.9%	49.1%		61.8%	64.3%	63.1%		64.2%	64.2%	56.3%		62.9%
Operating earnings	4,649	-1,340	3,381	6,690	29,737	-18,653	-9	11,075	21,390	-14,446	-14,930	-7,986	46,479	-31,759	-18,320	-3,600
Gross margin	2.8%	-3.9%		3.4%	14.9%	-55.1%		4.7%	6.3%	-20.2%		-1.9%	12.3%	-44.9%		-0.8%
Net financial items			-2,120	-2,120			463	463			-5,592	-5,592			-3,009	-3,009
Profit/loss before tax continuing operations				4,570				11,538				-13,578				-6,609

DISAGGREGATION OF REVENUE

SEK thousands	Apr-Jun 2020			Apr-Jun 2019			Jan-Jun 2020			Jan-Jun 2019			Jul 2019-Jun 2020			Jan-Dec 2019		
	Media Networks	Resource Optimization	Total	Media Networks	Resource Optimization	Total	Media Networks	Resource Optimization	Total									
Net sales by product group																		
Hardware	36,276	-	36,276	52,442	-	52,442	68,655	-	68,655	94,739	-	94,739	145,655	-	145,655	171,739	-	171,739
Software licenses	22,737	973	23,710	25,636	2,380	28,016	38,322	2,205	40,527	44,866	2,380	47,246	80,590	6,107	86,697	87,134	6,282	93,416
Support and Services	29,310	15,661	44,971	28,336	16,373	44,709	57,317	32,453	89,770	60,388	31,452	91,840	115,820	65,505	181,325	118,891	64,504	183,395
Total	88,323	16,634	104,957	106,414	18,753	125,167	164,294	34,658	198,952	199,993	33,832	233,825	342,065	71,612	413,677	377,764	70,786	448,550
Net sales by region																		
WE	31,587	4,275	35,862	45,551	4,897	50,448	70,685	9,271	79,956	84,094	8,833	92,927	154,891	18,344	173,235	168,300	17,906	186,206
AM	34,745	9,168	43,913	40,536	10,163	50,699	58,966	18,650	77,616	80,623	19,902	100,525	115,894	40,756	156,650	137,551	42,008	179,559
RoW	21,991	3,191	25,182	20,327	3,693	24,020	34,643	6,737	41,380	35,276	5,097	40,373	71,280	12,512	83,792	71,913	10,872	82,785
Total	88,323	16,634	104,957	106,414	18,753	125,167	164,294	34,658	198,952	199,993	33,832	233,825	342,065	71,612	413,677	377,764	70,786	448,550
Timing of revenue recognition																		
Products and services transferred at a point in time	59,021	973	59,994	78,091	2,380	80,471	106,997	2,205	109,202	139,633	2,380	142,013	226,286	6,107	232,393	258,922	6,282	265,204
Services transferred over time	29,302	15,661	44,963	28,323	16,373	44,696	57,297	32,453	89,750	60,360	31,452	91,812	115,779	65,505	181,284	118,842	64,504	183,346
Total	88,323	16,634	104,957	106,414	18,753	125,167	164,294	34,658	198,952	199,993	33,832	233,825	342,065	71,612	413,677	377,764	70,786	448,550

INCOME FROM DISCONTINUED OPERATIONS

SEK thousands	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
	2020	2019	2020	2019	Jun 2020	2019
Revenues	-	3,355	-376	6,021	3,114	9,510
Expenses	-	-15,609	668	-25,696	-18,188	-44,552
Capital gain on disposal of discontinued operations	-	-	246,350	-	246,350	-
Profit/loss before tax	-	-12,254	246,643	-19,675	231,276	-35,042
Tax	-	2,622	-63	4,210	3,226	7,499
Net income discontinuing operations	-	-9,632	246,580	-15,465	234,501	-27,543

ASSETS HELD FOR SALE

SEK thousands	Jan 2020	31 Dec 2019
Disposed assets and liabilities		
Capitalized expenditure for development	79,756	79,756
Equipment	250	250
Deferred tax asset	13,598	13,598
Other receivables	186	186
Cash and cash equivalents	1,533	50
Other liabilities	-2,875	-2,995
Net assets and liabilities	92,448	90,845
Cash consideration	348,002	-
Less: Escrow	-34,917	-
Less: Cash and cash equivalents in discontinued operations	-1,533	-
Less: Transaction costs	-9,204	-
Effect on group's cash and cash equivalents	302,348	-

