

Net Insight Year-end Report January – December 2020



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

October – December 2020

- Net sales amounted to SEK 107.5 (105.2) million, an increase of 2.2% year-on-year. In comparable currencies net sales increased by 8.4%.
- Operating earnings amounted to SEK -4.0 (-24.1) million, corresponding to an operating margin of -3.7% (-22.9%). Excluding foreign exchange rate differences of SEK -18.2 (-5.5) million and items affecting comparability of SEK 8.0 (-20.1) million, operating earnings were SEK 6.2 (1.5) million.
- Net income for the period for continuing operations and for the Group, including divested operations, was SEK -6.8 (-20.6) million and SEK -6.8 (-27.6) million, respectively.
- Earnings per share, basic and diluted, for the Group was SEK -0.02 (-0.07).
- Total cash flow for the Group was SEK 18.7 (-14.3) million.

January – December 2020

- Net sales amounted to SEK 398.9 (448.6) million, a decrease of -11.1% year-on-year. In comparable currencies net sales decreased by -10.0%.
- Operating earnings amounted to SEK -4.6 (-3.6) million, corresponding to an operating margin of -1.2% (-0.8%). Excluding foreign exchange rate differences of SEK -16.0 (-3.2) million, and items affecting comparability of SEK 7.3 (-24.9) million operating earnings were SEK 4.1 (24.6) million.
- Net income for the period for continuing operations was SEK -9.2 (-4.6) million. Net Income for the Group, including divested operations, was SEK 237.4 (-32.2) 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 0.62 (-0.08).
- Total cash flow for the Group was SEK 232.6 million (-41.2), including cash effect from divested operations of SEK 302.3 (-) million.

Improvements yield results

Crister Fritzson, CEO, Net Insight

Significant events:

- Revenue growth in Q4 despite continued negative Covid-19 impact
- A number of Nimbra Edge deals won
- The Board will propose that the AGM authorize repurchase of shares

FINANCIAL HIGHLIGHTS

SEK millions	Oct-Dec			Jan-Dec		
	2020	2019	Change	2020	2019	Change
Continuing operations						
<i>Net sales per business area</i>						
Media Networks	90.6	88.0	3.0%	331.7	377.8	-12.2%
Resource Optimization	16.8	17.2	-2.2%	67.2	70.8	-5.1%
Net sales	107.5	105.2	2.2%	398.9	448.6	-11.1%
Operating earnings	-4.0	-24.1		-4.6	-3.6	
<i>Operating margin</i>	-3.7%	-22.9%		-1.2%	-0.8%	
Net income	-6.8	-20.6		-9.2	-4.6	
EBITDA	-5.6	-31.9		-16.7	-6.6	
EBITDA margin	-5.2%	-30.3%		-4.2%	-1.5%	
Total Group, including discontinued operations						
Net Income	-6.8	-27.6		237.4	-32.2	
Total cash flow	18.7	-14.3		232.6	-41.2	

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

CEO's Statement



Growth in the fourth quarter, but market uncertainty continues

Several customers show signs of increased demand for capacity

Net Insight achieved growth again in the fourth quarter and revenue increased by 2.2% year-on-year, despite negative exchange rate effects from a stronger SEK against the USD and EUR in the quarter. Adjusted for exchange rate effects, growth was 8.4% compared to the fourth quarter 2019. Net income in the quarter was negative as a result of the substantial negative exchange rate effect. Market conditions remain challenging due to the protracted pandemic. We have introduced a large number of improvements and are starting to see the positive effects on product development, sales and internal efficiency.

Market situation and Covid-19

The reduced infection rates that we saw last summer started to head up again in the third quarter, when restrictions were tightened once more on several of our key markets. Live sports largely continued as planned in the quarter, although uncertainty about major scheduled events continued in the fourth quarter and into the new year. Our earlier assessment that Net Insight will be negatively affected by the pandemic in the first half of 2021 stands.

However, market operators are starting to adapt to the new conditions, which has led to increased interest in cloud solutions and growing demand for remote production solutions.

Media Networks

Net Insight's Nimbra solutions are well suited to meet the high demands associated with remote production, including factors such as reliability, flexibility and low latency. The new reality has accelerated the trend towards remote production. When media trade association IABM recently asked its members about key trends in live content, remote production was the clear leader, followed by cloud-based solutions.

We are also seeing signs that our customers are starting to need increased capacity in their global media networks as more capacity-intensive formats are introduced (4K, 8K). There is a clear need for increased capacity as TV companies, sports leagues and businesses compete with each other to provide customers with more and better content. In the fourth quarter, The Switch, a leading operator in North America and a long-term customer, selected our Nimbra solution for the expansion of its US media network. The Switch is building a new 100G network to offer increased capacity and more services. RTVE in Spain is also upgrading its media network capacity. It is pleasing that we have succeeded in winning new customers, including Shanghai Media Group (SMG) in China.

In the quarter, we launched the new version of Nimbra Edge. Market interest in cloud-based solutions is growing and more operators are testing how they can be integrated into production. Our pricing model for Nimbra Edge where we charge per stream gives the customer the opportunity to calculate and control costs in advance. Another, perhaps crucial, advantage of Nimbra Edge is that it is compatible and integrated with the existing Nimbra and Aperi platforms. Because there are an estimated 16,000 installed Nimbra units globally, Nimbra Edge becomes part of a large existing eco system. We are well positioned and have won several Nimbra Edge deals, including with LinkedIn, SRG SSR and Tata Communications as previously communicated, which have generated revenue although still on a modest scale. We anticipate substantial growth in cloud-based solutions for media content over the coming years, a development that has been further accelerated by the pandemic. Our addressable share of this market has just started to emerge. Although the market will be limited and mainly relates to smaller events in 2021, it is expanding sharply and has growth potential in the longer term. The market is driven by remote production advancing towards cloud-based solutions for flexibility, scalability and cost efficiency, but also because distribution to content owners and networks is moving from satellite to cloud-based solutions.

