

Net Insight Interim Report January – September 2022



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

July – September 2022

- Net sales amounted to SEK 130.3 (100.8) million, an increase of 29.2% year-on-year. In comparable currencies net sales increased by 12.3%.
- Operating earnings amounted to SEK 27.3 (11.8) million, corresponding to an operating margin of 20.9% (11.7%). Excluding foreign exchange rate differences of SEK 0.5 (-0.2) million and items affecting comparability of SEK -2.7 (0.0) million, operating earnings were SEK 29.5 (12.0) million.
- Net income for the period was SEK 24.2 (10.1) million.
- Earnings per share diluted was SEK 0.07 (0.03).
- Total cash flow for the Group was SEK -36.0 (25.1) million. Excluding the cash impact from repurchase of own shares (during 2022) and from divestment of operations (during 2021), cash flow was SEK 2.1 (-6.5) million.

January – September 2022

- Net sales amounted to SEK 350.1 (272.8) million, an increase of 28.3% year-on-year. In comparable currencies net sales increased by 16.9%.
- Operating earnings amounted to SEK 47.3 (23.5) million, corresponding to an operating margin of 13.5% (8.6%). Excluding foreign exchange rate differences of SEK 0.9 (8.2) million and items affecting comparability of SEK -2.6 (0.6) million, operating earnings were SEK 49.1 (14.7) million.
- Net income for the period was SEK 44.1 (21.0).
- Earnings per share diluted was SEK 0.12 (0.05).
- Total cash flow, including discontinued operations in 2021, was SEK -61.0 (55.9) million. Excluding the cash impact from repurchase of own shares (during 2022) and from divestment of operations (during 2021), cash flow was SEK 13.8 (9.2) million.

” Strong earnings driven by two large orders in the US

Crister Fritzson, CEO, Net Insight

Q3 in brief:

- Substantial Nimbra Edge order
- First 5G delivery to Three Sweden
- First customer delivery of advanced ST 2110 functions

FINANCIAL HIGHLIGHTS

SEK millions	Jul-Sep			Jan-Sep			Oct 2021- Sep 2022	Jan-Dec 2021	Change
	2022	2021	Change	2022	2021	Change			
Continued operations									
Net sales	130.3	100.8	29.2%	350.1	272.8	28.3%	458.0	380.7	20.3%
Operating earnings	27.3	11.8	130.2%	47.3	23.5	101.2%	50.6	26.8	88.9%
Operating margin	20.9%	11.7%		13.5%	8.6%		11.0%	7.0%	
Net income	24.2	10.1	140.0%	44.1	21.0	110.6%	47.0	23.8	97.4%
EBITDA	43.8	26.3	66.4%	93.9	67.3	39.7%	111.2	84.5	31.6%
EBITDA margin	33.6%	26.1%		26.8%	24.7%		24.3%	22.2%	
EBITDA-2	24.6	15.2	61.8%	31.0	28.3	9.6%	30.8	28.1	9.7%
EBITDA-2 margin	18.9%	15.1%		8.9%	10.4%		6.7%	7.4%	
Total Group, including discontinued operations									
Net Income	24.2	10.1	140.0%	44.1	-16.0		47.0	-13.1	
Total cash flow	-36.0	25.1		-61.0	55.9		-45.8	71.0	

Business area Resource Optimization was divested in March 2021 and is reported separately as discontinued operations in this report.

For definitions and calculation of KPI's, see pages 17-21.

CEO's Statement

Strong sales and operating earnings

The solid growth seen in the first six months continued into the third quarter. We continue to report strong earnings, despite an increasingly uncertain market. The growth is driven by strong sales in region Americas, including larger orders to two of our customers of which one includes delivery of equipment for the 2022 Football World Cup in Qatar. Due to the large proportion of USD in the sales for the quarter, both revenue and earnings benefited from a significant positive exchange rate effect compared with the same period year-on-year. Revenue and earnings from the new product area 5G synchronization also contributed to the strong sales and earnings.

Sales for the period totaled SEK 130.3 (100.8) million, which is 29.2% higher than the same period year-on-year (in comparable currencies 12.3%). The gross margin increased to 65.3% (60.1). The higher gross margin is largely attributable to positive exchange rate effects and a favorable customer and product mix during the quarter, while the price increase we implemented earlier in the year compensated for increased component costs. Operating earnings totaled SEK 27.3 million, compared with SEK 11.8 million in Q3 2021.

Sales growth for the rolling four quarters was 26.0%, which exceeds our long-term target of an average annual sales growth of at least 10% for the period 2021–2025. Operating margin for the rolling four quarters was 11.0%, which is in line with our long-term target of at least 10%.

Due to the uncertainties in the world, there is a tendency for greater caution and slower sales cycles. We are still seeing significant impact on the supply chain and a risk of cost increases. During the quarter we continued to secure the supply of components in order to safeguard customer deliveries in the long term. This improves our delivery reliability and will also increase our inventory over the coming quarters.

Interest in our cloudbased Nimbra Edge solution remains strong, with rising recurring revenues through new customers and increased usage by existing customers. During the quarter we signed an agreement worth almost SEK 8 million with a leading American service provider.

First 5G products delivered to Three Sweden

Our major investment in time synchronization continues. We have delivered Three Sweden's initial order for our existing Nimbra Time Node for synchronization in their 5G network. After the end of the quarter, we received a pilot order from one of Canada's leading mobile operators. Turkish mobile operator Türk Telekom, whom we signed an agreement with in 2021, has put its 5G network



Substantial Nimbra Edge order is clear proof of our competitiveness in cloud ”

Crister Fritzson, CEO Net Insight

into operation based on our GPS-independent synch product – an important milestone on our growth journey.

Our new product for 5G synchronization is under development and is expected to be launched at the end of 2023. The rate of investment remains high in development, while we are building resources in sales and marketing.

Customer delivery of advanced ST 2110 functions

To offer an efficient transition to IP, we have developed a suite of advanced ST 2110 functions that enhance our Nimbra 1000 platform. This is the most significant upgrade to date. In August the first customer delivery was made to Nordic service provider Mobile Links, providing clear proof of the solution's competitiveness.

Strengthened position in our growth areas

Looking back over an unusually strong quarter, I am proud of our achievements which include several important deals and launches. At the same time, we are cautious in our expectations for the near future, given the situation in the world at large. We continue to make advances in IP, Cloud and 5G synchronization and to strengthen our position in the market. I want to thank our employees for their constant commitment and contribution to our customers' success.

Solna Sweden, November 8, 2022
Crister Fritzson, CEO

EXTRAORDINARY EVENTS

Divested operations

The business area Resource Optimization (ScheduALL) was divested on March 31, 2021, and is reported as discontinued operations in this report. For more information on discontinued operations, see tables on page 11.

Comments and tables in this report have reference to continuing operations, unless otherwise specified.

REVENUES

Net sales in the third quarter of 2022 were SEK 130.3 (100.8) million, an increase of 29.2%. In comparable currencies, sales increased by 12.3%.

Net sales for the first nine months of 2022 were SEK 350.1 (272.8) million, an increase of 28.3%. In comparable currencies, sales increased by 16.9%.

