

Net Insight Interim Report January – September 2020



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

July – September 2020

- Net sales amounted to SEK 92.5 (109.5) million, a decrease of -15.5% on-year. In comparable currencies net sales decreased by -12.5%.
- Operating earnings amounted to SEK -7.3 (9.5) million, corresponding to an operating margin of -7.9% (8.6%). Excluding foreign exchange rate differences of SEK -0.9 (2.5) million, operating earnings were SEK -6.5 (6.9) million.
- Net income for the period for continuing operations and for the Group, including divested operations, was SEK -5.9 (6.8) million and SEK -5.9 (1.8) million, respectively.
- Earnings per share, basic and diluted, for the Group was SEK -0.02 (0.00).
- Total cash flow for the Group was SEK -21.1 million (17.3).

January – September 2020

- Net sales amounted to SEK 291.5 (343.3) million, a decrease of -15.1% year-on-year. In comparable currencies net sales decreased by -15.5%.
- Operating earnings amounted to SEK -0.6 (20.5) million, corresponding to an operating margin of -0.2% (6.0%). Excluding foreign exchange rate differences of SEK 2.2 (2.2) million, operating earnings were SEK -2.8 (18.3) million.
- Net income for the period for continuing operations was SEK -2.4 (15.9) million. Net Income for the Group, including divested operations, was SEK 244.2 (-4.6) 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 0.64 (-0.01).
- Total cash flow for the Group was SEK 214.0 million (-26.9).

Several important product launches

Crister Fritzson, CEO, Net Insight

Significant events:

- Continued negative Covid-19 impact
- Launch of a large number of product functionalities
- Launch of ScheduALL Evolution

FINANCIAL HIGHLIGHTS

SEK millions	Jul-Sep			Jan-Sep			Oct 2019- Sep 2020	Jan-Dec 2019	Change
	2020	2019	Change	2020	2019	Change			
Continuing operations									
<i>Net sales per business area</i>									
Media Networks	76.8	89.8	-14.5%	241.1	289.8	-16.8%	329.1	377.8	-12.9%
Resource Optimization	15.7	19.7	-20.4%	50.4	53.6	-6.0%	67.6	70.8	-4.5%
Net sales	92.5	109.5	-15.5%	291.5	343.3	-15.1%	396.7	448.6	-11.6%
Operating earnings	-7.3	9.5		-0.6	20.5		-24.8	-3.6	
<i>Operating margin</i>	-7.9%	8.6%		-0.2%	6.0%		-6.2%	-0.8%	
Net income	-5.9	6.8		-2.4	15.9		-22.9	-4.6	
EBITDA	-3.9	7.7		-11.1	25.3		-43.0	-6.6	
<i>EBITDA margin</i>	-4.2%	7.1%		-3.8%	7.4%		-10.8%	-1.5%	
Total Group, including discontinued operations									
Net Income	-5.9	1.8		244.2	-4.6		216.6	-32.2	
Total cash flow	-21.1	17.3		214.0	-26.9		199.7	-41.2	

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

CEO's Statement

Intense quarter with continued uncertainty



” Sustained high development pace

During the quarter, we took some important steps towards profitable growth with the establishment of a new management team and development of a new strategy. We are also starting to see the results of our accelerated product development program in the form of several new launches. The Covid-19 pandemic continues to affect our operations. The negative market impact will probably persist over the coming quarters, even if we have seen signs of a gradual recovery in the third quarter.

Market situation and Covid-19

The general market uncertainty continues due to Covid-19. Live events are back, which is positive, while restrictions on audiences and other changes (such as relocating events or compressing playoffs) are negatively affecting the entire live sport ecosystem. This means that our customers remain cautious about making major investment decisions. Practical restrictions on travel and other areas have also had a negative impact. The inflow of potential new business was lower than normal in the second and third quarters. We maintain, given the situation, active cost control aimed at reducing negative financial effects. Despite the continued uncertainty, we have seen some signs of a slow market recovery during the third quarter, although our assessment is that Net Insight will be negatively affected for the remainder of 2020 and into the first half of 2021.

Media Networks

Growth in our core operations, Media Networks, has been unsatisfactory in recent years. There are several reasons for this, but it mainly relates to excessively broad operations (Nimbra, Sye and ScheduALL) given the size of the company. Insufficient commercial acumen and the structure required to drive growth initiatives are other key factors. All this has led to a lack of focus and insufficient investments in core operations, which has meant opportunities have been lost.

To return to high and profitable growth, we are improving our control and follow-up, creating a new and stronger management team that includes the new role of Chief Commercial Officer, and have also produced a clear long-term strategy. We will gradually be shifting the business mix towards an increased proportion of software, recurring revenue streams and sales of solutions rather than individual products.

Our market position, with the ongoing technology shifts (towards IP and cloud-based solutions) and uncertainty caused by the pandemic, is generating major changes for our customers. This creates some challenges, but also considerable potential. Our strategic growth initiatives focus on segments that benefit from the underlying market trends – for example, the shift towards cloud-based transport and

remote production. We have a strong position because of the unique Nimbra ecosystem with a large installed base and the potential to combine solutions and technologies. The Nimbra portfolio is based on our own tried-and-tested transport technologies, supports IP and delivers the most open cloud-based software solution in the sector. This allows our customers to upgrade and optimize their existing Nimbra investments as their media transport requirement increases and changes.

Around the end of the quarter, we introduced a large number of new functions on our existing Nimbra and Aperi platforms. The consolidation of software functions on existing hardware continues, which allows our customers to use the same hardware for many different applications. It is also pleasing that the launch of the next generation of our cloud-based solution Nimbra Edge has been well received by the market. We have won a number of deals and the first systems are now operational.