We have started to see the positive effects of the measures we introduced to build the foundation for our growth journey. For example, we have increased our commercial activity and maintained a high rate of product development. One step in the transition process is to introduce a pricing model based on customer value and to clarify our packaging. The aim is to simplify and reveal customer value, and to create more stable and repeat revenue streams over a longer period.

In order to speed up progress in the quarter, we reduced the rate of redundancies for our development

teams and strengthened the product team through the appointment of Christer Bohm as VP Product Management.

Resource Optimization

The continued transformation of the Resource Optimization business area resulted in further cost cuts in the fourth quarter, which are below the annual average. We assess that we meet the criteria for the outstanding US government grant loan to be forgiven, which meant that the amount was recognized as other operating income in the fourth quarter and that the business area reported positive operating earnings for the full year 2020.

Capital redistribution

The Board has decided to propose that the AGM authorize the repurchase of shares. As the assessment is that the company will be negatively affected by the pandemic in the first half of 2021, it is estimated for capital redistribution to take place in October 2021 at the earliest.

We posted a strong quarter despite the challenging external conditions. We are taking steps towards increasing our competitiveness and we are seeing clear results from our improvement activities.

Solna, Sweden, 23 February 2021
Crister Fritzon, CEO

EXTRAORDINARY EVENTS

Covid-19 and business impact

The reduced infection rates that we saw last summer started to head up again in the third quarter, when restrictions were tightened once more on several of our key markets. Live sports largely continued as planned in the quarter, although uncertainty about major scheduled events continued in the fourth quarter and into the new year. Our earlier assessment that Net Insight will be negatively affected by the pandemic in the first half of 2021 stands.

As previously mentioned, the pandemic has had a negative economic impact on the entire ecosystem of live sports (clubs, rights holders, distributors, etc.), with related effects on willingness to invest. However, market operators are starting to adapt to the new conditions, which has led to increased interest in cloud solutions and growing demand for remote production solutions.

Our travelling continues to be exceedingly limited. For staff in Sweden, the working time reduction through furloughs has decreased slightly during the fourth quarter.

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 for the fourth quarter and for the twelve-month period have been positively affected with SEK 9.9 million and SEK 13.1 million respectively for Covid-19 related government grants, of which SEK 0.9 and SEK 3.4 respectively is attributable to Sweden. For the US operations we received a non-interest-bearing loan in just under USD 1 million under the US Covid-19 government grants program. The loan will be forgiven if certain criteria are met. We assess that we meet the criteria for the outstanding US government loan to be forgiven off, which meant that the amount was as other operating income in the fourth quarter, with a positive effect of MSEK 9.1. Operating earnings for the last six months have been charged with SEK -0.3 million for provisions for expected bad debt because of Covid-19.

Despite a negative development regarding increased spread of infection at the end of the year, our main scenario is still a gradual and slow recovery going forward, but we estimate that the company will be negatively affected during the first half of 2021. At the time of this report, we estimate that Covid-19 does not have or will have any material impact on the company's assets. However, the Covid-19 development is hard to predict, and the company continuously evaluates the situation and need for measures. Net Insights 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 fourth quarter of 2020 were SEK 107.5 (105.2) million, an increase of 2.2%. In comparable currencies, sales increased by 8.4%.

Net sales for the twelve-month period were SEK 398.9 (448.6) million, a decrease of -11.1%. In comparable currencies, sales decreased by -10.0%. Net sales in the first three quarters were lower than last year, while they were higher than last year in the last quarter.

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 11) but without comments.

Revenues by Business Area

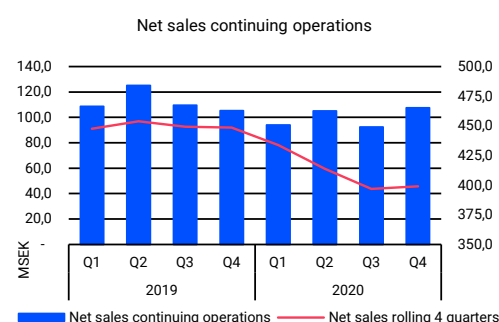
Net Insight has the following Business Areas: Media Networks and Resource Optimization. See also comments in CEO's statement.

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 purchases 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 fourth quarter were SEK 90.6 (88.0) million, an increase of 3.0%. The increase is largely attributable higher customer activity and higher number of deals in the quarter.

Revenues for the twelve-month period were SEK 331.7 (377.8) million, a decrease of -12.2%. Revenues decreased mainly for hardware, but also for software and services.



Resource Optimization

Resources Optimization encompasses ScheduALL, a pure software solution. Revenues are derived from software licenses sales, support and professional services. The business model for ScheduALL Evolution, which was launched during the quarter, will primarily be SaaS, Software as a Service and is expected to start generating revenue during the first quarter of 2021.

Revenues for the fourth quarter were SEK 16.8 (17.2) million, a decrease of -2.2%. The decrease is attributable mainly to software licenses and exchange rate fluctuations, while support revenue has increased.

Revenues for the twelve-month period were SEK 67.2 (70.8) million, a decrease of -5.1%, mainly attributable to software licenses and exchange rate fluctuations.