The strong turnover in the quarter is, among other things, a result of strong sales in the Americas where, among other things, we delivered larger orders to two of our customers. Increased revenue in the new growth area of 5G synchronization as well as a positive currency effect, as a large proportion of the quarter's revenue is in USD, contribute significantly to the revenue increase. The revenue from 5G synchronization amounted to SEK 9.6 million in the quarter and a total of SEK 32.3 million for the first nine months of the year, no corresponding revenue in the previous year. Continued development of the new product for 5G synchronization is ongoing and commercial launch is expected at the end of 2023.

During the first nine months of the year, despite increased uncertainty in the outside world, we have seen a continued willingness to invest among our customers. We have actively dealt with challenges with component shortages by, among other things, securing components with longer foresight and largely succeeding in carrying out agreed deliveries. The uncertainty regarding the availability of components is estimated to continue into 2023.

The company has no direct seasonal variation, however there is a certain variation in revenue between quarters due to concentration of larger deals in certain quarters.

EARNINGS

July-September

Gross profit for the third quarter was SEK 85.1 (60.5) million, an increase by 40.6%. The increase is primarily driven by the increase in revenue compared to last year. Gross profit included amortization of capitalized development expenditure of SEK -11.5 (-11.0) million. Gross margin excluding and including amortization of capitalized development expenditure was 74.1% (70.9%) and 65.3% (60.1%) respectively. The increase is largely due to the fact that we managed to achieve a good margin in our business, where, among other things, implemented price increases have so far compensated for cost increases. A large share of revenue in USD in the quarter also means a significant positive currency effect. The cost increases also have a certain delayed effect and we do not yet see the full effect of these.

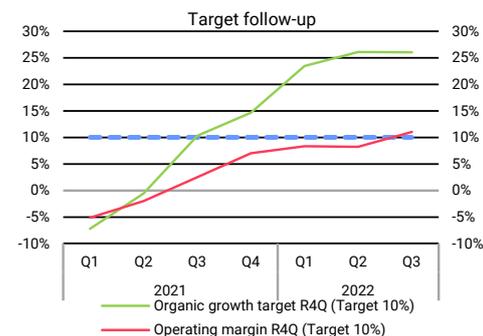
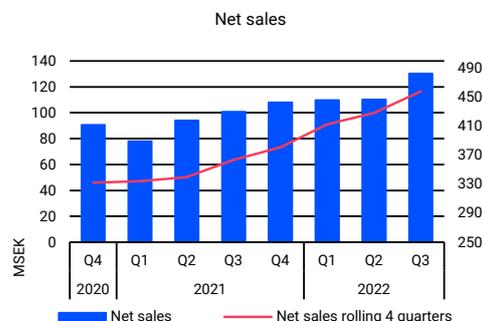
Operating expenses in the third quarter of SEK -57.1 (-48.5) million, an increase by 17.7% compared to last year. The increase compared to the previous year is due to the investments we made regarding strengthening both sales and market and development in order to reach our long-term growth and profitability goals. However, operating expenses are in line with the previous quarters in 2022. Operating expenses includes costs for restructuring of SEK -1.2 (-) million. In the quarter, the cost for personnel is positively affected by the fact that the holiday period falls during the quarter.

Sales and marketing expenses were SEK -32.3 (-24.9) million, and administration expenses to SEK -12.5 (-12.2). Development expenses were SEK -12.3 (-11.4) million and the total development expenditure, i.e. before capitalization, were SEK -31.5 (-22.6) million. The increase in sales and marketing costs as well as development expenses is attributable to the investment in 5G synchronization, which began in the last quarter of 2021. The sales and marketing expenses in the quarter are also affected by costs for a large fair in September and by a negative currency effect as a significant part of these costs are in USD.

Other operating income and expenses were SEK -0.7 (-0.2) million, of which foreign exchange rate differences of SEK 0.5 (-0.2) million and impairment of development projects, as a result of a tighter integration of the Nimbra and Aperi platforms, of SEK -1.5 (-) million.

Operating earnings amounted to SEK 27.3 (11.8) million, corresponding to an operating margin of 20.9% (11.7%). Excluding foreign exchange rate differences of SEK 0.5 (-0.2) million and items affecting comparability of SEK -2.7 (0.0) million, operating earnings were SEK 29.5 (12.0) million. See also table Material profit and loss items on page 21.

The definition of EBITDA was changed from the beginning of the year, so that capitalization of development expenditures is no longer reversed. EBITDA 2 corresponds to previous years' definition, where the capitalization of development expenditures is reversed,



Target follow-up

Financial targets 2021-2025:

* an average annual organic growth of at least 10%

* an average annual EBIT margin (operating margin) of at least 10%

see also pages 17-18. EBITDA and EBITDA-2 amounted to SEK 43,8 (26.3) million and SEK 24.6 (15.2) million, respectively, which corresponded to an EBITDA margin of 36.6% (26.1%) and an EBITDA-2 margin of 18.9% (15.1). The strong EBITDA margin is an effect of revenue growth combined with an increased gross margin. The investments in 5G synchronization resulted in that the EBITDA-2 margin has not improved to a corresponding extent.

In the third quarter, net financial items amounted to SEK 4.4 (0.9) million, of which foreign exchange rate differences of SEK 3.6 (1.0) million.

Profit before tax was SEK 31.6 (12.7) million, and net income was SEK 24.2 (10.1) million, corresponding to a net margin of 18.6% (10.0%).

January-September

Gross profit for the first nine months was SEK 220.1 (163.3) million. The increase is primarily driven by the increase in revenue compared to last year. Gross profit included amortization of capitalized development expenditure of SEK -34.3 (-32.4) million. Gross margin excluding and including amortization of capitalized development expenditure was 72.7% (71.7%) and 62.9% (59.8%) respectively. Implemented price increases to compensate for cost increases, increased support and service income and a positive currency effect have contributed to increased gross margin.

Operating expenses of SEK -172.5 (-149.2) million, increased as a result of the reinforcements in sales and market as well as within development, where the establishment within 5G synchronization is one initiative. Increased traveling in connection with customer events, participation in fairs has also meant increased costs compared to the previous year. The continued weakening of the Swedish krona has also contributed to the increase in costs compared to the previous year. Operating expenses includes costs for restructuring of SEK -1.2 (-) million.

Other operating income and expenses were SEK -0.3 (9.5) million, of which foreign exchange rate differences of SEK 0.9 (8.2) million and impairment of development projects, as a result of a tighter integration of the Nimbra and Aperi platforms, of SEK -1.5 (-) million.

Operating earnings amounted to SEK 47.3 (23.5) million, corresponding to an operating margin of 13.5% (8.6%). Excluding foreign exchange rate differences of SEK 0.9 (8.2) million and items affecting comparability of SEK -2.6 (0.6) million, operating earnings were SEK 49.1 (14.7) million. See also table Material profit and loss items on page 21.