As previously announced, at the beginning of the year Tata Communications decided to base its new media network on our high-capacity platform Nimbra 1060. A large number of products have been delivered and installed in this network during the quarter. Tata's new global 100G media network has been built to handle growing demand for capacity from new formats (e.g. UHD/4K), content such as eSport and remote production.

We have numerous new launches planned over the coming 6-12-month period, which has been made possible by our earlier strategic decision to accelerate product development and increase competitiveness in Media Networks. We are set to maintain the high development pace, focusing on functionality and customer solutions relating to our strategic initiatives, such as the cloud-based solution Nimbra Edge.

Resource Optimization

ScheduALL Evolution, our new cloud-based solution for resource optimization, was launched in the quarter. Evolution allows existing systems to be merged and shifted to a cloud-based environment, which is a highly relevant solution in a media industry characterized by consolidation and cost pressure. We're also continuing the roll-out of our Business

Intelligence services. The business has been negatively affected by Covid-19, and active measures have been taken towards reduction of operating expenses.

We will continuously present information about our operations and growth journey, including through the new communication channel Open Insight that can be found on our website, and through social media channels. Despite continued external challenges, I am looking forward with confidence given the positive market reactions on our new products, e.g. Nimbra Edge and that we have a focused strategy in place.

Solna, Sweden, November 4, 2020
Crister Fritzson, CEO

EXTRAORDINARY EVENTS

Covid-19 and business impact

The global spread of Covid-19 has had an impact on customers on all our main markets and the uncertainty is continuously high. We see live events coming back again, although in a limited way. Spectator bans, compressed play offs and deferral of events have a negative impact on the whole live sport market. This has in turn had a direct impact on number of potential deals during the second and third quarters. During the quarter we have however seen signs of a slow market recovery. Our travelling continues to be exceedingly limited. For staff in Sweden, the working time reduction through furloughs has decreased slightly during the third 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 third quarter and for the nine-month period have been positively affected with SEK 1.3 million and SEK 3.2 million respectively for Covid-19 related government grants, of which SEK 0.9 and SEK 2.6 respectively is attributable to Sweden. Operating earnings for the third quarter have further been charged with SEK -1.8 million for provisions for expected bad debt because of Covid-19. 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. The loan has not affected the income statement for the period. The loan will be forgiven if certain conditions are met. The loan has not affected the income statement for the period.

Our main scenario still assumes a gradual recovery from the third quarter and onwards, but we estimate a negative impact for the remainder of 2020 and the first six months 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 third quarter of 2020 were SEK 92.5 (109.5) million, a decrease of -15.5%. In comparable currencies, sales decreased by -12.5%.

Net sales for the nine-month period were SEK 291.5 (343.3) million, a decrease of -15.1%. In comparable currencies, sales decreased by -15.5%.

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.

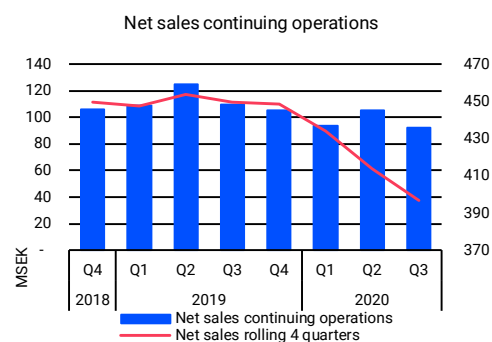
Revenues for the third quarter were SEK 76.8 (89.8) million, a decrease of -14.5%. The decrease is largely attributable to the Covid-19 pandemic's impact on business. Revenue decreased mainly for hardware, and to a limited extent for software and services.

Revenues for the nine-month period were SEK 241.1 (289.8) million, a decrease of -16.8%. 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.

Revenues for the third quarter were SEK 15.7 (19.7) million, a decrease of -20.4%. The increase is attributable mainly to software licenses and exchange rate fluctuations.



Revenues for the nine-month period were SEK 50.4 (56.6) million, a decrease of -6.0%, mainly attributable to software licenses.

EARNINGS

Gross profit for the third quarter was SEK 50.7 (71.6) million, a decrease by -29.2%. The decrease is explained by lower revenue both for Media Networks and for Resource Optimization. Gross profit included amortization of capitalized development expenditure of SEK -10.1 (-9.7) million. Gross margin excluding and including amortization of capitalized development expenditure was 65.7% (74.2%) and 54.8% (65.4%) respectively. The decrease is attributed to lower revenue, product mix and impairment of inventory for Media Networks.

Operating expenses in the third quarter of SEK -57.7 (-64.7) million decreased with circa -10.8%, primarily due to temporary Covid-19 related cost reductions. Operating expenses has been positively affected with SEK 0.9 (-) million related to Covid-19 related government grants.

Sales and marketing expenses were SEK -26.0 (-33.1) million, and administration expenses to SEK -15.0 (-16.7). Development expenses were SEK -16.7 (-14.8) million. Total development expenditure, i.e. before capitalization, were SEK -28.9 (-31.4) million. Other operating income and expenses were SEK -0.4 (2.5) million, mainly related to foreign exchange rate differences.

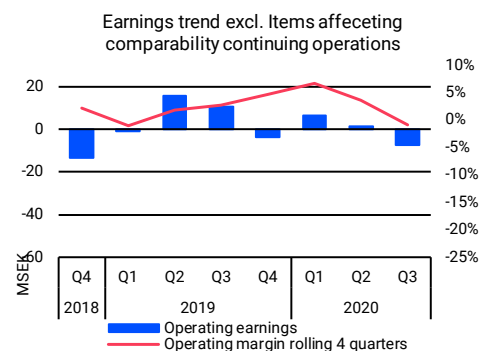
Operating earnings were SEK -7.3 (9.5) million, corresponding to an operating margin of -7.9% (8.6%).