EARNINGS

Gross profit for the fourth quarter was SEK 65.5 (66.3) million, a decrease by -1.2%. Gross profit includes amortization of capitalized development expenditure of SEK -11.3 (-9.0) million. Gross margin excluding and including amortization of capitalized development expenditure was 71.4% (71.6%) and 60.9% (63.0%) respectively.

Operating expenses in the fourth quarter of SEK -60.2 (-69.2) million decreased with about -13.1% YoY, primarily due to temporary Covid-19 related cost reductions and lower costs in Resource Optimization because of the restructuring. Operating expenses has been positively affected with SEK 0.9 (-) million related to Covid-19 related government grants.

Sales and marketing expenses were SEK -28.1 (-34.5) million, and administration expenses to SEK -14.8 (-16.5). Development expenses were SEK -17.2 (-18.2) million. Total development expenditure, i.e. before capitalization, were SEK -35.2 (-40.3) million. Other operating income and expenses were SEK -9.3 (-21.2) million, mainly related to foreign exchange rate differences and items affecting comparability.

Operating earnings were SEK -4.0 (-24.1) million, corresponding to an operating margin of -3.7% (22.9%). Excluding foreign exchange rate differences of SEK -18.2 (-5.5) million, primarily related to unrealized translation differences, and items affecting comparability of SEK 8.0 (-20.1) million, operating earnings were SEK 6.2 (1.5) million.

EBITDA was SEK -5.6 (-31.9) million, corresponding to an EBITDA margin of -5.2% (-30.3%). The decrease is attributable to the lower operating earnings.

In the fourth quarter, net financial items amounted to SEK -2.7 (-2.3) million.

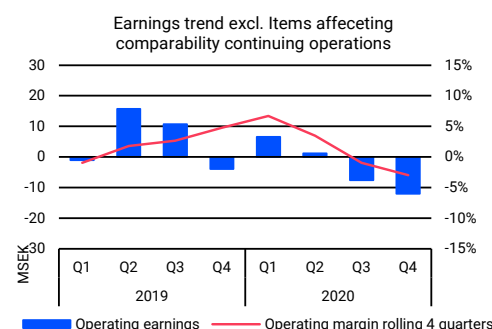
Profit before tax for the fourth quarter was SEK -6.7 (-26.5) million, and net income was SEK -6.8 (-20.6) million, corresponding to a net margin of -6.4% (-19.5%). Including Discontinued operations, net income was SEK -6.8 (-27.6) million.

The fourth quarter includes SEK -5.6 million in exchange rate differences from currency derivatives referable to previous periods 2020.

Gross earnings for the twelve-month period were SEK 243.7 (282.3) million. The decrease relates to lower revenue for both Media Networks and Resource Optimization. Gross profit includes amortization of capitalized development expenditure of SEK -38.5 (-39.6) million. Gross margin excluding and including amortization of capitalized development expenditure was 70.8% (71.8%) and 61.1% (62.9%) respectively.

Operating expenses of SEK -242.4 (-266.9) million, decreased following cost reduction initiatives. Operating earnings were SEK -4.6 (-3.6). Excluding foreign exchange rate differences of SEK -16.0 (-3.2) million, and items affecting comparability of SEK 7.3 (-24.9) million operating earnings were SEK 4.1 (24.6) million. EBITDA was SEK -16.7 (-6.6) million. The decrease is attributable to the lower operating earnings and an increase of total development expenditures, i.e. before capitalizations.

Net Income for the period for Continuing operations was SEK -9.2 (-4.6) million. Net Income for the period including Discontinued operations was SEK 237.4 (-32.2) million. This includes capital gains on disposal of Discontinued operations during the first quarter of SEK 246.6 (-) million.



Key Ratios continuing operations	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net sales, SEK millions	107.5	105.2	398.9	448.6
Net sales YoY, change in %	2.2%	-0.7%	-11.1%	-0.2%
Gross earnings	65.5	66.3	243.7	282.3
Gross margin	60.9%	63.0%	61.1%	62.9%
Operating earnings	-4.0	-24.1	-4.6	-3.6
Operating margin	-3.7%	-22.9%	-1.2%	-0.8%
EBITDA	-5.6	-31.9	-16.7	-6.6
EBITDA margin	-5.2%	-30.3%	-4.2%	-1.5%

Earnings per Business Area

Media Networks

Operating earnings for Media Networks for the fourth quarter increased and amounted to SEK 5.6 (3.6) million, corresponding to an operating margin of 6.1% (4.1%). The earnings increase is mainly attributable to the increased revenue in the period but also an effect of lower costs. The Aperi operation, which was acquired during the first quarter, affected Operating earnings with SEK -2.4 (-) million. Total development expenditure decreased in the quarter and amounted to SEK -35.3 (-40.3) million.

Operating earnings for the twelve-month period were SEK 6.8 (46.5) million, corresponding to an operating margin of 2.0% (12.3%). The decrease is primarily attributable to Covid-19 impact on revenue. The Aperi operation affected operating earnings with SEK -6,7 MSEK (-). Total development expenditure increased because of further portfolio investments, including the Aperi acquisition, and amounted to SEK -105.9 (-85.8) million.

Resource Optimization

For Resource Optimization, operating earnings for the fourth quarter amounted to SEK 8.7 (-6.4), a clear improvement versus the corresponding period. This is due to a decrease of operating expenses, primarily due to efficiency measures and the recognition of the US governmental support loan (Covid-19) as other operating income in the fourth quarter (see page 4). Total development expenditure decreased and amounted to MSEK -7.0 (-14.4).