EBITDA and EBITDA-2 amounted to SEK 93.9 (67.3) million and SEK 31.0 (28.3) million, respectively, which corresponded to an EBITDA margin of 26.8% (24.7%) and an EBITDA-2 margin of 8.9% (10.4). The increase in EBITDA is primarily attributable to increased sales. The increased investments, attributable to the investment in 5G synchronization, lead to a decreased EBITDA-2 margin.

For the first nine months, net financial items amounted to SEK 8.8 (1.4) million, of which foreign exchange rate differences of SEK 8.2 (1.7) million.

Profit before tax was SEK 56.1 (24.9) million, and net income was SEK 44.1 (21.0) million, corresponding to a net margin of 12.6% (7.7%). For the period January-September 2021, net income including discontinued operations was SEK -16.0 million, of which SEK -35.9 million attributable to capital loss on disposal of discontinued operations.

Key Ratios continued operations	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Net sales, SEK millions	130.3	100.8	350.1	272.8	458.0	380.7
Net sales YoY, change in %	29.2%	30.6%	28.3%	13.0%	26.0%	14.6%
Gross earnings	85.1	60.5	220.1	163.3	285.2	228.4
Gross margin	65.3%	60.1%	62.9%	59.8%	62.3%	60.0%
Operating earnings	27.3	11.8	47.3	23.5	50.6	26.8
Operating margin	20.9%	11.7%	13.5%	8.6%	11.0%	7.0%
EBITDA	43.8	26.3	93.9	67.3	111.2	84.5
EBITDA margin	33.6%	26.1%	26.8%	24.7%	24.3%	22.2%
EBITDA-2	24.6	15.2	31.0	28.3	30.8	28.1
EBITDA-2 margin	18.9%	15.1%	8.9%	10.4%	6.7%	7.4%

INVESTMENTS

Third quarter investments were SEK 19.7 (11.2) million, of which SEK 19.2 (11.1) million related to capitalization of expenditure for development. The increase in capitalized development expenditure relates to the investment in 5G synchronization, which began in the last quarter of 2021. Depreciation and amortization in the third quarter totaled SEK -15.1 (-14.5) million, of which SEK -11.5 (-11.0) million related to amortization of capitalized expenditure for development. As a result of a tighter integration of the Nimbra and Aperi platforms, development projects of total SEK -1.5 (-) million were impaired during the third quarter.

Investments during the first nine months were SEK 65.3 (40.4) million, of which SEK 62.9 (39.0) million related to capitalization of expenditure for development. The increase in capitalized development expenditure relates to the investment in 5G synchronization, which began in the last quarter of 2021. Depreciation and amortization for the first nine months totaled SEK -45.2 (-43.7) million, of which SEK -34.3 (-32.4) million related to amortization of capitalized expenditure for development. As a result of a tighter integration of the Nimbra and Aperi platforms, development projects of total SEK -1.5 (-) million were impaired during the first nine months.

At the end of the period, net value of capitalized expenditure for development was SEK 185.5 million, against SEK 158.3 million as of December 31, 2021.

Including discontinued operations, the investments for the first nine months 2021 were SEK 43.6 million, of which SEK 42.1 million related to capitalization of expenditure for development. Depreciation and amortization, including discontinued operations, during the first nine months 2021 totaled SEK -46.1 million, of which SEK -33.8 million related to amortization of capitalized expenditure for development.

CASH FLOW AND FINANCIAL POSITION

From April 2021, only the continued operations (business area Media Networks) are included in the cash flow. Discontinued operations (business area Resource Optimization) was included in previous periods' cash flow and its impact on cash flow is presented in table on page 11.

Cash flow from operating activities in the third quarter was SEK 23.9 (6.6) million. Total cash flow was SEK -36.0 (25.1) million. The negative cash flow in the quarter, despite improved earnings, is caused by the repurchase of own shares of SEK -38.2 (-) million. An increased capital tie-up in inventory and accounts receivable has also had a negative impact on cash flow. The increase in stock is a consequence of the fact that we secured components with a longer lead time than normal due to the prevailing component shortage. The increase in accounts receivable is a consequence of the increase in turnover and the fact that a large proportion of the quarter's invoicing took place late in the period. Last year, the parent company received the final proceeds from the divestment of the Streaming Solutions business area of SEK 31.6 million. Excluding the cash impact of the divestment of operations and repurchase of own shares, cash flow for the third quarter was SEK 2.1 (-6.5) million. More information about divested operations can be found in tables on page 11 and more information about the buyback program can be found on page 13.

Cash flow from operating activities for the first nine months was SEK 83.6 (58.7) million. Total cash flow was SEK -61.0 (55.9) million. The negative cash flow in the period, despite improved earnings, is caused by the repurchase of own shares of SEK -74.8 (-) million. The above-mentioned increased capital tied up in inventory and accounts receivable also has a negative impact on the first nine months' cash flow. The cash flow effect of the investment in 5G synchronization, above all in the form of increased investments, has been partially offset by the NRE fee and advances received from the customer. The previous year's cash impact from the disposals of the Resource Optimization and Streaming Solutions business areas was SEK 46.7 million. Excluding the cash impact of the divestment of operations and repurchase of own shares, cash flow for the third quarter was SEK 13.8 (9.2) million. More information about divested operations can be found in tables on page 11 and more information about the buyback program can be found on page 13.

Cash and cash equivalents were SEK 294.5 million at the end of the period, against SEK 354.9 million as of 31 December 2021.

Remaining tax loss carry-forwards for group companies amounted to SEK 22.3 million at the end of the period, compared to SEK 79.4 million as of December 31, 2021. Deferred tax has been recognized for the tax loss carry-forwards. For more information, see the section Tax on page 13.

Equity was SEK 619.0 million at the end of the period, against SEK 646.5 million as of 31 December 2021. The equity/assets ratio was 74.8%, against 78.0% as of 31 December 2021. The fact that equity decreased despite a positive result during the year is due to the repurchase of own shares. For information about warrants, share repurchases and share structure, see the section Contributed equity on page 13.

EMPLOYEES

The average number of employees and consultants at Net Insight during the third quarter and for the nine-months period was 178 (154) and 174 (152), respectively, of which 144 (122) and 141 (123), respectively, in the parent company Net Insight AB (publ). The increase is primarily attributable to the investment in 5G synchronization, which began in the last quarter of 2021.

In September, the company announced a reorganization, where the development team of Aperi in the USA is integrated with the development organization in Stockholm and the appointment of a new CTO group with the aim of supporting the strategic direction of future-proofing the company's technology and increasing visibility in the market and with customers. As a result of the changes, the management team was also strengthened and reorganized, which as of September 8 consist of: Crister Fritzson, CEO; Joakim Schedvins, CFO; Mårten Blixt, CCO; Christer Bohm, VP Product Management; Mats Herolf, VP R&D; Per Lindgren, Group CTO, Head of Sync and Ulrik Rohne, CTO Media, and Vacant, CHRO.

PARENT COMPANY

Parent company net sales were SEK 130.2 (100.7) million in the third quarter, and net income was SEK 24.7 (9.7) million. In the third quarter, intra-group sales totaled SEK 0.0 (0.0) million, and intra-group purchases SEK -17.4 (-13.0) million.