CASHFLOW FROM DISCONTINUED OPERATIONS

SEK thousands	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
	2020	2019	2020	2019	Jun 2020	2019
Cash flow from discontinued operations, net						
Cash flow from operating activities	-	-7,409	293	-11,909	-5,223	-17,424
Cash flow from investment activities	-	-5,714	302,348	-13,108	289,349	-26,109
Cash flow from financing activities	-	-	-	-	-	-
Cash flow from discontinued operations, net	-	-13,123	302,641	-25,017	284,127	-43,533

FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category - Assets		Jun 30, 2020		31 Dec 2019		
SEK thousands	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss
Assets in Balance Sheet						
Derivative instruments	2		-	2		-
Accounts receivable and other receivables, excluding non-financial assets		159,115			110,147	
Cash and cash equivalents		286,677			52,280	
Total		445,792	-		162,427	-

Group's financial instruments by category - Liabilities		Jun 30, 2020		31 Dec 2019		
SEK thousands	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss
Liabilities in Balance Sheet						
Synthetic options	2		76	2		68
Derivative instruments	2		1,869	2		-
Accounts payable and other liabilities, excluding non-financial liabilities		30,758			46,689	
Lease liabilities		47,364			52,103	
Total		78,122	1,945		98,792	68

Financial instruments in tier 2

The fair value of derivative instruments is measured using exchange rates of currency forwards on the reporting date. The closing balance for synthetic options represents the total assessed value of a number of outstanding options, which has been measured on the basis of accepted market principles and are based on Net Insight's share price.

PARENT COMPANY INCOME STATEMENT, IN SUMMARY

SEK thousands	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
	2020	2019	2020	2019	Jun 2020	2019
Net sales	88,242	139,907	168,437	269,450	386,306	487,319
Cost of sales	-29,592	-66,435	-58,716	-119,732	-146,333	-207,349
Gross earnings	58,650	73,472	109,721	149,718	239,973	279,970
Sales and marketing expenses	-25,766	-31,498	-50,612	-60,644	-109,554	-119,586
Administration expenses	-14,671	-11,946	-28,587	-26,898	-57,181	-55,491
Development expenses	-13,794	-28,451	-28,867	-57,008	-75,992	-104,133
Other income expenses	-7,984	-439	1,536	106	-16,976	-18,406
Operating earnings	-3,565	1,136	3,191	5,275	-19,730	-17,646
Net financial items	1,108	588	195,370	3,740	111,125	-80,506
Profit/loss before tax	-2,457	1,725	198,561	9,014	91,395	-98,152
Tax	455	46	-546	-1,557	11,124	10,113
Net income	-2,002	1,771	198,015	7,457	102,519	-88,039

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Jun 30, 2020	Mar 31, 2020	31 Dec 2019
ASSETS			
Non-current assets			
Capitalized expenditure for development	141,769	133,375	126,049
Other intangible assets	2,125	2,812	3,234
Equipment	23,226	24,414	25,576
Participations in group companies	246,630	246,630	243,777
Deferred tax asset	14,597	14,143	15,144
Deposits	4,650	4,649	4,649
Total non-current assets	432,997	426,023	418,429
Current assets			
Inventories	62,693	58,568	44,584
Accounts receivable	108,183	101,722	98,100
Receivables from group companies	-	-	20,826
Other receivables	56,680	65,324	15,055
Cash and cash equivalents	260,567	282,405	40,849
Total current assets	488,123	508,019	219,414
TOTAL ASSETS	921,120	934,042	637,843
EQUITY AND LIABILITIES			
Equity			
Restricted equity	169,435	156,698	142,075
Non-restricted equity	550,749	564,536	379,143
Total equity	720,184	721,234	521,218
Non-current liabilities			
Other liabilities	9,367	12,157	12,611
Total non-current liabilities	9,367	12,157	12,611
Current liabilities			
Accounts payable	19,547	22,156	32,381
Liabilities to group companies	108,275	104,658	-
Other liabilities	63,747	73,837	71,633
Total current liabilities	191,569	200,651	104,014

ACCOUNTING POLICIES

This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations of the Swedish Annual Accounts Act. The Interim Report of the parent company complies with chapter 9 of the Swedish Annual Accounts Act, Interim Financial Reporting, and RFR 2 Accounting for Legal Entities.

