



NETLIGHT CONSULTING

Annual Report 2020



Netlight Consulting AB (publ), 556575-6227, Stockholm, Sweden



A year to bring us **together**

2020 was the final year of the Netlight strategic agenda – Evolution – initiated in 2015. This year the pandemic pervaded everywhere, triggering a global economic shockwave that impacted both the *what* and *how* of making business. Netlight met new challenges in an environment of remote activity, and at the same time, the pandemic brought us closer together than ever.

Management Report

The board of directors and CEO of Netlight Consulting AB (publ), company registration number 556575-6227, domiciled in Stockholm County, Stockholm Municipality, Sweden, (“**Netlight**”) hereby present their annual report for the fiscal year 2020.

Company origin and business

Netlight was formed in 1999 in the midst of the digital revolution to develop solutions for pioneers of the Internet. From this beginning, our success has been based on growing talent, creating together, and taking on challenges.

Netlight provides genuine consulting services for digital industry leaders. Our combination of skills, competencies, creativity, and business sense highlights Netlight as a complete service provider, but these also characterize each of our employees.

As an independent provider of services to the digital industry, having broad and deep areas of know-how is more important than narrow expertise. This is where our competencies come to the fore. Creativity is the power to act. And, as committed leaders, we drive our clients’ ambitious programs. To ensure that we deliver substantial value, we need our business sense to understand how to create value in the many and various companies and industries that Netlight operates in. That is how we create concrete results.

The year in brief

Netlight came into 2020 strong based on steady growth through 2019 – reaching record levels by the end of Q1 just as the impact of the Covid-19 pandemic hit the market. As most companies, Netlight experienced a severe downturn comparable only to the dot.com bubble bursting at the turn of the century – early in

the Netlight story. But Netlight was well prepared to manage this kind of downturn, both organizationally and operationally. We set our goals to emerge from the pandemic downturn stronger.

Our ambition, which we found to be correct, was to use every means to show that we cared for the people in the organization and to keep the entire company together regardless of differences in markets and countries. It was more important than ever to remain true to our ideals and be a role model for the industry, especially in relation to our clients, vendors, and society in general. For example, Netlight chose to not apply for government aid as offered in many countries. Instead, Netlight offices supported each other, bringing all of us closer as One Netlight. Temporary excess capacity was used for pro-bono projects to support at-risk groups from the pandemic – as with Good Help (Sw. God Hjälp) in Sweden and Bring and Ring in Germany.

Netlight experienced a huge slump in demand for the company’s services in Q2 which didn’t bottom out until Q3. Then Netlight adapted the initial strategy into a resilient recovery mode to gradually rebuild business again. By Q4, the company was back to levels approaching the previous year. The recovery continues still, and though we could not expect to enter 2021 as strongly as we did 2020, the worst is over thanks to the exceptional efforts of everyone in the entire organization.

Working in new ways

The Covid-19 pandemic changed the way we work and how we do business when our clients introduced remote work routines, and when many countries went into total lockdown. The new reality had a negative impact on Netlight deliveries since our success



depends heavily on our culture of close collaboration grounded in personal interaction. The need for connection had, however, already been addressed in the Netlight annual strategic theme for 2020 – Synchronicity – even before the pandemic outbreak. Our intention was to create greater understanding for the **non-causal connections between Netlighters with respect to the interaction taking place outside direct cooperation in general, and physical meetings in particular**. We wanted to bring Netlight even closer together.

This new work environment that had been forced onto the organization likely encouraged this change since everyone found themselves in the same situation where everyone could practice non-physical belonging. Netlight went far in our efforts to cross boundaries to gain this sense of belonging, on a daily basis as well as during our global conferences. Despite this positive development as described, we cannot underestimate the psychological pressure that remote work, and especially lockdowns, had on our employees. Netlight endeavored to address these challenges through the year. Netlight kept our offices open and safe for a limited number of employees who couldn't work from home, regardless of the reasons. To support mental health issues during these uncertain times, Netlight kept close contact with every employee and implemented transparent, accessible, and inclusive global communication.

Growth, even in 2020

As a result of this strategy to concentrate on our current employees, growth at Netlight was limited compared to previous years. However, under the circumstances, and compared to the industry in general, the fact that Netlight could show growth at all was a notable accomplishment. Sales totaled MSEK 1,746 and total employees were 1,441 at year-end. Netlight operating profit/loss was MSEK 385. Recruitment was more difficult than ever, where the process remained highly

competitive. Recruiters at Netlight held more interviews than any previous year, preparing the company for future growth. We continued concentrating on attracting more women to Netlight. We are therefore satisfied that nearly one-third of our new hires for 2020 were women (29 %). As well, in relation to emissions for the year, the pandemic had an impact. Air travel during 2020 was 93 % lower, so that our largest source of emissions instead was our IT equipment where new computers represented 53 %.

On the macro-level, the client portfolio was re-balanced to show a decline in the travel and tourism industries and an increase within healthcare. But at large, the company portfolio was essentially unchanged. On the micro-level – predicting how various clients would be affected became difficult, and added to the impact of the pandemic Netlight lost one of our largest German clients, as this FinTech business filed for company reconstruction in early July. **A tremendous sales effort was required and despite the weaker market new**

client acquisition remained on nearly the same level as in 2019.