EBITDA was SEK -3.9 (7.7) million, corresponding to an EBITDA margin of -4.2% (7.1%). The decrease is attributable to the lower operating earnings.

In the third quarter, net financial items amounted to SEK -0.3 (-1.1) million.

Profit before tax for the third quarter was SEK -7.6 (8.3) million, and net income was SEK -5.9 (6.8) million, corresponding to a net margin of -6.4% (6.2%). Including Discontinued operations, net income was SEK -5.9 (1.8) million.

Gross earnings for the nine-month period were SEK 178.3 (216.0) million. Operating expenses of SEK -182.2 (-197.7) million decreased following cost reduction initiatives. Operating earnings were SEK -0.6 (20.5). EBITDA was SEK -11.1 (25.3) 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 -2.4 (15.9) million. Net Income for the period including Discontinued operations was SEK 244.2 (-4.6) million. This includes capital gains on disposal of Discontinued operations during the first quarter of SEK 246.4 (-) million.



Key Ratios continuing operations	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Net sales, SEK millions	92.5	109.5	291.5	343.3	396.7	448.6
Net sales YoY, change in %	-15.5%	-4.0%	-15.1%	-0.0%	-11.7%	-0.2%
Gross earnings	50.7	71.6	178.3	216.0	244.5	282.3
Gross margin	54.8%	65.4%	61.2%	62.9%	61.6%	62.9%
Operating earnings	-7.3	9.5	-0.6	20.5	-24.8	-3.6
Operating margin	-7.9%	8.6%	-0.2%	6.0%	-6.2%	-0.8%
EBITDA	-3.9	7.7	-11.1	25.3	-43.0	-6.6
EBITDA margin	-4.2%	7.1%	-3.8%	7.4%	-10.8%	-1.5%

Earnings per Business Area

Media Networks

Operating earnings for Media Networks for the third quarter decreased and amounted to SEK -3.4 (13.1) million, corresponding to an operating margin of -4.5% (14.6%). The earnings decrease is attributable to Covid-19 impact on revenue, but also to a lower gross margin as a consequence of product mix and impairment of inventory. The Aperi operation, which was acquired during the first quarter, affected Operating earnings with SEK -1.3 (-) million. Total development expenditure increased because of further portfolio investments, including the Aperi acquisition, and amounted to SEK -20.6 (-18.1) million.

Operating earnings for the nine-month period were SEK 1.2 (42.9) million, corresponding to an operating margin of 0.5% (14.8%). The decrease is primarily attributable to Covid-19 impact on revenue. Total development expenditure increased because of further portfolio investments, including the Aperi acquisition, and amounted to SEK -77.6 (-59.8) million.

Resource Optimization

For Resource Optimization, operating earnings for the third quarter amounted to SEK -3.2 (-6.4), a clear improvement versus the corresponding period. This is due to a decrease of operating expenses, primarily due to efficiency measures. Total development expenditure decreased and amounted to SEK -8.3 (-13.3).

Operating earnings for the nine-month period were SEK -4.5 (-25.0). This is due to higher gross earnings as well as to a decrease of operating expenses, primarily due to efficiency measures but also to decreased development expenditure. Total development expenditure and amounted to SEK -28.5 (-34.2).

INVESTMENTS INCLUDING DIVESTED OPERATIONS

Third quarter investments were SEK 12.2 (23.5) million, of which SEK 12.2 (16.5) million related to capitalization of expenditure for development. Depreciation and amortization in the third quarter totaled SEK 15.6 (14.8) million, of which SEK 10.1 (9.7) million related to amortization of capitalized expenditure for development.

Investments for the first nine months were SEK 59.3 (62.0) million, of which SEK 54.0 (41.2) million related to capitalization of expenditure for development. Depreciation and amortization for the first nine months totaled SEK 43.5 (45.9) million, of which SEK 27.3 (30.6) million related to amortization of capitalized expenditure for development.

At the end of the period, net value of capitalized expenditure for development was SEK 208.7 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 third quarter amounted to SEK 9.0 (8.5) million, and amortization to SEK -8.0 (-8.4) million. For the nine-month period, capitalized expenditure for development amounted to SEK 36.4 (23.6) million, and amortization to SEK -22.4 (-26.2) million.

At the end of the period, net value of capitalized expenditure for development was SEK 140.0 million, against SEK 126.0 million as of December 31, 2019.

Resource Optimization

Capitalized expenditure for development in the third quarter amounted to SEK 3.2 (8.1) million, and amortization to SEK -2.1 (-1.2) million. For the nine-month period, capitalized expenditure for development amounted to SEK 17.5 (17.5) million, and amortization to SEK -4.8 (-4.4) million.

At the end of the period, net value of capitalized expenditure for development was SEK 68.6 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 third quarter was SEK -6.7 (42.8) million. Total cash flow was SEK -21.1 (17.3) million.

Cash flow from operating activities for the nine-month period was SEK -23.1 (42.7) million, and total cash flow was SEK 214.0 (-26.9). 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 9.2 MSEK. The grant is a non-interest-bearing loan, which will be forgiven if certain criteria are met. The loan has not affected the income statement for the period and is recorded as an operating liability.

Cash and cash equivalents were SEK 265.3 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 109.5 million at the end of the period, compared to SEK 102.8 million as of December 31, 2019. Deferred tax assets have been recognized for the tax loss carryforwards. For more information, see the section Tax on page 15.

Equity was SEK 706.4 million at the end of the period, against SEK 463.7 million as of 31 December 2019. The equity/assets ratio was 79.8%, 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 third quarter and the nine-month period was 197 (185) and 198 (190) respectively, of which 126 (111) and 127 (111) respectively in the parent company Net Insight AB (publ).