Disclosures in accordance with IAS 34 are presented in the interim financial statements and the associated notes as well as elsewhere in the interim financial report.

There are no new or amended International Financial Reporting Standards (IFRS) that have had a material impact on the Company's financial reporting.

During the second quarter, the parent company reclassified SEK 2.7 million regarding exchange rate differences related to the divestment of a subsidiary in January 2020 from Other operating income to Capital gains from divestment of subsidiaries. The adjustment has been made retroactively, which affected the Group's income statement for the period January-March 2020 in Other operating income and expenses as well as Operating earnings by SEK -2.7 million, Tax by SEK 0.6 million and Net income for the period by SEK -2.1 million. In the Balance Sheet as of March 31, 2020, Deferred tax assets and Equity were affected by SEK 0.6 million.

Accounting of government grants

In connection with the Covid-19 outbreak, the reporting of government grants has become relevant, as the Group receives state support from countries around the world linked to the measures introduced due to the outbreak. A government grant is reported in the Group's balance sheet and the Group's report on comprehensive income when there is reasonable assurance that the Group fulfills the conditions associated with the grants and that the grants will be received. Contributions attributable to expenses are reported as other income or reduction of expenses in the Group's report on comprehensive income, depending on the nature of the grant, and are reported during the same period as the costs the contributions are intended to offset. Grants in the form of cost compensation for personnel who do not work, and thus do not create any value for the company, are reported as a reduction of employee expenses. Grants for personnel and other resources that still contribute to creating value for the company are reported as other operating income.

Except for stated above, the same accounting principles and basis of calculation as those used in the latest Annual Report have been applied to the group and parent company. For a description of these accounting principles, please refer to the Annual Report for 2019.

The preparation of the Interim Report requires management to make judgements, estimates and assumptions that affect the company's earnings and position and information presented generally. Estimates and judgements are continually evaluated and

are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. For a description of these estimates and assumptions, please refer to the Annual Report for 2019.

Figures in brackets in this report refer to comparison with the corresponding period or date in the previous year, if not stated otherwise. Divergences due to rounding may occur in this report.

TAX

The group reported tax of total SEK -1.1 (1,8) million for the period January–June 2020, of which SEK -1.0 (-2.4) million relates to continuing operations. Reported tax corresponds to an effective tax rate of 0.4 (22) percent and 22 (21) percent, respectively. The group recognized a capital gain from discontinued operations of SEK 246.4 million, which is a none taxable income. This item has had a big impact on the effective tax rate during 2020. The effective tax rate is also affected by the relative effects of foreign tax rates and temporary differences.

Remaining tax loss carryforwards for group companies amounted to SEK 101.5 million at the end of the period, compared to SEK 102.8 million as of December 31, 2019. Deferred tax assets have been recognized for the tax loss carryforwards.

CONTRIBUTED EQUITY

In accordance with the warrant program approved by the 2020 Annual General Meeting, management and key personnel in June acquired a total of 2,160,000 warrants for a market premium of a total of SEK 950,400. The warrants have a vesting period of three years, after which the holder has the right to exercise the warrants for subscription of B shares in the parent company for a period of three months at an exercise price of SEK 2.80. Premiums received for the warrants have been reported against equity. When calculating earnings per share, a dilution effect arises when the average price for the period exceeds the exercise price for the warrants.

A sum corresponding to half of the participants' paid premium for the warrants, net after tax, is paid as a variable remuneration to the participant two equal payments provided that the participant is employed within the Net Insight Group at the time of payment.

No own shares have been repurchased during January-June 2020. At the end of the reporting period, the parent company had a total of 7,175,000 of its own class B shares, at an average cost of SEK 4.44 per share and with a par value of SEK 0.04 per share. The shares are held as own shares. The parent company has the right to reissue these shares at a later date.

All shares issued by the parent company were fully paid.