Operating earnings for the twelve-month period were MSEK 4.1 (-31.8). This is due to higher gross margin as well as to a decrease of operating expenses, primarily due to efficiency measures but also to decreased development expenditure and the effect of the US governmental support loan. Total development expenditure and amounted to SEK -35.5 (-48.2).

INVESTMENTS INCLUDING DIVESTED OPERATIONS

Fourth quarter investments were SEK 18.1 (30.0) million, of which SEK 18.0 (28.9) million related to capitalization of expenditure for development. Depreciation and amortization in the fourth quarter totaled SEK 16.4 (19.2) million, of which SEK 11.3 (14.0) million related to amortization of capitalized expenditure for development.

Investments for the twelve-month period were SEK 77.4 (92.1) million, of which SEK 71.9 (89.4) million related to capitalization of expenditure for development. Depreciation and amortization for full year 2020 totaled SEK -59.8 (-77.8) million, of which SEK -38.5 (-57.3) million related to amortization of capitalized expenditure for development.

At the end of the period, net value of capitalized expenditure for development was SEK 208.9 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 fourth quarter amounted to SEK 14.1 (13.7) million, and amortization to SEK -9.0 (-8.0) million. For the twelve-month period, capitalized expenditure for development amounted to SEK 50.5 (37.3) million, and amortization to SEK -31.4 (-34.4) million.

At the end of the period, net value of capitalized expenditure for development was SEK 144.8 million, against SEK 126.0 million as of December 31, 2019.

Resource Optimization

Capitalized expenditure for development in the fourth quarter amounted to SEK 3.8 (8.4) million, and amortization to SEK -2.4 (-1.1) million. For the twelve-month period, capitalized expenditure for development amounted to SEK 21.4 (25.9) million, and amortization to SEK -7.1 (-5.3) million.

At the end of the period, net value of capitalized expenditure for development was SEK 64.2 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 fourth quarter was SEK 38.8 (18.2) million. Total cash flow was SEK 18.7 (-14.3) million.

Cash flow from operating activities for the twelve-month period was SEK 15.7 (60.8) million, and total cash flow was 232.6 (-41.2). The divestment of Business Area Streaming Solutions in the first quarter had a cash impact of SEK 302.3 (-) million. Total cash flow for the period includes a US Covid-19 government grant loan in the second quarter of 9.1 MSEK, see section on Covid-19 on page 4 for more information on the support program.

Cash and cash equivalents were SEK 283.2 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 108.8 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 15.

Equity was SEK 692.6 million at the end of the period, against SEK 463.7 million as of 31 December 2019. The equity/assets ratio was 80.3%, against 67.6% as of 31 December 2019. For information about warrants, share repurchases and share structure, see the section Contributed equity on page 15.

EMPLOYEES

The average number of employees and consultants at Net Insight during the fourth quarter and the twelve-month period was 199 (190) and 198 (189) respectively, of which 129 (117) and 127 (113) respectively in the parent company Net Insight AB (publ).

During the quarter Christer Bohm assumed the VP Product management position and is part of the management team.

PARENT COMPANY

Parent company net sales were SEK 93.0 (98.1) million in the fourth quarter, and net income was SEK -19.5 (-97.7) million. The financial net includes result from participation in group companies of SEK 2.9 (-81.8) million, attributable to dividend SEK 2.2 (-) million and capital gains from an intra-group restructuring SEK 0.7 (-) million. Last year, an impairment of SEK -81.8 million of impairment in participation in a subsidiary was recognized in the period due to an intra-group restructuring.

In the fourth quarter, intra-group sales totaled SEK 0.9 (9.5) million, and intra-group purchases SEK -25.0 (-14.0) million.

For the twelve-month period, parent company net sales were SEK 340.7 (487.3) million, and net income was SEK 174.3 (-88) million. The financial net includes result from participation in group companies of SEK 199.5 (-80.0) million, which for 2020 relates to capital gains from divestment of subsidiary SEK 197.2 (-) million, and from dividend from subsidiary SEK 2.2 (1.8) million and last year the above mentioned write down of shares in subsidiary impairment in participation in a subsidiary of SEK -81.8 million. For the twelve-month period, intra-group sales totaled SEK 8.0 (100.1) million, and intra-group purchases SEK -62.8 (-139.3) 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 fourth 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 4 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 2021.

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	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Continuing operations				
Net sales	107,491	105,217	398,948	448,550
Cost of sales	-42,040	-38,948	-155,240	-166,251
Gross earnings	65,451	66,269	243,708	282,299
Sales and marketing expenses	-28,139	-34,526	-111,354	-128,816
Administration expenses	-14,803	-16,460	-61,970	-67,355
Development expenses	-17,229	-18,244	-69,086	-70,776
Other operating income and expenses	-9,271	-21,169	-5,909	-18,952
Operating earnings	-3,991	-24,130	-4,612	-3,600
Net financial items	-2,679	-2,346	-5,134	-3,009
Profit/loss before tax	-6,670	-26,476	-9,746	-6,609
Tax	-161	5,926	549	1,965
Net income continuing operations	-6,831	-20,550	-9,197	-4,644
Discontinued operations, net after tax	-	-7,050	246,580	-27,543
Net Income	-6,831	-27,600	237,383	-32,187
Net income for the period attributable to the shareholders of the parent company	-6,831	-27,600	237,383	-32,187
Earnings per share, based on net income attributable to the parent company's shareholders during the period				
	2020	2019	2020	2019
Earnings per share basic and diluted continuing operations (SEK)	-0.02	-0.05	-0.02	-0.01
Earnings per share basic and diluted including discontinuing operations (SEK)	-0.02	-0.07	0.62	-0.08
Average number of outstanding shares in thousands, basic	382,758	382,758	382,758	382,812