For the nine-month period, the parent company net sales were SEK 349.9 (272.6) million, and net income was SEK 39.4 (-55.8) million. The net financials included result from participation in group companies of SEK -4.3 (-69.8) million, attributable to intra-group restructuring and previous year attributable to capital loss from divestment of subsidiaries. For the nine-month period, intra-group sales totaled SEK 0.0 (0.0) million, and intra-group purchases SEK -50.3 (-37.3) million.

Progress in the parent company in the second quarter and for the first nine month largely shadowed Group progress as indicated above (except for the effect of the sale of operations/subsidiaries).

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 and sustainability-related risks.

At the end of 2021, the current situation of component shortages has meant increased uncertainty. In 2021, we did not see any significant negative effects of this. During 2022, we worked to manage the shortage situation and we estimate that the uncertainty will continue into 2023. The war in Ukraine that began in the first quarter 2022 has contributed to increased uncertainty and risk associated with operations and the implementation of events, especially in Ukraine, Russia and Belarus. The company's exposure to these markets is extremely limited and the decision to comply with the sanctions in force at the time of reporting is therefore not considered to have any material impact on the company's operations, assets or earnings. However, how the war develops is difficult to predict and the company makes ongoing evaluations of the need to take action.

Except for this, no additional critical risks and uncertainty factors, other than those reviewed in the Annual Report for 2021, arose during the period or are anticipated in 2022.

The risks and uncertainty factors are essentially the same for the parent company and the group as a whole.

For a complete review of the company's risk and sensitivity analysis, and its risk management process, see pages 46-47, 48-49 and 67-68 of the Annual Report for 2021.

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Continued operations						
Net sales	130,265	100,792	350,101	272,793	457,995	380,687
Cost of sales	-45,143	-40,261	-130,013	-109,540	-172,776	-152,303
Gross earnings	85,122	60,531	220,088	163,253	285,219	228,384
Sales and marketing expenses	-32,343	-24,934	-94,764	-72,773	-126,299	-104,308
Administration expenses	-12,504	-12,157	-39,308	-38,383	-52,802	-51,877
Development expenses	-12,293	-11,440	-38,457	-38,037	-53,383	-52,963
Other operating income and expenses	-725	-161	-251	9,457	-2,170	7,538
Operating earnings	27,257	11,839	47,308	23,517	50,565	26,774
Net financial items	4,372	872	8,782	1,384	9,332	1,934
Profit before tax	31,629	12,711	56,090	24,901	59,897	28,708
Tax	-7,419	-2,623	-11,945	-3,943	-12,908	-4,906
Net income continued operations	24,210	10,088	44,145	20,958	46,989	23,802
Discontinued operations, net after tax	-	-	-	-36,926	-	-36,926
Net Income	24,210	10,088	44,145	-15,968	46,989	-13,124
Net income for the period attributable to the shareholders of the parent company	24,210	10,088	44,145	-15,968	46,989	-13,124

Earnings per share, based on net income attributable to the parent company's shareholders during the period	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Earnings per share from continued operations						
-Basic, SEK	0.07	0.03	0.12	0.05	0.13	0.06
-Diluted, SEK	0.07	0.03	0.12	0.05	0.13	0.06
Earnings per share including discontinued operations						
-Basic, SEK	0.07	0.03	0.12	-0.04	0.13	-0.03
-Diluted, SEK	0.07	0.03	0.12	-0.04	0.13	-0.03
Average number of outstanding shares in thousands						
-Basic	365,605	382,758	369,582	382,758	372,446	382,162
-Diluted	369,538	385,813	373,076	384,509	375,852	384,174

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Net income	24,210	10,088	44,145	-15,968	46,989	-13,124
Other comprehensive income						
<i>Items that may be reclassified subsequently to the income statement</i>						
Translation differences	688	190	1,706	202	1,954	450
Total other comprehensive income, after tax	688	190	1,706	202	1,954	450
Total other comprehensive income for the period	24,898	10,278	45,851	-15,766	48,943	-12,674
Total comprehensive income for the period attributable to the shareholders of the parent company	24,898	10,278	45,851	-15,766	48,943	-12,674

CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	30 Sep 2022	30 Jun 2022	31 Dec 2021
ASSETS			
Non-current assets			
Capitalized expenditure for development	185,455	179,169	158,263
Goodwill	38,751	38,751	38,751
Other intangible assets	1,561	1,750	1,950
Right-of-use assets	27,906	29,808	33,614
Equipment	17,214	18,103	19,293
Deferred tax asset	5,640	13,238	16,888
Deposits	4,851	4,736	4,784
Total non-current assets	281,378	285,555	273,543
Current assets			
Inventories	75,746	70,060	53,712
Accounts receivable	151,040	129,588	106,069
Other receivables	24,598	27,022	40,436
Cash and cash equivalents	294,503	330,475	354,863
Total current assets	545,887	557,145	555,080
TOTAL ASSETS	827,265	842,700	828,623
EQUITY AND LIABILITIES			
Equity attributable to parent company's shareholders			
Share capital	14,750	15,597	15,597
Other paid-in capital	1,192,727	1,192,727	1,192,727
Translation reserve	1,889	1,201	183
Accumulated deficit	-590,354	-577,249	-561,979
Total shareholders' equity	619,012	632,276	646,528
Non-current liabilities			
Lease liabilities	18,893	20,913	24,914
Other liabilities	39,153	35,192	11,378
Total non-current liabilities	58,046	56,105	36,292
Current liabilities			
Lease liabilities	9,467	9,405	9,286
Accounts payable	22,444	25,201	36,588
Other liabilities	118,296	119,713	99,929
Total current liabilities	150,207	154,319	145,803
TOTAL EQUITY AND LIABILITIES	827,265	842,700	828,623

CHANGES IN CONSOLIDATED EQUITY, IN SUMMARY

SEK thousands	Attributable to parent company's shareholders				
	Share capital	Other paid-in capital	Translation reserve	Accumulated deficit	Total shareholders' equity
January 1, 2021	15,597	1,192,727	-267	-515,441	692,616
Total comprehensive income	-	-	202	-15,968	-15,766
September 30, 2021	15,597	1,192,727	-65	-531,409	676,850
January 1, 2022	15,597	1,192,727	183	-561,979	646,528
Transfer of quota value upon cancellation of repurchased shares	-847	-	-	847	-
Repurchase of own shares	-	-	-	-74,824	-74,824
Warrants issued	-	-	-	1,457	1,457
Total comprehensive income	-	-	1,706	44,145	45,851
September 30, 2022	14,750	1,192,727	1,889	-590,354	619,012