The division of shares	30 Jun, 2020			31 Dec, 2019		
	A-shares	B-shares	Total	A-shares	B-shares	Total
Outstanding shares	1,000,000	381,758,009	382,758,009	1,000,000	381,758,009	382,758,009
Repurchased own shares	-	7,175,000	7,175,000	-	7,175,000	7,175,000
Issued shares	1,000,000	388,933,009	389,933,009	1,000,000	388,933,009	389,933,009

TRANSACTIONS WITH RELATED PARTIES

The Board of Directors appointed the Board member Anders Harrysson, through his company GEB Rand AB, as interim CEO of the parent company Net Insight AB during the transition period between the leaving and the appointed new CEO (November 2019 - April 2020). During January-March 2020, fees from GEB Rand AB of SEK 0.9 (-) million were expensed, after which no more fees has been originated.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the end of the reporting period.

AUDITORS' REVIEW

This Report has not been reviewed by the company's auditors.

THIS IS NET INSIGHT

Business concept and model

With its deep market knowledge and insight, genuine customer focus and world-leading innovative technology, Net Insight makes it easier to create and deliver better media content in a simpler and more effective way.

With the two business areas Media Networks and Resource Optimization, Net Insight offers solutions that enable network operators and media companies the benefit of lower costs and the potential for effective new media service launches. Revenues are generated through sales of hardware and software solutions and services.

Strategy

Net Insight is driven by the idea that everything can always be done smarter, for both its customers and their customers. Net Insight's long-term view of the media market of tomorrow is a global, fully connected world where new technology enables direct, intelligent and seamless exchange of content between producers, distributors and consumers.

The strategy is to offer competitive and future-proof solutions that meet these customer demands, by continuously develop solutions that make customers even more relevant and competitive in the media landscape of tomorrow.

Value creators

The value-creating factors affect Net Insight's development and are divided into three groups: market transformation, innovative technology and global scope. Net Insight benefits from the general increase in video traffic, live streaming and file-based transfers, the use of remote production, increased distribution over the internet and broader coverage of live events.

REPORTING DATES

Interim report January – September November 4, 2020

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

For more information, please contact:

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CERTIFICATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and the CEO certify that the Interim report for the period January – June 2019 gives a true and fair overview of the Parent Company Net Insight AB (publ) and the Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Solna, July 21, 2020

Gunilla Fransson
Chairman

Kjell Arvidsson
Board member

Jan Barchan
Board member

Mathias Berg
Board member

Anders Harrysson
Board member

Charlotta Falvin
Board member

Crister Fritzson
CEO

This information is information that Net Insight AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 8:45 am CEST on July 21, 2020.