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net income	-6,831	-27,600	237,383	-32,187
Other comprehensive income				
<i>Items that may be reclassified subsequently to the income statement</i>				
Translation differences	-7,182	-3,170	-9,740	3,904
Total other comprehensive income, after tax	-7,182	-3,170	-9,740	3,904
Total other comprehensive income for the period	-14,013	-30,770	227,643	-28,283
Total comprehensive income for the period attributable to the shareholders of the parent company	-14,013	-30,770	227,643	-28,283

CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Dec 31, 2020	Sep 30, 2020	31 Dec 2019
ASSETS			
Non-current assets			
Capitalized expenditure for development	208,938	208,677	184,582
Goodwill	58,166	63,421	65,582
Other intangible assets	7,830	9,578	10,560
Right-of-use assets	45,231	48,026	52,394
Equipment	24,989	26,582	29,531
Deferred tax asset	27,428	27,798	26,997
Deposits	5,400	5,166	5,186
Total non-current assets	377,982	389,248	374,832
Current assets			
Inventories	52,470	58,423	44,584
Accounts receivable	98,116	124,225	103,771
Other receivables	50,620	47,849	17,179
Cash and cash equivalents	283,184	265,309	52,280
Assets held for sale	-	-	93,840
Total current assets	484,390	495,806	311,654
TOTAL ASSETS	862,372	885,054	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	-267	6,915	9,473
Accumulated deficit	-515,441	-508,888	-754,052
Total shareholders' equity	692,616	706,351	463,745
Non-current liabilities			
Lease liabilities	35,498	38,029	41,517
Other liabilities	18,230	15,858	20,649
Total non-current liabilities	53,728	53,887	62,166
Current liabilities			
Lease liabilities	10,231	10,270	10,586
Accounts payable	17,093	18,990	35,821
Other liabilities	88,704	95,556	111,173
Liabilities directly associated with assets held for sale	-	-	2,995
Total current liabilities	116,028	124,816	160,575
TOTAL EQUITY AND LIABILITIES	862,372	885,054	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	-	-	-	1,228	1,228
Total comprehensive income	-	-	-9,740	237,383	227,643
December 31, 2020	15,597	1,192,727	-267	-515,441	692,616

CONSOLIDATED STATEMENT OF CASH FLOWS INCLUDING DISCONTINUED OPERATIONS

SEK thousands	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Ongoing activities				
Profit/loss before tax	-6,670	-35,445	236,897	-41,651
Income tax paid	-266	-	-313	-371
Depreciation, amortization & impairment	16,393	19,216	59,887	77,848
Other items not affecting liquidity	5,911	12,094	-229,893	15,229
Cash flow from operating activities before changes in working capital	15,368	-4,135	66,578	51,055
Changes in working capital				
Increase-/decrease+ in inventories	5,461	-5,374	-13,669	-2,682
Increase-/decrease+ in receivables	24,054	10,233	7,014	-1,572
Increase+/decrease- in liabilities	-5,943	17,427	-44,056	14,043
Cash flow from operating activities	38,940	18,151	15,867	60,844
Investment activities				
Investment in intangible assets	-17,971	-29,142	-74,346	-90,159
Investment in tangible assets	-122	-902	-3,062	-1,930
Disposal of subsidiary, net effect on cash	-	-	302,348	-
Increase-/decrease+ in financial assets, net	-278	-2	-278	46
Cash flow from investment activities	-18,371	-30,046	224,662	-92,043
Financing activities				
Amortization leasing	-2,181	-2,357	-9,134	-8,154
Warrant premiums paid	278	-	1,228	-
Repurchase of own shares	-	-	-	-1,837
Cash flow from financing activities	-1,903	-2,357	-7,906	-9,991
Net change in cash and cash equivalents	18,666	-14,252	232,623	-41,190
Exchange differences in cash and cash equivalents	-791	-303	-1,769	627
Cash and cash equivalents at the beginning of the period	265,309	66,885	52,330	92,893
Cash and cash equivalents at the end of the period	283,184	52,330	283,184	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	Oct-Dec 2020				Oct-Dec 2019			
	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total
Net Sales	90,648	16,843	-	107,491	87,988	17,229	-	105,217
Gross earnings	54,524	10,918	9	65,451	55,129	11,116	24	66,269
<i>Net margin</i>	60.1%	64.8%		60.9%	62.7%	64.5%		63.0%
Operating earnings	5,561	8,669	-18,221	-3,991	3,622	-6,745	-21,007	-24,130
<i>Gross margin</i>	6.1%	51.5%		-3.7%	4.1%	-39.1%		-22.9%
Net financial items			-2,679	-2,679			-2,346	-2,346
Profit/loss before tax continuing operations				-6,670				-26,476

SEK thousands	Jan-Dec 2020				Jan-Dec 2019			
	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total
Net Sales	331,744	67,204	-	398,948	377,764	70,786	-	448,550
Gross earnings	201,524	42,108	76	243,708	242,357	39,850	92	282,299
<i>Gross margin</i>	60.7%	62.7%		61.1%	64.2%	56.3%		62.9%
Operating earnings	6,763	4,138	-15,513	-4,612	46,479	-31,759	-18,320	-3,600
<i>Gross margin</i>	2.0%	6.2%		-1.2%	12.3%	-44.9%		-0.8%
Net financial items			-5,134	-5,134			-3,009	-3,009
Profit/loss before tax continuing operations				-9,746				-6,609