CONSOLIDATED STATEMENT OF CASH FLOWS INCLUDING DISCONTINUED OPERATIONS

SEK thousands	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Ongoing activities						
Profit/loss before tax	31,629	12,711	56,090	-12,093	59,897	-8,286
Income tax paid	-208	-589	-1,098	-782	-1,098	-782
Depreciation, amortization & impairment	16,535	14,528	46,630	46,104	60,587	60,061
Other items not affecting liquidity	-38	2,083	3,501	30,434	7,666	34,599
	47,918	28,733	105,123	63,663	127,052	85,592
Changes in working capital						
Increase-/decrease+ in inventories	-5,772	-6,551	-24,800	-2,990	-26,427	-4,617
Increase-/decrease+ in receivables	-18,267	-12,915	-28,758	-11,212	-56,213	-38,667
Increase+/decrease- in liabilities	40	-2,681	32,080	9,272	84,216	61,408
Cash flow from operating activities	23,919	6,586	83,645	58,733	128,628	103,716
Investment activities						
Capitalized expenditure	-19,215	-11,123	-62,937	-42,138	-80,384	-59,585
Investment in intangible assets	-	-	-302	-	-302	-
Investment in tangible assets	-504	-45	-2,098	-1,423	-2,800	-2,125
Disposal of subsidiary, net effect on cash	-	31,553	-	46,682	23,660	70,342
Increase-/decrease+ in financial assets, net	-101	-	-101	-	-101	-
Cash flow from investment activities	-19,820	20,385	-65,438	3,121	-59,927	8,632
Financing activities						
Amortization leasing	-1,958	-1,899	-5,840	-5,978	-7,753	-7,891
Warrant premiums paid	-	-	1,457	-	1,457	-
Repurchase of own shares	-38,162	-	-74,824	-	-108,238	-33,414
Cash flow from financing activities	-40,120	-1,899	-79,207	-5,978	-114,534	-41,305
Net change in cash and cash equivalents	-36,021	25,072	-61,000	55,876	-45,833	71,043
Exchange differences in cash and cash equivalents	49	-68	640	490	786	636
Cash and cash equivalents at the beginning of the period	330,475	314,546	354,863	283,184	339,550	283,184
Cash and cash equivalents at the end of the period	294,503	339,550	294,503	339,550	294,503	354,863

DISAGGREGATION OF REVENUE

SEK thousands	Jul-Sep		Jan-Sep		Oct 2021- Sep 2022	Jan-Dec 2021
	2022	2021	2022	2021		
Net sales by product group						
Hardware	66,058	44,610	163,115	122,259	208,280	167,424
Software licenses	24,408	21,418	63,417	55,000	85,347	76,930
Support and Services*	39,799	34,764	123,569	95,534	164,368	136,333
Total	130,265	100,792	350,101	272,793	457,995	380,687
Net sales by region**						
EMEA	55,289	55,670	190,456	158,273	259,619	227,436
AM	60,727	37,034	123,126	88,931	151,111	116,916
APAC	14,249	8,088	36,519	25,589	47,265	36,335
Total	130,265	100,792	350,101	272,793	457,995	380,687
Timing of revenue recognition						
Products and services transferred at a point in time	90,481	66,037	226,578	177,305	293,688	244,415
Services transferred over time*	39,784	34,755	123,523	95,488	164,307	136,272
Total	130,265	100,792	350,101	272,793	457,995	380,687

*) Of which NRE fee; Jul-Sep, SEK 7.1 (-) million, Jan-Sep SEK 21.2 (-) million, and SEK 4.7 million in Q4 2021.

**) The regional follow-up was changed on 1 January 2022. Comparative periods have been recalculated.

FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category - Assets	Sep 30, 2022			31 Dec 2021		
	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
SEK thousands						
Assets in Balance Sheet						
Derivative instruments	2		-	2		-
Accounts receivable and other receivables, excluding non-financial assets		160,447			116,705	
Cash and cash equivalents		294,503			354,863	
Total		454,950	-		471,568	-

Group's financial instruments by category - Liabilities	Sep 30, 2022			31 Dec 2021		
	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
SEK thousands						
Liabilities in Balance Sheet						
Derivative instruments	2		3,903	2		2,104
Accounts payable and other liabilities, excluding non-financial liabilities		31,613			41,964	
Total		31,613	3,903		41,964	2,104

Carrying value of account receivables, other receivables, cash and cash equivalents, account payables and other liabilities makes a reasonable approximation of fair value.

Financial instruments in tier 2

The fair value of derivative instruments is measured using exchange rates of currency forwards on the reporting date.

INCOME FROM DISCONTINUED OPERATIONS

SEK thousands	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Revenues	-	-	-	15,101	-	15,101
Expenses	-	-	-	-16,176	-	-16,176
Capital loss on disposal of discontinued operations	-	-	-	-35,919	-	-35,919
Loss before tax	-	-	-	-36,994	-	-36,994
Tax	-	-	-	68	-	68
Net income discontinued operations	-	-	-	-36,926	-	-36,926

ASSETS HELD FOR SALE

SEK thousands	Jan-Sep	Jan-Dec
	2021	2021
Disposed assets and liabilities		
Capitalized expenditure for development	70,198	70,198
Goodwill	22,932	22,932
Other intangible assets	3,642	3,642
Right-of-use assets	3,617	3,617
Equipment	2,688	2,688
Deferred tax asset	6,261	6,261
Deposits	407	407
Accounts receivable	7,916	7,916
Other receivables	1,859	1,859
Cash and cash equivalents	2,274	2,274
Lease liabilities, non-current	-2,593	-2,593
Other liabilities, non-current	-5,862	-5,862
Lease liabilities	-1,291	-1,291
Accounts payable	-1,702	-1,702
Other liabilities	-32,596	-32,596
Net assets and liabilities	77,750	77,750
Cash consideration	49,538	49,538
Less: Escrow	-24,428	-24,428
Less: Cash and cash equivalents in discontinued operations	-2,274	-2,274
Less: Transaction costs	-7,707	-7,707
Effect on group's cash and cash equivalents	15,129	15,129
Final settlements	31,553	55,213
Disposal of subsidiary, net effect on cash	46,682	70,342

CASHFLOW FROM DISCONTINUED OPERATIONS

SEK thousands	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Cash flow from discontinued operations, net						
Cash flow from operating activities	-	-	-	899	-	899
Cash flow from investment activities	-	31,553	-	43,513	23,660	67,173
Cash flow from financing activities	-	-	-	-	-	-
Cash flow from discontinued operations, net	-	31,553	-	44,412	23,660	68,072

PARENT COMPANY INCOME STATEMENT, IN SUMMARY

SEK thousands	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Net sales	130,207	100,733	349,926	272,617	457,762	380,453
Cost of sales	-44,919	-39,112	-129,679	-106,248	-175,445	-152,014
Gross earnings	85,288	61,621	220,247	166,369	282,317	228,439
Sales and marketing expenses	-31,585	-30,327	-94,845	-88,858	-113,189	-107,202
Administration expenses	-12,431	-12,003	-39,190	-38,159	-52,510	-51,479
Development expenses	-11,637	-7,740	-38,566	-27,924	-64,780	-54,138
Other income expenses	-1,941	-378	-1,697	3,964	-3,751	1,910
Operating earnings	27,694	11,173	45,949	15,392	48,087	17,530
Net financial items	4,607	1,212	5,192	-67,452	6,029	-66,615
Profit/loss before tax	32,301	12,385	51,141	-52,060	54,116	-49,085
Tax	-7,612	-2,666	-11,762	-3,777	-12,553	-4,568
Net income	24,689	9,719	39,379	-55,837	41,563	-53,653