FINANCIAL INFORMATION

SEK millions (if not defined differently)	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
	2020	2019	2020	2019	Jun 2020	2019
Earnings continuing operations						
<i>Netsales per business area</i>						
Media Networks	88.3	106.4	164.3	200.0	342.1	377.8
Resource Optimization	16.6	18.8	34.7	33.8	71.6	70.8
Net sales	105.0	125.2	199.0	233.8	413.7	448.6
Gross earnings	69.4	78.5	127.5	144.4	265.4	282.3
Operating expenses	61.4	62.2	124.6	133.0	258.5	266.9
Total development expenditure	36.8	32.1	77.0	77.8	148.7	134.0
EBITDA	-5.5	15.1	-7.2	17.6	-31.4	-6.6
Operating earnings	1.1	15.6	6.7	11.1	-8.0	-3.6
Profit/loss before tax	1.8	14.8	4.6	11.5	-13.6	-6.6
Net income	1.8	11.8	3.6	9.1	-10.2	-4.6
Balance sheet and cash flow including discontinued operations						
Cash and cash equivalents	286.7	48.9	286.7	48.9	286.7	52.3
Working capital	97.3	68.2	71.0	58.2	66.5	46.8
Total cash flow	-10.3	-12.3	235.1	-44.2	238.1	-41.2
The share						
Dividend per share, SEK	-	-	-	-	-	-
Earnings per share basic and diluted continuing operations, SEK	0.00	0.03	0.01	0.02	-0.03	-0.01
Earnings per share basic and diluted discontinuing operations, SEK	0.00	0.01	0.65	-0.02	0.59	-0.08
Earnings per share basic and diluted total, SEK	0.01	0.04	0.66	0.01	0.56	-0.10
Cash flow per share, SEK	-0.03	-0.03	0.61	-0.12	0.62	-0.11
Equity per share basic and diluted, SEK	1.87	1.28	1.87	1.28	1.87	1.21
Average number of outstanding shares basic and diluted, thousands	382,758	382,758	382,758	382,858	382,758	382,812
Number of outstanding shares at the end of the period basic and diluted, thousands	382,758	382,758	382,758	382,758	382,758	382,758
Share price at end of period, SEK	2.56	1.77	2.56	1.77	2.56	2.30
Employees and consultants continuing operations						
Average number of employees and consultants	198	188	198	190	193	189
KPI continuing operations						
Net sales YoY, change in %	-16.1%	5.3%	-14.9%	1.9%	-3.1%	-0.2%
Gross margin	66.1%	62.7%	64.1%	61.8%	64.2%	62.9%
Total development expenditure/Net sales	35.1%	25.7%	38.7%	26.7%	35.9%	29.9%
Operating margin	1.0%	12.4%	3.4%	4.7%	-1.9%	-0.8%
EBITDA margin	-5.2%	12.0%	-3.6%	7.5%	-7.6%	-1.5%
Net margin	1.7%	9.4%	1.8%	3.9%	-2.5%	-1.0%
KPI Group including discontinued operations						
Return on capital employed	-3.1%	-13.5%	0.9%	-1.7%	-3.8%	-7.4%
Equity/asset ratio	78.2%	68.9%	78.2%	68.9%	78.2%	67.6%
Return on equity	39.0%	-11.4%	39.0%	-1.7%	39.0%	-6.6%

ALTERNATIVE PERFORMANCE MEASURES AND OTHER DEFINITIONS

Non-IFRS financial measures are presented to enhance an investors and management possibility to evaluate the ongoing operating results, to aid in forecasting future periods and to facilitate meaningful comparison of result between periods. The APMs in this report may differ from similar-titled measures used by other companies. APMs regarding to the income statement are calculated on continuing operations unless otherwise stated. APMs regarding the balance sheet are calculated on the whole group including discontinuing operations, unless otherwise stated.

Calculation of performance measures not included in IFRS framework

Performance measures		
Various types of performance measures and margin measures as a percentage of sales.		
Non-IFRS performance measures	Description	Reason for use of the measure
Gross margin	Gross earnings as a percentage of net sales.	The gross margin is of major importance, showing the margin for covering the operating expenses.
Gross margin excl. amortization of capitalized development	Gross earnings excl. amortization of capitalized development as a percentage of net sales.	
Operating expenses	Sales and marketing expenses, administration expenses and development expenses.	
Operating expenses/net sales	Operating expenses as a percentage of net sales.	Used in charts to illustrate trend.
Operating earnings	Calculated as operating earnings before financial items and tax.	Operating earnings provides an overall picture of earnings generated in the operating activities.
Operating margin	Operating earnings as a percentage of net sales.	The operating margin is a key measure together with sales growth and capital employed for monitoring value creation.
Net sales YoY, change in %	The relation between net sales for the period and the corresponding sales for the comparative period in previous year.	The sales growth is a key measure together with operating margin and capital employed for monitoring value creation.
Change in Net sales in comparable currencies	The relation between the net sales for the period, recalculated using the foreign currency rates from the comparative period, and the corresponding sales for the comparative period in previous year. Only sales from business combinations that has been part of the Group for the whole comparative period are recalculated.	This measure is of major importance for management in its monitoring of underlying sales growth driven by changes in volume, price and product mix for comparable currency rates between different periods.
Net margin	Net Income as a percentage of net sales.	The net margin shows the remaining share of net sales after all the company's costs have been deducted.
Total development (R&D) expenditure	Development expenses and capitalized expenditures for development.	The measure is a good complement to development expenses, as it shows the company's total expenditure in development. The development expenditures effect on income, financial position, and presentation in the statement of cashflow is affected by the periods level of capitalized development expenditures.
Capitalization rate	Capitalized development expenditures as a percentage of total development expenditures.	
Total development (R&D) expenditure/net sales	Total development expenditure as percentage of net sales.	
EBITDA	Operating earnings before depreciation and amortization and capitalization of development expenditure.	The measures are good complements to operating earnings and margin as it, simplified, shows the earnings-generated cash flow in the operation and it shows operating earnings without influence of variations in the level of capitalized development expenditures in the company's development projects.
EBITDA margin	EBITDA as a percentage of net sales.	
Region	Region. <ul style="list-style-type: none"> • Western Europe (WE). • Americas (AM), North and South America. • Rest of World (RoW), countries outside of Western Europe and Americas. 	