During the quarter Mårten Blixt assumed the CCO position and is part of the management team. After the reporting period, Joakim Schedvins succeeded Pelle Bourn as CFO.

PARENT COMPANY

Parent company net sales were SEK 79.3 (119.7) million in the third quarter, and net income was SEK -4.2 (2.2) million. In the third quarter, intra-group sales totaled SEK 0.9 (27.1) million, and intra-group purchases SEK 13.2 (38.8) million.

For the nine-month period, parent company net sales were SEK 247.7 (389.2) million, and net income was SEK 193.8 (9.7) million. The financial net includes result from participation in group companies of SEK 196.5 (1.8) million, which for 2020 relates to capital gains from divestment of subsidiary, and for 2019 from dividend from subsidiary. For the nine-month period, intra-group sales totaled SEK 7.1 (90.6) million, and intra-group purchases SEK 37.5 (125.3) 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 third 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 2020.

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

SEASONALITY

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

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Continuing operations						
Net sales	92,505	109,508	291,457	343,333	396,674	448,550
Cost of sales	-41,779	-37,909	-113,200	-127,303	-152,148	-166,251
Gross earnings	50,726	71,599	178,257	216,030	244,526	282,299
Sales and marketing expenses	-26,033	-33,145	-83,215	-94,290	-117,741	-128,816
Administration expenses	-14,963	-16,693	-47,167	-50,895	-63,627	-67,355
Development expenses	-16,674	-14,838	-51,857	-52,532	-70,101	-70,776
Other operating income and expenses	-366	2,532	3,362	2,217	-17,807	-18,952
Operating earnings	-7,310	9,455	-621	20,530	-24,751	-3,600
Net financial items	-335	-1,126	-2,455	-663	-4,801	-3,009
Profit/loss before tax	-7,645	8,329	-3,076	19,867	-29,552	-6,609
Tax	1,709	-1,528	710	-3,961	6,635	1,965
Net income continuing operations	-5,936	6,801	-2,366	15,906	-22,916	-4,644
Discontinued operations, net after tax	-	-5,029	246,580	-20,493	239,530	-27,543
Net Income	-5,936	1,772	244,214	-4,587	216,614	-32,187
Net income for the period attributable to the shareholders of the parent company	-5,936	1,772	244,214	-4,587	216,614	-32,187
Earnings per share, based on net income attributable to the parent company's shareholders during the period						
	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Earnings per share basic and diluted continuing operations (SEK)	-0.02	0.02	-0.01	0.04	-0.06	-0.01
Earnings per share basic and diluted including discontinuing operations (SEK)	-0.02	0.00	0.64	-0.01	0.57	-0.08
Average number of outstanding shares in thousands, basic	382,758	382,758	382,758	382,828	382,758	382,812

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Net income	-5,936	1,772	244,214	-4,587	216,614	-32,187
Other comprehensive income						
<i>Items that may be reclassified subsequently to the income statement</i>						
Translation differences	-2,422	4,376	-2,558	7,074	-5,728	3,904
Total other comprehensive income, after tax	-2,422	4,376	-2,558	7,074	-5,728	3,904
Total other comprehensive income for the period	-8,358	6,148	241,656	2,487	210,886	-28,283
Total comprehensive income for the period attributable to the shareholders of the parent company	-8,358	6,148	241,656	2,487	210,886	-28,283

CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Sep 30, 2020	Jun 30, 2020	31 Dec 2019
ASSETS			
Non-current assets			
Capitalized expenditure for development	208,677	209,196	184,582
Goodwill	63,421	65,791	65,582
Other intangible assets	9,578	10,166	10,560
Right-of-use assets	48,026	47,377	52,394
Equipment	26,582	29,402	29,531
Deferred tax asset	27,798	26,184	26,997
Deposits	5,166	5,184	5,186
Total non-current assets	389,248	393,300	374,832
Current assets			
Inventories	58,423	62,693	44,584
Accounts receivable	124,225	114,767	103,771
Other receivables	47,849	56,848	17,179
Cash and cash equivalents	265,309	286,677	52,280
Assets held for sale	-	-	93,840
Total current assets	495,806	520,985	311,654
TOTAL ASSETS	885,054	914,285	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	6,915	9,337	9,473
Accumulated deficit	-508,888	-502,952	-754,052
Total shareholders' equity	706,351	714,709	463,745
Non-current liabilities			
Lease liabilities	38,029	37,332	41,517
Other liabilities	15,858	17,501	20,649
Total non-current liabilities	53,887	54,833	62,166
Current liabilities			
Lease liabilities	10,270	10,031	10,586
Accounts payable	18,990	21,682	35,821
Other liabilities	95,556	113,030	111,173
Liabilities directly associated with assets held for sale	-	-	2,995
Total current liabilities	124,816	144,743	160,575
TOTAL EQUITY AND LIABILITIES	885,054	914,285	686,486

CHANGES IN CONSOLIDATED EQUITY, IN SUMMARY

SEK thousands	Attributable to parent company's shareholders				Total shareholders' equity
	Share capital	Other paid-in capital	Translation reserve	Accumulated deficit	
January 1, 2019	15,597	1,192,727	5,569	-720,028	493,865
Repurchase of own shares	-	-	-	-1,837	-1,837
Total comprehensive income	-	-	3,904	-32,187	-28,283
December 31, 2019	15,597	1,192,727	9,473	-754,052	463,745
January 1, 2020	15,597	1,192,727	9,473	-754,052	463,745
Warrants issued	-	-	-	950	950
Total comprehensive income	-	-	-2,558	244,214	241,656
September 30, 2020	15,597	1,192,727	6,915	-508,888	706,351