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	30 Sep 2022	31 Dec 2021	30 Sep 2021
ASSETS			
Non-current assets			
Capitalized expenditure for development	185,455	158,263	151,305
Other intangible assets	1,561	1,950	2,203
Equipment	15,793	17,686	18,247
Participations in group companies	3,173	174,895	174,895
Deferred tax asset	4,588	16,350	17,141
Deposits	4,628	4,686	4,927
Total non-current assets	215,198	373,830	368,718
Current assets			
Inventories	75,746	53,712	54,507
Accounts receivable	151,896	106,676	85,493
Other receivables	26,455	42,680	59,675
Cash and cash equivalents	286,972	350,422	332,741
Total current assets	541,069	553,490	532,416
TOTAL ASSETS	756,267	927,320	901,134
EQUITY AND LIABILITIES			
Equity			
Restricted equity	261,649	221,277	210,038
Non-restricted equity	314,034	388,394	430,863
Total equity	575,683	609,671	640,901
Non-current liabilities			
Other liabilities	38,544	11,190	10,504
Total non-current liabilities	38,544	11,190	10,504
Current liabilities			
Accounts payable	22,501	36,376	23,099
Liabilities to group companies	8,515	173,810	169,447
Other liabilities	111,024	96,273	57,183
Total current liabilities	142,040	306,459	249,729
TOTAL EQUITY AND LIABILITIES	756,267	927,320	901,134

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 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 2021.

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 2021.

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 -7.4 (-2.6) million for the period April–September 2022, corresponds to an effective tax rate of -23.5 (-20.6) percent. For the period January–September 2022, the group reported tax of total SEK -11.9 (-3.9) million, corresponds to an effective tax rate of -21.3 (-15.8) percent. Including divested operations, the group reported tax of SEK -3.9 million for the period January-September 2021, corresponds to an effective tax rate of 32.0 percent. In 2021, the group recognized a capital loss from discontinued operations of SEK -35.9 million, which was non-deductible. The effective tax rate is also affected by the relative effects of foreign tax rates.

Remaining tax loss carry-forwards for group companies amounted to SEK 22.3 million at the end of the period, compared to SEK 79.4 million as of December 31, 2021. Deferred tax has been recognized for the tax loss carry-forwards.

CONTRIBUTED EQUITY

The 2022 AGM resolved to authorize the board of directors to resolve to repurchase, on one or several occasions until the next annual general meeting, as many own shares as may be purchased without the company's holding at any time exceeding ten per cent of the total number of shares in the company. Further, the AGM resolved to authorize the board of directors to resolve on one or several occasions until the next annual general meeting, to transfer (sell) own shares.

At the Board meeting on July 19, the board of Directors of Net Insight AB decided to utilize the repurchase mandate given at the AGM on May 13, 2022, and begin repurchasing own shares. The repurchase program commenced on July 22, 2022, and will last until the AGM on May 12, 2023, and will amount to maximum SEK 70 million.

During January-September 2022, the parent company acquired 7,710,000 of its own class B shares through purchases on Nasdaq Stockholm for a total amount of SEK 38.2 million. In total, the parent company has acquired 16,260,000 of its own class B-shares on Nasdaq Stockholm during 2022 for a total amount of SEK 74.8 million.

The 2022 AGM resolved that the company's share capital shall be reduced by SEK 847,000 for allocation to unrestricted equity through cancellation of 21,175,000 own B shares held by the company. The cancellation was completed on August 31.

At the end of the reporting period, the parent company had a total of 7,710,000 of its own class B shares, at an average cost of SEK 4.95 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 case is ongoing with the Swedish Companies Registration Office.

In accordance with the warrant program approved by the 2022 Annual General Meeting, management and key personnel in June acquired a total of 1,755,000 warrants for a market premium of a total of SEK 1,456,650. 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 5.10.

In total, the Company has three ongoing warrant programs with a total of 4,810,000 warrants. When calculating earnings per share, a dilution effect arises when the average price for the period exceeds the exercise price for the warrants. For more information about the programs and the accounting principles, see Note 7 on page 77 in the 2021 Annual Report.

The division of shares	30 Sep, 2022			31 Dec, 2021		
	A-shares	B-shares	Total	A-shares	B-shares	Total
Outstanding shares	1,000,000	360,048,009	361,048,009	1,000,000	376,308,009	377,308,009
Repurchased own shares	-	7,710,000	7,710,000	-	12,625,000	12,625,000
Issued shares	1,000,000	367,758,009	368,758,009	1,000,000	388,933,009	389,933,009

TRANSACTIONS WITH RELATED PARTIES

No transactions with related parties during the period.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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 product area Media Networks, 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.

The 5G synchronization product area enables cost-effective, more secure and faster roll-out of 5G networks.

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

Year-end report 2021

Interim report January – March

Annual General Meeting

Interim report January – June

Interim report January – September

February 21, 2023

May 3, 2023

May 12, 2023

July 18, 2023

November 9, 2023

Solna, Sweden, November 8, 2022

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.

For more information, please contact:

Crister Fritzson, CEO, Net Insight AB (publ)

Phone: +46 (0)8-685 04 00

Email: crister.fritzson@netinsight.net

Joakim Schedvins, CFO, Net Insight AB (publ)

Phone: +46 (0)8-685 04 00

Email: joakim.schedvins@netinsight.net

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

Box 1200, 171 23 Solna, Sweden

Phone. +46 (0)8-685 04 00

www.netinsight.net

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 7:30 am CET on November 8, 2022.

REVIEW REPORT

Introduction

We have reviewed the condensed interim financial information (interim report) of Net Insight AB (publ.) as of 30 September 2022 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 8 November 2022
KPMG AB