DISAGGREGATION OF REVENUE

SEK thousands	Oct-Dec 2020			Oct-Dec 2019			Jan-Dec 2020			Jan-Dec 2019		
	Media Networks	Resource Optimization	Total	Media Networks	Resource Optimization	Total	Media Networks	Resource Optimization	Total	Media Networks	Resource Optimization	Total
Net sales by product group												
Hardware	37,907	-	37,907	36,625	-	36,625	137,111	-	137,111	171,739	-	171,739
Software licenses	23,702	1,132	24,834	22,325	1,633	23,958	80,926	3,997	84,923	87,134	6,282	93,416
Support and Services	29,039	15,711	44,750	29,038	15,596	44,634	113,707	63,207	176,914	118,891	64,504	183,395
Total	90,648	16,843	107,491	87,988	17,229	105,217	331,744	67,204	398,948	377,764	70,786	448,550
Net sales by region												
WE	46,390	2,870	49,260	35,722	4,543	40,265	157,628	15,535	173,163	168,300	17,906	186,206
AM	31,379	9,340	40,719	32,375	9,825	42,200	117,206	37,887	155,093	137,551	42,008	179,559
RoW	12,879	4,633	17,512	19,891	2,861	22,752	56,910	13,782	70,692	71,913	10,872	82,785
Total	90,648	16,843	107,491	87,988	17,229	105,217	331,744	67,204	398,948	377,764	70,786	448,550
Timing of revenue recognition												
Products and services transferred at a point in time	61,613	1,132	62,745	58,952	1,633	60,585	218,064	3,997	222,061	258,922	6,282	265,204
Services transferred over time	29,035	15,711	44,746	29,036	15,596	44,632	113,680	63,207	176,887	118,842	64,504	183,346
Total	90,648	16,843	107,491	87,988	17,229	105,217	331,744	67,204	398,948	377,764	70,786	448,550

INCOME FROM DISCONTINUED OPERATIONS

SEK thousands	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Revenues	-	690	-376	9,510
Expenses	-	-9,659	668	-44,552
Capital gain on disposal of discontinued operations	-	-	246,350	-
Profit/loss before tax	-	-8,969	246,643	-35,042
Tax	-	1,919	-63	7,499
Net income discontinuing operations	-	-7,050	246,580	-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 DISCONTIUED OPERATIONS

SEK thousands	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Cash flow from discontinued operations, net				
Cash flow from operating activities	-	-4,037	293	-17,424
Cash flow from investment activities	-	-6,840	302,348	-26,109
Cash flow from financing activities	-	-	-	-
Cash flow from discontinued operations, net	-	-10,877	302,641	-43,533

FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category - Assets		Dec 31, 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		130,667			110,147	
Cash and cash equivalents		283,184			52,280	
Total		413,851	-		162,427	-

Group's financial instruments by category - Liabilities		Dec 31, 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		-	2		68
Derivative instruments	2		-	2		-
Accounts payable and other liabilities, excluding non-financial liabilities		22,763			46,689	
Lease liabilities		45,729			52,103	
Total		68,492	-		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	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net sales	92,972	98,147	340,663	487,319
Cost of sales	-36,693	-36,261	-131,448	-207,349
Gross earnings	56,279	61,886	209,215	279,970
Sales and marketing expenses	-35,903	-32,572	-109,835	-119,586
Administration expenses	-13,584	-14,029	-55,771	-55,491
Development expenses	-14,827	-20,644	-56,102	-104,133
Other income expenses	-17,486	-20,916	-15,190	-18,406
Operating earnings	-25,521	-26,275	-27,683	-17,646
Net financial items	822	-83,732	196,201	-80,506
Profit/loss before tax	-24,699	-110,007	168,518	-98,152
Tax	5,213	12,260	5,774	10,113
Net income	-19,486	-97,747	174,292	-88,039

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Dec 31, 2020	Sep 30, 2020	31 Dec 2019
ASSETS			
Non-current assets			
Capitalized expenditure for development	144,776	140,048	126,049
Other intangible assets	3,981	4,661	3,234
Equipment	20,407	21,158	25,576
Participations in group companies	246,400	246,455	243,777
Deferred tax asset	20,919	15,705	15,144
Deposits	4,927	4,649	4,649
Total non-current assets	441,410	432,676	418,429
Current assets			
Inventories	52,470	58,423	44,584
Accounts receivable	90,453	115,307	98,100
Receivables from group companies	-	-	20,826
Other receivables	50,520	47,565	15,055
Cash and cash equivalents	263,558	240,970	40,849
Total current assets	457,001	462,265	219,414
TOTAL ASSETS	898,411	894,941	637,843
EQUITY AND LIABILITIES			
Equity			
Restricted equity	200,181	175,734	142,075
Non-restricted equity	496,557	540,213	379,143
Total equity	696,738	715,947	521,218
Non-current liabilities			
Other liabilities	11,357	8,118	12,611
Total non-current liabilities	11,357	8,118	12,611
Current liabilities			
Accounts payable	15,557	16,892	32,381
Liabilities to group companies	120,390	104,940	-
Other liabilities	54,369	49,044	71,633
Total current liabilities	190,316	170,876	104,014
TOTAL EQUITY AND LIABILITIES	898,411	894,941	637,843

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.

The fourth quarter includes SEK -5.6 million in exchange rate differences from currency derivatives referable to previous periods 2020 (SEK 2.0 million referable to Q1, SEK -3.9 million to Q2 and SEK -3.8 to Q3).