CONSOLIDATED STATEMENT OF CASH FLOWS INCLUDING DISCONTINUED OPERATIONS

SEK thousands	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Ongoing activities						
Profit/loss before tax	-7,645	1,931	243,567	-6,206	208,122	-41,651
Income tax paid	-47	-371	-47	-371	-47	-371
Depreciation, amortization & impairment	15,656	19,717	43,494	58,632	62,710	77,848
Other items not affecting liquidity	8,922	2,470	-235,804	3,135	-223,710	15,229
Cash flow from operating activities before changes in working capital	16,886	23,747	51,210	55,190	47,075	51,055
Changes in working capital						
Increase-/decrease+ in inventories	-55	4,430	-19,130	2,692	-24,504	-2,682
Increase-/decrease+ in receivables	-1,181	25,781	-17,040	-11,805	-6,807	-1,572
Increase+/-decrease- in liabilities	-22,348	-11,199	-38,113	-3,384	-20,686	14,043
Cash flow from operating activities	-6,698	42,759	-23,073	42,693	-4,922	60,844
Investment activities						
Investment in intangible assets	-12,328	-23,249	-56,375	-61,017	-85,517	-90,159
Investment in tangible assets	88	-279	-2,940	-1,028	-3,842	-1,930
Disposal of subsidiary, net effect on cash	-	-	302,348	-	302,348	-
Increase-/decrease+ in financial assets, net	-	16	-	48	-2	46
Cash flow from investment activities	-12,240	-23,512	243,033	-61,997	212,987	-92,043
Financing activities						
Amortization leasing	-2,172	-1,954	-6,953	-5,797	-9,310	-8,154
Warrant premiums paid	-	-	950	-	950	-
Repurchase of own shares	-	-	-	-1,837	-	-1,837
Cash flow from financing activities	-2,172	-1,954	-6,003	-7,634	-8,360	-9,991
Net change in cash and cash equivalents	-21,110	17,293	213,957	-26,938	199,705	-41,190
Exchange differences in cash and cash equivalents period	-258	668	-978	930	-1,281	627
Cash and cash equivalents at the end of the period	265,309	66,885	265,309	66,885	265,309	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	Jul-Sep 2020				Jul-Sep 2019			
	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total
Net Sales	76,802	15,703	-	92,505	89,783	19,725	-	109,508
Gross earnings	41,478	9,224	24	50,726	59,436	12,138	25	71,599
Net margin	54.0%	58.7%		54.8%	66.2%	61.5%		65.4%
Operating earnings	-3,447	-3,191	-672	-7,310	13,120	-6,361	2,696	9,455
Gross margin	-4.5%	-20.3%		-7.9%	14.6%	-32.2%		8.6%
Net financial items			-335	-335			-1,126	-1,126
Profit/loss before tax continuing operations				-7,645				8,329

SEK thousands	Jan-Sep 2020				Jan-Sep 2019				Oct 2019-Sep 2020				Jan-Dec 2019			
	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total
Net Sales	241,096	50,361	-	291,457	289,776	53,557	-	343,333	329,084	67,590	-	396,674	377,764	70,786	-	448,550
Gross earnings	147,000	31,190	67	178,257	187,228	28,734	68	216,030	202,129	42,306	91	244,526	242,357	39,850	92	282,299
Gross margin	61.0%	61.9%		61.2%	64.6%	53.7%		62.9%	61.4%	62.6%		61.6%	64.2%	56.3%		62.9%
Operating earnings	1,202	-4,531	2,709	-620	42,857	-25,014	2,687	20,530	4,823	-11,276	-18,298	-24,751	46,479	-31,759	-18,320	-3,600
Gross margin	0.5%	-9.0%		-0.2%	14.8%	-46.7%		6.0%	1.5%	-16.7%		-6.2%	12.3%	-44.9%		-0.8%
Net financial items			-2,455	-2,455			-663	-663			-4,801	-4,801			-3,009	-3,009
Profit/loss before tax continuing operations				-3,075				19,867				-29,552				-6,609

DISAGGREGATION OF REVENUE

SEK thousands	Jul-Sep 2020			Jul-Sep 2019			Jan-Sep 2020			Jan-Sep 2019			Oct 2019-Sep 2020			Jan-Dec 2019		
	Media Networks	Resource Optimization	Total	Media Networks	Resource Optimization	Total	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	30,549	-	30,549	40,375	-	40,375	99,204	-	99,204	135,114	-	135,114	135,829	-	135,829	171,739	-	171,739
Software licenses	18,902	660	19,562	19,943	2,269	22,212	57,224	2,865	60,089	64,809	4,649	69,458	79,549	4,498	84,047	87,134	6,282	93,416
Support and Services	27,351	15,043	42,394	29,465	17,456	46,921	84,668	47,496	132,164	89,853	48,908	138,761	113,706	63,092	176,798	118,891	64,504	183,395
Total	76,802	15,703	92,505	89,783	19,725	109,508	241,096	50,361	291,457	289,776	53,557	343,333	329,084	67,590	396,674	377,764	70,786	448,550
Net sales by region																		
WE	40,553	3,394	43,947	48,484	4,530	53,014	111,238	12,665	123,903	132,578	13,363	145,941	146,960	17,208	164,168	168,300	17,906	186,206
AM	26,861	9,897	36,758	24,553	12,281	36,834	85,827	28,547	114,374	105,176	32,183	137,359	118,202	38,372	156,574	137,551	42,008	179,559
RoW	9,388	2,412	11,800	16,746	2,914	19,660	44,031	9,149	53,180	52,022	8,011	60,033	63,922	12,010	75,932	71,913	10,872	82,785
Total	76,802	15,703	92,505	89,783	19,725	109,508	241,096	50,361	291,457	289,776	53,557	343,333	329,084	67,590	396,674	377,764	70,786	448,550
Timing of revenue recognition																		
transferred at a point in time	49,454	660	50,114	60,337	2,269	62,606	156,451	2,865	159,316	199,970	4,649	204,619	215,403	4,498	219,901	258,922	6,282	265,204
Services transferred over time	27,348	15,043	42,391	29,446	17,456	46,902	84,645	47,496	132,141	89,806	48,908	138,714	113,681	63,092	176,773	118,842	64,504	183,346
Total	76,802	15,703	92,505	89,783	19,725	109,508	241,096	50,361	291,457	289,776	53,557	343,333	329,084	67,590	396,674	377,764	70,786	448,550