Henrik Lind
Authorized Public Accountant

Translation from the Swedish original

FINANCIAL INFORMATION

SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Earnings continued operations						
Net sales	130.3	100.8	350.1	272.8	458.0	380.7
Gross earnings	85.1	60.5	220.1	163.3	285.2	228.4
Operating expenses	57.1	48.5	172.5	149.2	232.5	209.1
Total development expenditure	31.5	22.6	101.4	77.0	133.8	109.4
EBITDA	43.8	26.3	93.9	67.3	111.2	84.5
EBITDA-2	24.6	15.2	31.0	28.3	30.8	28.1
Operating earnings	27.3	11.8	47.3	23.5	50.6	26.8
Profit before tax	31.6	12.7	56.1	24.9	59.9	28.7
Net income	24.2	10.1	44.1	21.0	47.0	23.8
Balance sheet and cash flow including discontinued operations						
Cash and cash equivalents	294.5	339.6	294.5	339.6	294.5	354.9
Working capital	96.2	79.7	72.0	75.4	75.6	73.1
Total cash flow	-36.0	25.1	-61.0	55.9	-45.8	71.0
The share						
Dividend per share, SEK	-	-	-	-	-	-
Earnings per share, basic continued operations, SEK	0.07	0.03	0.12	0.05	0.13	0.06
Earnings per share, diluted continued operations, SEK	0.07	0.03	0.12	0.05	0.13	0.06
Earnings per share including discontinued operations, basic, SEK	0.07	0.03	0.12	-0.04	0.13	-0.03
Earnings per share including discontinued operations, diluted, SEK	0.07	0.03	0.12	-0.04	0.13	-0.03
Cash flow per share, basic, SEK	-0.10	0.07	-0.17	0.15	-0.12	0.19
Cash flow per share, diluted, SEK	-0.10	0.06	-0.16	0.15	-0.12	0.18
Equity per share basic, SEK	1.69	1.77	1.67	1.77	1.67	1.69
Equity per share diluted, SEK	1.68	1.75	1.66	1.76	1.66	1.68
Average number of outstanding shares basic, thousands	365,605	382,758	369,582	382,758	372,446	382,162
Average number of outstanding shares diluted, thousands	369,538	385,813	373,076	384,509	375,852	384,174
Number of outstanding shares at the end of the period, basic, thousands	361,048	382,758	361,048	382,758	361,048	377,308
Number of outstanding shares at the end of the period, diluted, thousands	365,858	385,813	365,858	385,813	365,858	380,363
Share price at end of period, SEK	5.51	3.53	5.51	3.53	5.51	6.62
Employees and consultants continued operations						
Average number of employees and consultants	178	154	174	152	171	154
KPI continued operations						
Net sales YoY, change in %	29.2%	30.6%	28.3%	13.0%	26.0%	14.6%
Gross margin	65.3%	60.1%	62.9%	59.8%	62.3%	60.0%
Total development expenditure/Net sales	24.2%	22.4%	29.0%	28.2%	29.2%	28.7%
Operating margin	20.9%	11.7%	13.5%	8.6%	11.0%	7.0%
EBITDA margin	33.6%	26.1%	26.8%	24.7%	24.3%	22.2%
EBITDA-2 margin	18.9%	15.1%	8.9%	10.4%	6.7%	7.4%
Net margin	18.6%	10.0%	12.6%	7.7%	10.3%	6.3%
KPI Group including discontinued operations						
Return on capital employed	7.5%	0.9%	7.4%	0.9%	7.3%	3.9%
Equity/asset ratio	74.8%	83.8%	74.8%	83.8%	74.8%	78.0%
Return on equity	7.4%	-3.4%	7.4%	-3.4%	7.4%	-2.0%

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. The section has also been supplemented with some other definitions.

Calculation of performance measures not included in IFRS framework, and some other definitions

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., supplemented by the margin to cover the operating expenses as well as the cost of amortization of capitalized development expenditures.
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.	Shows the company's total operating expenses. Putting them in relation to net sales shows the company's cost efficiency.
Operating expenses/net sales	Operating expenses as a percentage of net sales.	
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.	Complementing EBITDA with EBITDA-2, where capitalized development expenditures are reversed, provides a good complement 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-2	Operating earnings before depreciation and amortization and capitalization of development expenditure.	
EBITDA & EBITA-2 margin	EBITDA & EBITDA-2 as a percentage of net sales.	
Regions	Definition of regions for designation of revenue: <ul style="list-style-type: none"> • EMEA – Europe, the Middle East and Africa. • Americas (AM) - North and South America. • APAC – Asia and Pacific. 	The regional follow-up was changed on 1 January 2022. Comparative periods have been recalculated.

Change in net sales in comparable currencies SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Jan-Dec
	2022	2021	2022	2021	2021
Net sales	130.3	100.8	350.1	272.8	380.7
Net currency effect of comparable currencies	-17.1	2.7	-31.1	15.7	14.9
Net sales in comparable currencies	113.1	103.5	319.0	288.5	395.6
Change in net sales in comparable currencies	12.3%	34.1%	16.9%	19.5%	19.1%

KPI Income Statement SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Continued operations						
Net sales	130.3	100.8	350.1	272.8	458.0	380.7
Net sales YoY, change in %	29.2%	30.6%	28.3%	13.0%	26.0%	14.6%
Cost of sales ex. amortization of capitalized development	-33.7	-29.3	-95.7	-77.1	-128.0	-109.4
Gross earnings ex. amortization of capitalized development	96.6	71.5	254.4	195.7	330.0	271.3
Gross margin ex. amortization of capitalized development	74.1%	70.9%	72.7%	71.7%	72.0%	71.3%
development	-11.5	-11.0	-34.3	-32.4	-44.8	-42.9
Gross earnings	85.1	60.5	220.1	163.3	285.2	228.4
Gross margin	65.3%	60.1%	62.9%	59.8%	62.3%	60.0%
Sales and marketing expenses	-32.3	-24.9	-94.8	-72.8	-126.3	-104.3
Administration expenses	-12.5	-12.2	-39.3	-38.4	-52.8	-51.9
Development expenses	-12.3	-11.4	-38.5	-38.0	-53.4	-53.0
Operating expenses	-57.1	-48.5	-172.5	-149.2	-232.5	-209.1
Operating expenses/net sales	43.9%	48.1%	49.3%	54.7%	-50.8%	54.9%
Other operating income and expenses	-0.7	-0.2	-0.3	9.5	-2.2	7.5
Operating earnings	27.3	11.8	47.3	23.5	50.6	26.8
Operating margin	20.9%	11.7%	13.5%	8.6%	11.0%	7.0%
Net financial items	4.4	0.9	8.8	1.4	9.3	1.9
Profit before tax	31.6	12.7	56.1	24.9	59.9	28.7
Tax	-7.4	-2.6	-11.9	-3.9	-12.9	-4.9
Net income continued operations	24.2	10.1	44.1	21.0	47.0	23.8
Net margin continued operations	18.6%	10.0%	12.6%	7.7%	10.3%	6.3%
Discontinued operations, net after tax	-	-	-	-36.9	-	-36.9
Net income	24.2	10.1	44.1	-16.0	47.0	-13.1

EBITDA margin continued operations SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Net sales	130.3	100.8	350.1	272.8	458.0	380.7
Operating earnings	27.3	11.8	47.3	23.5	50.6	26.8
Amortization of capitalized development expenditure	11.5	11.0	34.3	32.4	44.8	42.9
Other depreciation & amortization	3.6	3.5	10.9	11.3	14.4	14.8
Impairment	1.5	-	1.5	-	1.5	-
EBITDA	43.8	26.3	93.9	67.3	111.2	84.5
EBITDA margin	33.6%	26.1%	26.8%	24.7%	24.3%	22.2%
Capitalization of development expenditure	-19.2	-11.1	-62.9	-39.0	-80.4	-56.4
EBITDA-2	24.6	15.2	31.0	28.3	30.8	28.1
EBITDA-2 margin	18.9%	15.1%	8.9%	10.4%	6.7%	7.4%

Development expenditure continued operations SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Development expenses	12.3	11.4	38.5	38.0	53.4	53.0
Capitalization of development expenditure	19.2	11.1	62.9	39.0	80.4	56.4
Total development expenditure	31.5	22.6	101.4	77.0	133.8	109.4
Capitalization rate	61.0%	49.3%	62.1%	50.6%	60.1%	51.6%
Net Sales	130.3	100.8	350.1	272.8	458.0	380.7
Total development expenditure/net sales	24.2%	22.4%	29.0%	28.2%	29.2%	28.7%

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.	Definitions to rows in the cash flow statement.
Total cash flow	Change in cash and cash equivalents during the period, excluding exchange differences in cash and cash equivalents.	