Change in net sales in comparable currencies	Apr-Jun		Jan-Jun		Jan-Dec
SEK millions (if not defined differently)	2020	2019	2020	2019	2019
Net sales	105.0	125.2	199.0	233.8	448.6
Net currency effect of comparable currencies	-1.1	-6.5	-4.3	-15.4	-24.4
Net sales in comparable currencies	103.9	118.7	194.6	218.5	424.2
Change in net sales in comparable currencies	-17.0%	-0.2%	-16.8%	-4.8%	-5.6%

KPI Income Statement	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
SEK millions (if not defined differently)	2020	2019	2020	2019	Jun 2020	2019
Continuing operations						
Net sales	105.0	125.2	199.0	233.8	413.7	448.6
Net sales YoY, change in %	-16.1%	5.3%	-14.9%	1.9%	-3.1%	-0.2%
Cost of sales ex. amortization of capitalized development	-26.9	-37.5	-54.3	-68.4	-112.4	-126.6
Gross earnings ex. amortization of capitalized development	78.1	87.7	144.7	165.4	301.3	321.9
Gross margin ex. amortization of capitalized development	74.4%	70.1%	72.7%	70.7%	72.8%	71.8%
Cost of sales amortization of capitalized development	-8.7	-9.2	-17.2	-20.9	-35.9	-39.6
Gross earnings	69.4	78.5	127.5	144.4	265.4	282.3
Gross margin	66.1%	62.7%	64.1%	61.8%	64.2%	62.9%
Sales and marketing expenses	-28.6	-28.9	-57.2	-61.1	-124.9	-128.8
Administration expenses	-16.4	-16.0	-32.2	-34.2	-65.4	-67.4
Development expenses	-16.3	-17.3	-35.2	-37.7	-68.3	-70.8
Operating expenses	-61.4	-62.2	-124.6	-133.0	-258.5	-266.9
Operating expenses/net sales	58.5%	49.7%	62.6%	56.9%	-62.5%	59.5%
Other operating income and expenses	-6.9	-0.8	3.7	-0.3	-14.9	-19.0
Operating earnings	1.1	15.6	6.7	11.1	-8.0	-3.6
Operating margin	1.0%	12.4%	3.4%	4.7%	-1.9%	-0.8%
Net financial items	0.7	-0.8	-2.1	0.5	-5.6	-3.0
Profit/loss before tax	1.8	14.8	4.6	11.5	-13.6	-6.6
Tax	-0.0	-3.0	-1.0	-2.4	3.4	2.0
Net income continuing operations	1.8	11.8	3.6	9.1	-10.2	-4.6
Net margin continuing operations	1.7%	9.4%	1.8%	3.9%	-2.5%	-1.0%
Discontinued operations, net after tax	-	-9.6	246.6	-15.5	234.5	-27.5
Net Income	1.8	2.2	250.2	-6.4	224.3	-32.2

EBITDA margin continuing operations	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
SEK millions (if not defined differently)	2020	2019	2020	2019	Jun 2020	2019
Operating earnings	1.1	15.6	6.7	11.1	-8.0	-3.6
Amortization of capitalized development expenditure	8.7	9.2	17.2	20.9	35.9	39.6
Other depreciation, amortization & impairment	5.2	5.1	10.7	10.2	21.1	20.6
Capitalization of development expenditure	-20.5	-14.8	-41.8	-24.6	-80.4	-63.2
EBITDA	-5.5	15.1	-7.2	17.6	-31.4	-6.6
Net sales	105.0	125.2	199.0	233.8	413.7	448.6
EBITDA margin	-5.2%	12.0%	-3.6%	7.5%	-7.6%	-1.5%