INCOME FROM DISCONTINUED OPERATIONS

SEK thousands	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Revenues	-	2,799	-376	8,820	315	9,510
Expenses	-	-9,197	668	-34,893	-8,991	-44,552
Capital gain on disposal of discontinued operations	-	-	246,350	-	246,350	-
Profit/loss before tax	-	-6,398	246,643	-26,073	237,674	-35,042
Tax	-	1,369	-63	5,580	1,857	7,499
Net income discontinuing operations	-	-5,029	246,580	-20,493	239,530	-27,543

ASSETS HELD FOR SALE

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

CASHFLOW FROM DISCONTINUED OPERATIONS

SEK thousands	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Cash flow from discontinued operations, net						
Cash flow from operating activities	-	-1,478	293	-13,387	-3,745	-17,424
Cash flow from investment activities	-	-6,159	302,348	-19,267	295,508	-26,109
Cash flow from financing activities	-	-	-	-	-	-
Cash flow from discontinued operations, net	-	-7,637	302,641	-32,654	291,764	-43,533

FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category - Assets		Sep 30, 2020			31 Dec 2019		
SEK thousands	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss	
Assets in Balance Sheet							
Derivative instruments	2		5,639	2		-	
Accounts receivable and other receivables, excluding non-financial assets		166,608			110,147		
Cash and cash equivalents		265,309			52,280		
Total		431,917	5,639		162,427	-	

Group's financial instruments by category - Liabilities		Sep 30, 2020			31 Dec 2019		
SEK thousands	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss	
Liabilities in Balance Sheet							
Synthetic options	2		8	2		68	
Derivative instruments	2		-	2		-	
Accounts payable and other liabilities, excluding non-financial liabilities		28,114			46,689		
Lease liabilities		48,299			52,103		
Total		76,413	8		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	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Net sales	79,254	119,722	247,691	389,172	345,838	487,319
Cost of sales	-36,039	-51,356	-94,755	-171,088	-131,016	-207,349
Gross earnings	43,215	68,366	152,936	218,084	214,822	279,970
Sales and marketing expenses	-23,320	-26,370	-73,932	-87,014	-106,504	-119,586
Administration expenses	-13,600	-14,565	-42,187	-41,462	-56,216	-55,491
Development expenses	-12,408	-26,481	-41,275	-83,489	-61,919	-104,133
Other income expenses	760	2,404	2,296	2,510	-18,620	-18,406
Operating earnings	-5,353	3,355	-2,162	8,630	-28,437	-17,646
Net financial items	9	-514	195,379	3,226	111,647	-80,506
Profit/loss before tax	-5,344	2,840	193,217	11,854	83,210	-98,152
Tax	1,107	-590	561	-2,147	12,821	10,113
Net income	-4,237	2,249	193,778	9,706	96,031	-88,039

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Sep 30, 2020	Jun 30, 2020	31 Dec 2019
ASSETS			
Non-current assets			
Capitalized expenditure for development	140,048	141,769	126,049
Other intangible assets	4,661	2,125	3,234
Equipment	21,158	23,226	25,576
Participations in group companies	246,455	246,630	243,777
Deferred tax asset	15,705	14,597	15,144
Deposits	4,649	4,650	4,649
Total non-current assets	432,676	432,997	418,429
Current assets			
Inventories	58,423	62,693	44,584
Accounts receivable	115,307	108,183	98,100
Receivables from group companies	-	-	20,826
Other receivables	47,565	56,680	15,055
Cash and cash equivalents	240,970	260,567	40,849
Total current assets	462,265	488,123	219,414
TOTAL ASSETS	894,941	921,120	637,843
EQUITY AND LIABILITIES			
Equity			
Restricted equity	175,734	169,435	142,075
Non-restricted equity	540,213	550,749	379,143
Total equity	715,947	720,184	521,218
Non-current liabilities			
Other liabilities	8,118	9,367	12,611
Total non-current liabilities	8,118	9,367	12,611
Current liabilities			
Accounts payable	16,892	19,547	32,381
Liabilities to group companies	104,940	108,275	-
Other liabilities	49,044	63,747	71,633
Total current liabilities	170,876	191,569	104,014
TOTAL EQUITY AND LIABILITIES	894,941	921,120	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.

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.

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 of Directors have after considerations decided to propose a capital redistribution during 2021, either through repurchase of own shares or a voluntary redemption, or a combination of these methods. The final form and scope will be

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 0.6 (1,6) million for the period January–September 2020, of which SEK 0.7 (-4.0) million relates to continuing operations. Reported tax corresponds to an effective tax rate of -0.3 (26.1) percent and 23.1 (20.1) 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 109.5 million at the end of the period, compared to SEK 102.8 million as of December 31, 2019. Deferred tax assets have been recognized for the tax loss carryforwards.

CONTRIBUTED EQUITY

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

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

No own shares have been repurchased during January-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	30 Sep, 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

defined by the financial development, primarily based on how the pandemic situation develops.

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 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

Year-end report 2020	February 23, 2021
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, November 4, 2020

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 November 4, 2020.