Working capital SEK millions	Jul-Sep		Jan-Sep		Oct 2021- Sep 2022	Jan-Dec 2021
	2022	2021	2022	2021		
Current assets	551.5	491.9	548.1	475.9	541.1	491.7
Cash and cash equivalents	-312.5	-327.0	-333.4	-308.9	-334.6	-318.1
No interest-bearing short term liabilities	-142.8	-85.2	-142.7	-91.5	-131.0	-100.5
Working capital	96.2	79.7	72.0	75.4	75.6	73.1

Return on capital employed including discontinued operations SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2021- Sep 2022	Jan-Dec 2021
	2022	2021	2022	2021		
<i>Capital employed</i>						
Total balance	835.0	804.5	827.6	818.0	823.5	820.1
No interest-bearing liabilities	-180.0	-95.7	-167.4	-104.2	-152.8	-112.9
Capital employed	655.0	708.8	660.2	713.8	670.8	707.1
<i>Operating earnings less interest income R4Q</i>						
Operating earnings R4Q	50.6	7.1	50.6	7.1	50.6	28.7
Interest income R4Q	1.6	0.9	1.6	0.9	1.6	1.1
Operating earnings less interest income R4Q	48.9	6.2	48.9	6.2	48.9	27.6
Return on capital employed	7.5%	0.9%	7.4%	0.9%	7.3%	3.9%

Equity/asset ratio SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2021- Sep 2022	Jan-Dec 2021
	2022	2021	2022	2021		
Equity	619.0	676.9	619.0	676.9	619.0	646.5
Total equity and liabilities	827.3	807.4	827.3	807.4	827.3	828.6
Equity/asset ratio	74.8%	83.8%	74.8%	83.8%	74.8%	78.0%

Return on equity including discontinued operations SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Net income - R4Q	47.0	-22.8	47.0	-22.8	47.0	-13.1
Average equity - R4Q	638.6	680.4	638.6	680.4	638.6	668.5
Return on equity	7.4%	-3.4%	7.4%	-3.4%	7.4%	-2.0%

Shareholders' information	Measures related to the share.	
Non-IFRS performance measure	Description	Reason for use of the measure
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).	Definitions of IFRS performance measures. Measures showing the return of the business to the owners, per share.
Dividend per share	Dividend divided by the average number of outstanding shares during the period.	
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.	Measures showing the return of the business to the owners, per share.
Equity per share	Shareholders' equity divided by number of outstanding shares at the end of the period.	

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	Jul-Sep		Jan-Sep		Oct 2021-	Jan-Dec
	2022	2021	2022	2021	Sep 2022	2021
Average number of employees	132	129	130	143	130	139
Average number of consultants	46	25	44	24	41	26
Total average number of employees and consultants	178	154	174	167	171	165
Average number of employees and consultants discontinued operations	-	-	-	-15	-	-11
Net Average number of employees and consultants continued operations	178	154	174	152	171	154

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, continued operations							
SEK millions	Note	Jul-Sep		Jan-Sep		Oct 2021-Sep 2022	Jan-Dec 2021
		2022	2021	2022	2021		
Exchange rate differences							
Part of Other operating income & expenses		0.5	-0.2	0.9	8.2	-0.7	6.6
Part of Net Financial Items		3.6	1.0	8.2	1.7	9.2	2.7
Total Exchange rate differences		4.1	0.8	9.1	9.9	8.5	9.3
Government grants Covid-19							
Reduction of employee expenses		-	-	-	0.8	-	0.8
Other operating income		-	0.0	0.1	0.2	-0.3	-0.2
Total		-	0.0	0.1	1.0	-0.3	0.6
Items affecting comparability							
Restructuring	(a)	-1.2	-	-1.2	-	-2.0	-0.8
Government grants Covid-19, other operating income	(b)	-	0.0	0.1	0.2	-0.3	-0.2
Impairment of intangible assets	(c)	-1.5	-	-1.5	-	-1.5	-
Adjustment cost for advisory services disposal of discontinued operations	(d)	-	-	-	0.4	-	0.4
Total		-2.7	0.0	-2.6	0.6	-3.9	-0.7
Operating earnings excluding items affecting comparability							
Operating earnings		27.3	11.8	47.3	23.5	50.6	26.8
Items affecting comparability, as per above		2.7	-0.0	2.6	-0.6	3.9	0.7
Total		30.0	11.8	49.9	22.9	54.4	27.4
Operating earnings excluding exchange rate differences							
Operating earnings		27.3	11.8	47.3	23.5	50.6	26.8
Exchange rate differences, as per above		-0.5	0.2	-0.9	-8.2	0.7	-6.6
Total		26.8	12.0	46.5	15.3	51.3	20.2
Operating earnings excluding exchange rate differences & items affecting comparability							
Operating earnings		27.3	11.8	47.3	23.5	50.6	26.8
Exchange rate differences, as per above		-0.5	0.2	-0.9	-8.2	0.7	-6.6
Items affecting comparability, as per above		2.7	-0.0	2.6	-0.6	3.9	0.7
Total		29.5	12.0	49.1	14.7	55.2	20.8
Cash Flow excluding disposal of subsidiary, net effect on cash, and repurchase of own shares							
Net change in cash and cash equivalents	(e)	-36.0	25.1	-61.0	55.9	-45.8	71.0
Disposal of subsidiary, net effect on cash		-	-31.6	-	-46.7	-23.7	-70.3
Repurchase of own shares		38.2	-	74.8	-	108.2	33.4
Total		2.1	-6.5	13.8	9.2	38.7	34.1

All items in the table above effects operating earnings, except for (e) that effects cash flow.

- (a) Severance pay in due to structural changes.
- (b) Covid-19 related government grants for personnel and other resources that still contribute to creating value for the Company.
- (c) During the third quarter of 2022, a restructuring was carried out, among other things to achieve a tighter integration of the Nimbra and Aperi platforms. As a consequence, some development projects were cancelled.
- (d) During the second quarter of 2021, the final costs for advisory services in connection with the divestment of business area Resource Optimization (ScheduALL), which is presented as other operating income.

Presenting the cash flow without effects from divestments of the Resource Optimization (ScheduALL operations) and Streaming Solutions (Sye operations) business areas and the repurchase program of own shares provides a better understanding and comparison of the underlying operations' cash flow.

Net Insight AB (publ)

Telephone: +46 (0)8 685 04 00, info@netinsight.net, www.netinsight.net

The information presented in this document may be subject to change without notice.
For further information on product status and availability, please contact info@netinsight.net
or visit www.netinsight.net ©Copyright 2022. Net Insight AB (publ), Sweden.

All rights reserved. Net Insight and Nimbra are trademarks of Net Insight AB, Sweden.
All other registered trademarks are the property of their respective owners.