Development expenditure continuing operations	Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
SEK millions (if not defined differently)	2020	2019	2020	2019	Jun 2020	2019
Development expenses	16.3	17.3	35.2	37.7	68.3	70.8
Capitalization of development expenditure	20.5	14.8	41.8	24.6	80.4	63.2
Total development expenditure	36.8	32.1	77.0	62.3	148.7	134.0
Capitalization rate	55.6%	46.2%	54.3%	39.5%	54.1%	47.2%
Net Sales	105.0	125.2	199.0	233.8	413.7	448.6
Total development expenditure/net sales	35.1%	25.7%	38.7%	26.7%	35.9%	29.9%

Capital and return measures		
Shows how capital is utilized and the company's financial strength. Return is a financial term that describes how much the value of an asset changes from an earlier point in time.		
Non-IFRS performance measure	Description	Reason for use of the measure
Working capital	Current assets less cash and cash equivalents, accounts payable and other interest-free current liabilities. The Company has no interest-bearing liabilities, excluding lease liabilities. Changes in working capital in the cash flow statement also includes adjustments for items not affecting liquidity and changes in non-current operating assets and liabilities.	This measure shows how much working capital that is tied up in the operations and can be put in relation to sales to understand how effectively tied up working capital is used.
Capital employed	The Company capital employed is calculated as an average of total assets, less total liabilities, excluding interest-bearing liabilities. The Company has no interest-bearing liabilities, excluding lease liabilities.	Return on capital employed is the central ratio for measuring the return on the capital tied up in operations.
Return on capital employed	Operating earnings plus interest income, in relation to average capital employed, rolling four quarters.	
Equity/asset ratio	Shareholders' equity divided by the balance sheet total.	A traditional measure for showing financial risk, expressing the ratio of the assets that is financed by the owners.
Return on equity	Net income as a percentage of average shareholders' equity, rolling four quarters (R4Q).	Return on equity shows the total return on shareholders' capital and reflects the effect of the company's profitability as well as the financial leverage. The measure is primarily used to analyze shareholder profitability over time.
Investments	Investments in intangible and tangible assets.	
Total cash flow	Change in cash and cash equivalents during the period, excluding exchange differences in cash and cash equivalents.	

Working capital SEK millions	Apr-Jun		Jan-Jun		Jul 2019- Jun 2020	Jan-Dec 2019
	2020	2019	2020	2019		
Current assets	529.5	271.4	425.6	270.7	356.7	255.0
Cash and cash equivalents	-292.4	-55.2	-212.4	-67.7	-150.6	-64.5
No interest-bearing short term liabilities	-139.8	-148.1	-142.2	-144.8	-139.6	-143.8
Working capital	97.3	68.2	71.0	58.2	66.5	46.8

In current assets, assets held for sale of December 31, 2019, are excluded as, as they mainly relate to capitalized development expenses.

Return on capital employed including discontinued operations SEK millions (if not defined differently)	Apr-Jun		Jan-Jun		Jul 2019- Jun 2020	Jan-Dec 2019
	2020	2019	2020	2019		
<i>Capital employed</i>						
Total balance	924.4	717.9	845.1	695.3	789.5	695.0
No interest-bearing liabilities	-159.8	-173.3	-162.4	-167.5	-161.0	-165.3
Capital employed	764.6	544.6	682.7	527.7	628.5	529.7
<i>Operating earnings less interest income R4Q</i>						
Operating earnings R4Q	-23.1	-73.2	7.0	-8.6	-23.1	-38.6
Interest income R4Q	0.5	0.4	0.5	0.4	0.5	0.7
Operating earnings less interest income R4Q	-23.6	-73.6	6.5	-9.0	-23.6	-39.3
Return on capital employed	-3.1%	-13.5%	0.9%	-1.7%	-3.8%	-7.4%

Equity/asset ratio SEK millions (if not defined differently)	Apr-Jun		Jan-Jun		Jul 2019- Jun 2020	Jan-Dec 2019
	2020	2019	2020	2019		
Equity	714.7	488.4	714.7	488.4	714.7	463.7
Total equity and liabilities	914.3	709.1	914.3	709.1	914.3	686.5
Equity/asset ratio	78.2%	68.9%	78.2%	68.9%	78.2%	67.6%