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 0.5 (9.6) million for the period January–December 2020, of which SEK 0.5 (2.0) million relates to continuing operations. Reported tax corresponds to an effective tax rate of -0.2 (22.7) percent and 5.6 (29.7) percent, respectively. The group recognized a capital gain from discontinued operations of SEK 246.4 million, which is a nontaxable 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 108.8 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 and November acquired a total of 3,055,000 warrants for a market premium of a total of SEK 1,277,850. 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 and SEK 2.00 respectively. 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-September 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	31 Dec, 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.

CAPITAL REDISTRIBUTION

The Board has decided to propose that the AGM authorize the repurchase of shares. As the assessment is that the company will

be negatively affected by the pandemic in the first half of 2021, it is estimated for capital redistribution to take place in October 2021 at the earliest.

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

Net Insight is defining new ways to deliver media. Net Insight is driving the transformation of video networks with open IP, virtualized and cloud solutions that enable our customers to simply and cost-effectively create live experiences. With the two product areas Media Networks and Resource Optimization, Net Insight is opening up new routes for customers to produce and deliver content to viewers anywhere. Revenues are generated through sales of hardware and software solutions and services.

Strategy

Net Insight wants to set the benchmark for media transport and help broadcasters, production companies, service providers and enterprises to transform their media businesses – enabling them to benefit from new software defined, virtual and distributed media workflows, without discarding their existing hardware investments. Net Insight wants to empower customers to work smarter through remote/ distributed production and flexible networks.

Net Insight is technology agnostic and has built the market's most open and cloud-ready video centric media delivery platform, allowing customers to deliver content on any network, their way.

The main strategic objective is to accelerate growth, in both existing and closely related market and customer segments. This will be achieved through a combination of leveraging our unique portfolio and our industry expertise, strengthened solutions competitiveness, and improved internal execution.

Value creators

The solutions are deployed by the world's leading media brands to keep their mission-critical media networks running smoothly. New technology is enabling these players to adopt new, more cost efficient and flexible ways to produce and deliver content. Net Insight can play an important role to support our customers making this gradual transition.

Net Insight benefits from underlying market trends like the general increase in video traffic, live streaming and file-based transfers. Other trends supporting the company's growth prospects include the broader coverage of live events, move towards remote production and increased use of Internet and cloud for media production and transport.

REPORTING DATES

Interim report January – March	April 20, 2021
Annual General Meeting	May 7, 2021
Interim report January – June	July 16, 2021
Interim report January – September	November 9, 2021

Solna, Sweden, February 23, 2021

Crister Fritzson
CEO

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.

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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 CET on February 23, 2021.

FINANCIAL INFORMATION

SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Earnings continuing operations				
<i>Netsales per business area</i>				
Media Networks	90.6	88.0	331.7	377.8
Resource Optimization	16.8	17.2	67.2	70.8
Net sales	107.5	105.2	398.9	448.6
Gross earnings	65.5	66.3	243.7	282.3
Operating expenses	60.2	69.2	242.4	266.9
Total development expenditure	35.2	40.3	141.0	134.0
EBITDA	-5.6	-31.9	-16.7	-6.6
Operating earnings	-4.0	-24.1	-4.6	-3.6
Profit/loss before tax	-6.7	-26.5	-9.7	-6.6
Net income	-6.8	-20.6	-9.2	-4.6
Balance sheet and cash flow including discontinued operations				
Cash and cash equivalents	283.2	52.3	283.2	52.3
Working capital	78.3	29.6	57.8	46.8
Total cash flow	18.7	-14.3	232.6	-41.2
The share				
Dividend per share, SEK	-	-	-	-
Earnings per share basic and diluted continuing operations, SEK	-0.02	-0.05	-0.02	-0.01
Earnings per share basic and diluted discontinuing operations, SEK	-	-0.02	0.64	-0.07
Earnings per share basic and diluted total, SEK	-0.02	-0.07	0.62	-0.08
Cash flow per share, SEK	0.05	-0.04	0.61	-0.11
Equity per share basic and diluted, SEK	1.81	1.21	1.81	1.21
Average number of outstanding shares basic and diluted, thousands	382,758	382,758	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
Share price at end of period, SEK	1.58	2.30	1.58	2.30
Employees and consultants continuing operations				
Average number of employees and consultants	199	190	198	189
KPI continuing operations				
Net sales YoY, change in %	2.2%	-0.7%	-11.1%	-0.2%
Gross margin	60.9%	63.0%	61.1%	62.9%
Total development expenditure/Net sales	32.7%	38.3%	35.3%	29.9%
Operating margin	-3.7%	-22.9%	-1.2%	-0.8%
EBITDA margin	-5.2%	-30.3%	-4.2%	-1.5%
Net margin	-6.4%	-19.5%	-2.3%	-1.0%
KPI Group including discontinued operations				
Return on capital employed	-0.6%	-7.4%	-0.6%	-7.4%
Equity/asset ratio	80.3%	67.6%	80.3%	67.6%
Return on equity	36.0%	-6.6%	36.0%	-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 SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net sales	107.5	105.2	398.9	448.6
Net currency effect of comparable currencies	6.6	-4.4	5.0	-24.4
Net sales in comparable currencies	114.0	100.9	403.9	424.2
Change in net sales in comparable currencies	8.4%	-4.9%	-10.0%	-5.6%