REVIEW REPORT

Introduction

We have reviewed the interim report for Net Insight AB (publ) for the period January 1 - September 30, 2020. The Board of Directors and the CEO 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 the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared 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, November 4, 2020
Deloitte AB

Therese Kjellberg
Authorized Public Accountant

FINANCIAL INFORMATION

SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Earnings continuing operations						
<i>Netsales per business area</i>						
Media Networks	76.8	89.8	241.1	289.8	329.1	377.8
Resource Optimization	15.7	19.7	50.4	53.6	67.6	70.8
Net sales	92.5	109.5	291.5	343.3	396.7	448.6
Gross earnings	50.7	71.6	178.3	216.0	244.5	282.3
Operating expenses	57.7	64.7	182.2	197.7	251.5	266.9
Total development expenditure	28.9	31.4	105.8	93.7	146.1	134.0
EBITDA	-3.9	7.7	-11.1	25.3	-43.0	-6.6
Operating earnings	-7.3	9.5	-0.6	20.5	-24.8	-3.6
Profit/loss before tax	-7.6	8.3	-3.1	19.9	-29.6	-6.6
Net income	-5.9	6.8	-2.4	15.9	-22.9	-4.6
Balance sheet and cash flow including discontinued operations						
Cash and cash equivalents	265.3	66.9	265.3	66.9	265.3	52.3
Working capital	73.9	59.8	56.0	54.5	53.5	46.8
Total cash flow	-21.1	17.3	214.0	-26.9	199.7	-41.2
The share						
Dividend per share, SEK	-	-	-	-	-	-
Earnings per share basic and diluted continuing operations, SEK	-0.02	0.02	-0.01	0.04	-0.06	-0.01
Earnings per share basic and diluted discontinuing operations, SEK	-	-0.01	0.64	-0.05	0.63	-0.07
Earnings per share basic and diluted total, SEK	-0.02	0.00	0.64	-0.01	0.57	-0.08
Cash flow per share, SEK	-0.06	0.05	0.56	-0.07	0.52	-0.11
Equity per share basic and diluted, SEK	1.85	1.29	1.85	1.29	1.85	1.21
Average number of outstanding shares basic and diluted, thousands	382,758	382,758	382,758	382,828	382,758	382,812
Number of outstanding shares at the end of the period basic and diluted, thousands	382,758	382,758	382,758	382,758	382,758	382,758
Share price at end of period, SEK	1.89	1.37	1.89	1.37	1.89	2.30
Employees and consultants continuing operations						
Average number of employees and consultants	197	185	198	190	193	189
KPI continuing operations						
Net sales YoY, change in %	-15.5%	-4.0%	-15.1%	-0.0%	-11.7%	-0.2%
Gross margin	54.8%	65.4%	61.2%	62.9%	61.6%	62.9%
Total development expenditure/Net sales	31.2%	28.6%	36.3%	27.3%	36.8%	29.9%
Operating margin	-7.9%	8.6%	-0.2%	6.0%	-6.2%	-0.8%
EBITDA margin	-4.2%	7.1%	-3.8%	7.4%	-10.8%	-1.5%
Net margin	-6.4%	6.2%	-0.8%	4.6%	-5.8%	-1.0%
KPI Group including discontinued operations						
Return on capital employed	-4.4%	-12.2%	-0.1%	-1.1%	-5.0%	-7.4%
Equity/asset ratio	79.8%	70.4%	79.8%	70.4%	79.8%	67.6%
Return on equity	35.0%	-10.5%	35.0%	-10.5%	35.0%	-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)	Jul-Sep		Jan-Sep		Jan-Dec
	2020	2019	2020	2019	2019
Net sales	92.5	109.5	291.5	343.3	448.6
Net currency effect of comparable currencies	3.3	-5.0	-1.3	-19.7	-24.4
Net sales in comparable currencies	95.8	104.5	290.1	323.6	424.2
Change in net sales in comparable currencies	-12.5%	-8.4%	-15.5%	-5.8%	-5.6%

KPI Income Statement SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2019- Sep 2020	Jan-Dec 2019
	2020	2019	2020	2019		
Continuing operations						
Net sales	92.5	109.5	291.5	343.3	396.7	448.6
Net sales YoY, change in %	-15.5%	-4.0%	-15.1%	0.0%	-11.7%	-0.2%
Cost of sales ex. amortization of capitalized development	-31.7	-28.3	-85.9	-96.7	-115.9	-126.6
Gross earnings ex. amortization of capitalized development	60.8	81.3	205.5	246.6	280.8	321.9
Gross margin ex. amortization of capitalized development	65.7%	74.2%	70.5%	71.8%	70.8%	71.8%
Cost of sales amortization of capitalized development	-10.1	-9.7	-27.3	-30.6	-36.3	-39.6
Gross earnings	50.7	71.6	178.3	216.0	244.5	282.3
Gross margin	54.8%	65.4%	61.2%	62.9%	61.6%	62.9%
Sales and marketing expenses	-26.0	-33.1	-83.2	-94.3	-117.7	-128.8
Administration expenses	-15.0	-16.7	-47.2	-50.9	-63.6	-67.4
Development expenses	-16.7	-14.8	-51.9	-52.5	-70.1	-70.8
Operating expenses	-57.7	-64.7	-182.2	-197.7	-251.5	-266.9
Operating expenses/net sales	62.3%	59.1%	62.5%	57.6%	-63.4%	59.5%
Other operating income and expenses	-0.4	2.5	3.4	2.2	-17.8	-19.0
Operating earnings	-7.3	9.5	-0.6	20.5	-24.8	-3.6
Operating margin	-7.9%	8.6%	-0.2%	6.0%	-6.2%	-0.8%
Net financial items	-0.3	-1.1	-2.5	-0.7	-4.8	-3.0
Profit/loss before tax	-7.6	8.3	-3.1	19.9	-29.6	-6.6
Tax	1.7	-1.5	0.7	-4.0	6.6	2.0
Net income continuing operations	-5.9	6.8	-2.4	15.9	-22.9	-4.6
Net margin continuing operations	-6.4%	6.2%	-0.8%	4.6%	-5.8%	-1.0%
Discontinued operations, net after tax	-	-5.0	246.6	-20.5	239.5	-27.5
Net Income	-5.9	1.8	244.2	-4.6	216.6	-32.2