Return on equity including discontinued operations SEK millions (if not defined differently)	Apr-Jun		Jan-Jun		Jul 2019- Jun 2020	Jan-Dec 2019
	2020	2019	2020	2019		
Net income - R4Q	224.3	-58.1	224.3	-8.6	224.3	-32.2
Average equity - R4Q	575.8	511.0	575.8	511.0	575.8	485.4
Return on equity	39.0%	-11.4%	39.0%	-1.7%	39.0%	-6.6%

Shareholders' information	Measures related to the share.	
Non-IFRS performance measure	Description	Reason for use of the measure
Dividend per share	Dividend divided by the average number of outstanding shares during the period.	Measures showing the return of the business to the owners, per share.
Earnings per share (EPS)	Net income divided by the average number of outstanding shares during the period.	
Cash flow per share	Total cash flow, divided by average number of outstanding shares during the period.	
Equity per share	Shareholders' equity divided by number of outstanding shares at the end of the period.	
Average number of outstanding shares	Total number of shares in the Parent company, less the number of group companies' holdings of shares in the Parent company (own/treasury shares).	

Employees	Measures related to employees.	
Non-IFRS performance measure	Description	Reason for use of the measure
Average number of employees and consultants/co-workers	The average number of employees and consultants for non-temporary positions (longer than nine months) and who do not replace absent employees, in FTE (Full-time equivalent).	To supplement the number of employees with consultants gives a better measure of the Company's cost.

Average number of employees and consultants	Apr-Jun		Jan-Jun		Jul 2019- Jun 2020	Jan-Dec 2019
	2020	2019	2020	2019		
Average number of employees	166	183	166	187	172	183
Average number of consultants	32	32	32	31	35	34
Total average number of employees and consultants	198	215	198	218	207	217
Average number of employees and consultants continuing operations	-	-27	-	-28	-14	-28
Net Average number of employees and consultants continuing operations	198	188	198	190	193	189

MATERIAL PROFIT AND LOSS ITEMS

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group:

Material profit and loss items		Apr-Jun		Jan-Jun		Jul 2019-	Jan-Dec
SEK millions	Note	2020	2019	2020	2019	Jun 2020	2019
Effects of the Net Insight share price development during the period							
Share-based benefits	(a)	-0.1	0.1	-0.1	0.1	-0.1	0.0
Synthetic options, change in value	(b)	-0.1	0.2	-0.0	0.4	-0.2	0.2
Total		-0.2	0.2	-0.1	0.5	-0.3	0.3
Government grants Covid-19							
Reduction of employee expenses		1.6	-	1.6	-	1.6	-
Other operating income		0.3	-	0.3	-	0.3	-
Total		1.9	-	1.9	-	1.9	-
Items affecting comparability							
Restructuring	(c)	-0.4	-1.0	-1.4	-6.5	-6.9	-12.0
Strategic advisory services and preparation for capital injection	(d)	-	-	-	-	-15.8	-15.8
Total		-0.4	-1.0	-1.4	-6.5	-22.7	-27.8
Operating earnings excluding items affecting comparability continuing operations							
Operating earnings		1.1	15.6	6.7	11.1	-8.0	-3.6
Items affecting comparability, as per above		0.4	1.0	1.4	6.5	22.7	27.8
Items affecting comparability discontinuing operations		-	-0.8	-	-2.9	-	-2.9
Operating earnings excluding items affecting comparability		1.5	15.7	8.1	14.7	14.7	21.3

All items in the table above effects operating earnings, except for (b) that effects net financial items.

- (a) Share-based benefits are value changes in amounts held in escrow for participation in the synthetic share program.
- (b) Net Insight has synthetic option programs. The synthetic options are revaluated on a current basis to fair value by applying an options valuation model. The changes in value during the term of the options are presented as a financial item. To financially hedge future cash flow effects of the company's commitments in the synthetic option programs, if the share price would exceed the strike price, the parent company has repurchased its own shares. The repurchased of own shares is deducted from equity, retained earnings, and are not revaluated to fair value on a current basis.
- (c) Severance pay in due to structural changes.
- (d) Costs for strategic advisory services and preparation for capital injection, which were interrupted as a result of the divestment of the Sye business.

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