KPI Income Statement SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Continuing operations				
Net sales	107.5	105.2	398.9	448.6
Net sales YoY, change in %	2.2%	-0.7%	-11.1%	-0.2%
Cost of sales ex. amortization of capitalized development	-30.7	-29.9	-116.7	-126.6
Gross earnings ex. amortization of capitalized development	76.7	75.3	282.3	321.9
Gross margin ex. amortization of capitalized development	71.4%	71.6%	70.8%	71.8%
Cost of sales amortization of capitalized development	-11.3	-9.0	-38.5	-39.6
Gross earnings	65.5	66.3	243.7	282.3
Gross margin	60.9%	63.0%	61.1%	62.9%
Sales and marketing expenses	-28.1	-34.5	-111.4	-128.8
Administration expenses	-14.8	-16.5	-62.0	-67.4
Development expenses	-17.2	-18.2	-69.1	-70.8
Operating expenses	-60.2	-69.2	-242.4	-266.9
Operating expenses/net sales	56.0%	65.8%	60.8%	59.5%
Other operating income and expenses	-9.3	-21.2	-5.9	-19.0
Operating earnings	-4.0	-24.1	-4.6	-3.6
Operating margin	-3.7%	-22.9%	-1.2%	-0.8%
Net financial items	-2.7	-2.3	-5.1	-3.0
Profit/loss before tax	-6.7	-26.5	-9.7	-6.6
Tax	-0.2	5.9	0.5	2.0
Net income continuing operations	-6.8	-20.6	-9.2	-4.6
Net margin continuing operations	-6.4%	-19.5%	-2.3%	-1.0%
Discontinued operations, net after tax	-	-7.0	246.6	-27.5
Net Income	-6.8	-27.6	237.4	-32.2

EBITDA margin continuing operations SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Operating earnings	-4.0	-24.1	-4.6	-3.6
Amortization of capitalized development expenditure	11.3	9.0	38.5	39.6
Other depreciation, amortization & impairment	5.1	5.2	21.3	20.6
Capitalization of development expenditure	-18.0	-22.1	-71.9	-63.2
EBITDA	-5.6	-31.9	-16.7	-6.6
Net sales	107.5	105.2	398.9	448.6
EBITDA margin	-5.2%	-30.3%	-4.2%	-1.5%

Development expenditure continuing operations SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Development expenses	17.2	18.2	69.1	70.8
Capitalization of development expenditure	18.0	22.1	71.9	63.2
Total development expenditure	35.2	40.3	141.0	134.0
Capitalization rate	51.1%	54.8%	51.0%	47.2%
Net Sales	107.5	105.2	398.9	448.6
Total development expenditure/net sales	32.7%	38.3%	35.3%	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	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Current assets	458.3	231.6	424.3	255.0
Cash and cash equivalents	-274.2	-59.6	-237.1	-64.5
No interest-bearing short term liabilities	-105.7	-142.4	-129.4	-143.8
Working capital	78.3	29.6	57.8	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)	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
<i>Capital employed</i>				
Total balance	873.6	694.6	856.6	695.0
No interest-bearing liabilities	-122.0	-162.0	-148.3	-165.3
Capital employed	792.0	532.6	708.3	529.7
<i>Operating earnings less interest income R4Q</i>				
Operating earnings R4Q	-4.3	-38.6	-4.3	-38.6
Interest income R4Q	0.2	0.7	0.2	0.7
<i>Operating earnings less interest income R4Q</i>	<i>-4.5</i>	<i>-39.3</i>	<i>-4.5</i>	<i>-39.3</i>
Return on capital employed	-0.6%	-7.4%	-0.6%	-7.4%

Equity/asset ratio SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Equity	692.6	463.7	692.6	463.7
Total equity and liabilities	862.4	686.5	862.4	686.5
Equity/asset ratio	80.3%	67.6%	80.3%	67.6%

Return on equity including discontinued operations SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net income - R4Q	237.4	-32.2	237.4	-32.2
Average equity - R4Q	659.0	485.4	659.0	485.4
Return on equity	36.0%	-6.6%	36.0%	-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	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Average number of employees	170	178	168	183
Average number of consultants	29	41	30	34
Total average number of employees and consultants	199	219	198	217
Average number of employees and consultants continuing operations	-	-29	-	-28
Net Average number of employees and consultants continuing operations	199	190	198	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		Oct-Dec		Jan-Dec	
SEK millions	Note	2020	2019	2020	2019
Effects of the Net Insight share price development during the period					
Share-based benefits	(a)	-0.1	-0.1	-0.0	0.0
Synthetic options, change in value	(b)	0.0	-0.3	0.1	0.2
Total		-0.1	-0.4	0.0	0.3
Exchange rate differences					
Part of Other operating income & expenses		-18.2	-5.5	-16.0	-3.2
Part of Net Financial Items		-2.2	-0.6	-3.5	0.9
Total Exchange rate differences		-20.4	-6.1	-19.5	-2.3
Government grants Covid-19					
Reduction of employee expenses		0.9	-	3.4	-
Other operating income		9.1	-	9.7	-
Total		9.9	-	13.1	-
Items affecting comparability					
Restructuring	(c)	-1.1	-4.3	-2.4	-12.0
Government grants Covid-19, other operating income	(d)	9.1	-	9.7	-
Strategic advisory services and preparation for capital injection	(e)	-	-15.8	-	-15.8
Total		8.0	-20.1	7.3	-27.8
Operating earnings excluding items affecting comparability continuing operations					
Operating earnings		-4.0	-24.1	-4.6	-3.6
Items affecting comparability, as per above		-8.0	20.1	-7.3	27.8
Items affecting comparability discontinuing operations		-	-	-	-2.9
Operating earnings excluding items affecting comparability		-12.0	-4.0	-11.9	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) During 2015-2019, Net Insight issued 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, 3 years, 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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