EBITDA margin continuing operations SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2019- Sep 2020	Jan-Dec 2019
	2020	2019	2020	2019		
Operating earnings	-7.3	9.5	-0.6	20.5	-24.8	-3.6
Amortization of capitalized development expenditure	10.1	9.7	27.3	30.6	36.3	39.6
Other depreciation, amortization & impairment	5.5	5.1	16.2	15.3	21.5	20.6
Capitalization of development expenditure	-12.2	-16.5	-54.0	-41.2	-76.0	-63.2
EBITDA	-3.9	7.7	-11.1	25.3	-43.0	-6.6
Net sales	92.5	109.5	291.5	343.3	396.7	448.6
EBITDA margin	-4.2%	7.1%	-3.8%	7.4%	-10.8%	-1.5%

Development expenditure continuing operations SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2019- Sep 2020	Jan-Dec 2019
	2020	2019	2020	2019		
Development expenses	16.7	14.8	51.9	52.5	70.1	70.8
Capitalization of development expenditure	12.2	16.5	54.0	41.2	76.0	63.2
Total development expenditure	28.9	31.4	105.8	93.7	146.1	134.0
Capitalization rate	42.2%	52.7%	51.0%	43.9%	52.0%	47.2%
Net Sales	92.5	109.5	291.5	343.3	396.7	448.6
Total development expenditure/net sales	31.2%	28.6%	36.3%	27.3%	36.8%	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	Jul-Sep		Jan-Sep		Oct 2019- Sep 2020	Jan-Dec 2019
	2020	2019	2020	2019		
Current assets	474.5	253.4	416.9	264.3	382.5	255.0
Cash and cash equivalents	-276.0	-57.9	-225.6	-67.5	-193.9	-64.5
No interest-bearing short term liabilities	-124.6	-135.7	-135.3	-142.3	-135.2	-143.8
Working capital	73.9	59.8	56.0	54.5	53.5	46.8

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

Return on capital employed including discontinued operations SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2019- Sep 2020	Jan-Dec 2019
	2020	2019	2020	2019		
<i>Capital employed</i>						
Total balance	899.7	705.9	855.2	697.1	824.7	695.0
No interest-bearing liabilities	-141.3	-158.9	-154.4	-164.0	-154.4	-165.3
Capital employed	758.4	547.0	700.8	533.1	670.3	529.7
<i>Operating earnings less interest income R4Q</i>						
Operating earnings R4Q	-33.4	-65.9	-33.4	-65.9	-33.4	-38.6
Interest income R4Q	0.3	0.6	0.3	0.6	0.3	0.7
Operating earnings less interest income R4Q	-33.7	-66.5	-33.7	-66.5	-33.7	-39.3
Return on capital employed	-4.4%	-12.2%	-4.8%	-12.5%	-5.0%	-7.4%

Equity/asset ratio SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Equity	706.4	494.5	706.4	494.5	706.4	463.7
Total equity and liabilities	885.1	702.7	885.1	702.7	885.1	686.5
Equity/asset ratio	79.8%	70.4%	79.8%	70.4%	79.8%	67.6%

Return on equity including discontinued operations SEK millions (if not defined differently)	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Net income - R4Q	216.6	-52.5	216.6	-52.5	216.6	-32.2
Average equity - R4Q	619.4	500.7	619.4	500.7	619.4	485.4
Return on equity	35.0%	-10.5%	35.0%	-10.5%	35.0%	-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	Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
	2020	2019	2020	2019	Sep 2020	2019
Average number of employees	168	179	167	185	172	183
Average number of consultants	29	34	31	32	35	34
Total average number of employees and consultants	197	213	198	217	207	217
Average number of employees and consultants continuing operations	-	-28	-	-28	-14	-28
Net Average number of employees and consultants continuing operations	197	185	198	190	193	189

MATERIAL PROFIT AND LOSS ITEMS

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

Material profit and loss items		Jul-Sep		Jan-Sep		Oct 2019-	Jan-Dec
SEK millions	Note	2020	2019	2020	2019	Sep 2020	2019
Effects of the Net Insight share price development during the period							
Share-based benefits	(a)	0.1	0.0	0.1	0.1	-0.1	0.0
Synthetic options, change in value	(b)	0.1	0.2	0.1	0.6	-0.3	0.2
Total		0.2	0.2	0.1	0.7	-0.3	0.3
Government grants Covid-19							
Reduction of employee expenses		0.9	-	2.6	-	2.6	-
Other operating income		0.3	-	0.7	-	0.7	-
Total		1.3	-	3.2	-	3.2	-
Items affecting comparability							
Restructuring	(c)	-	-1.2	-1.4	-7.7	-5.7	-12.0
Strategic advisory services and preparation for capital injection	(d)	-	-	-	-	-15.8	-15.8
Total		-	-1.2	-1.4	-7.7	-21.5	-27.8
Operating earnings excluding items affecting comparability continuing operations							
Operating earnings		-7.3	9.5	-0.6	20.5	-24.8	-3.6
Items affecting comparability, as per above		-	1.2	1.4	7.7	21.5	27.8
Items affecting comparability discontinuing operations		-	-	-	-2.9	-	-2.9
Operating earnings excluding items affecting comparability		-7.3	10.7	0.7	25.3	-3.2	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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