Netlight looks to 2021 positively despite anticipating the pandemic, or the resulting economic impact, will continue for some time going forward. *Resilient recovery* continues to be our strategy until attaining our objective of emerging from the pandemic strongly, and being able to seize **the opportunities we see ahead**.

Significant events during the operating year

The fourth quarter also included implementing the now traditional share issue program aimed at all employees and board members. This program was for 1,322,274 shares, increasing share capital SEK 1,322.27 corresponding to a dilution of approximately 0.2 % in both shares and voting rights.

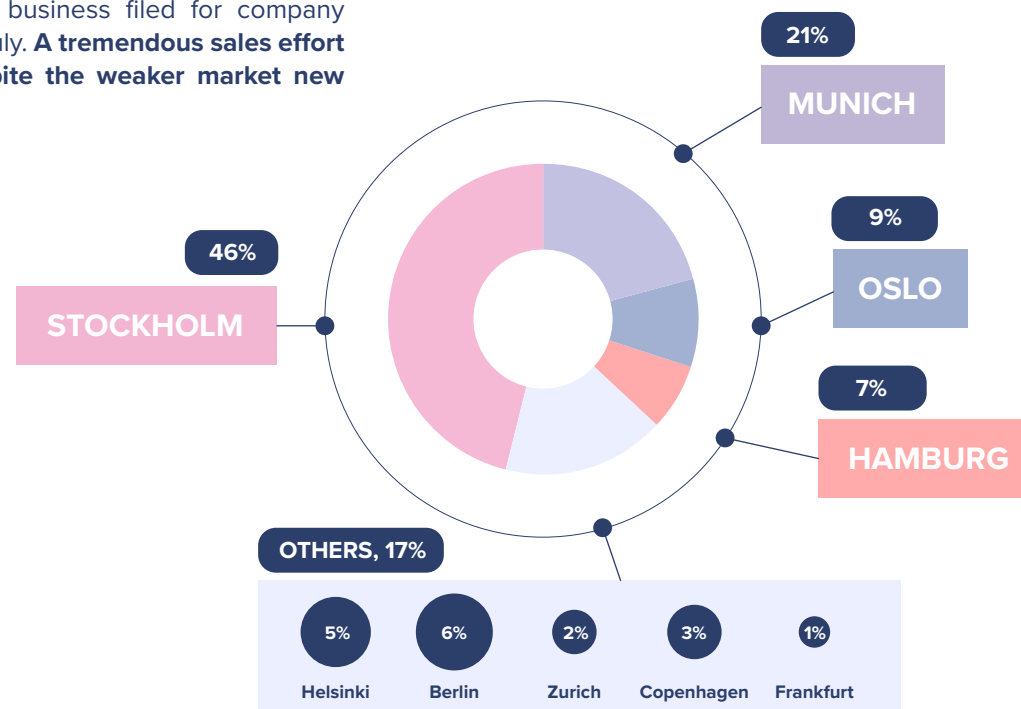


Figure 1: Sales per office

Netlight Consulting AB (publ) is domiciled in Stockholm, Sweden, and uses the Swedish krona as reporting currency.

Sustainability Report

Netlight is growing, and we therefore want to further develop our responsibility for the society we operate in

Netlight wants to be a role model for the IT industry by reducing our climate footprint and improving equality in the industry. Nearly one-third of our new hires in 2020 were women (29 %), which is a slight, but significant increase over the previous year (28 %). Environmental activities at Netlight are characterized by transparency and focus on concrete results through our Climate First initiative. The majority of Netlight emissions for 2020 were generated by our IT equipment (53 %). The greatest reduction in emissions came from air travel (-93 %) for which the pandemic had an impact as we stopped travelling between offices, and similar. Smarter travel planning, digital aids, and more use of rail will be vital in continuing to keep our emissions low, with annual climate compensation through our partner GoClimate for the travel that cannot be avoided.

The internal Netlight sustainability strategy 'Eternal Flame' openly advocates employees' well-being and a healthy work-life balance. Following our sustainability strategy, we chose to invest EUR 50,000 in 29k.org – to support their efforts in promoting psychological development in society. This year, Netlight received ISO 14001 certification in environmental management and ISO 9001 certification in quality assurance management for our largest office, Stockholm, as part of our effort to improve our environmental and quality systems and to meet our clients' requirements.

We have also published our Sustainability Report at the Netlight website.

Income and financial position – Multi-year overview

Key performance indicators	Group				Parent			
	2020	2019	2018	2017	2020	2019	2018	2017
Revenue (MSEK)	1746.3	1,614.6	1,358.0	1,066.4	848.4	795.1	769.2	687.1
Profit/loss after financial items (MSEK)	378.3	354.9 *	379.7	252.8	302.0	293.7 *	308.1	223.0
Balance sheet total (MSEK)	620.5	655.1	484.2	334.7	446.8	468.5	347.6	265.1
Total Employees at year-end	1,441	1,368	1,176	982	729	741	676	600
Average no. active employees	1,180	1,065	905	762	581	543	507	468
Operating margin (%)	22.0 %	21.7 %	27.6 %	23.8 %	19.9 %	17.6 %	27.8 %	25.2 %
Growth, revenue (%)	8.2 %	18.9 %	27.3 %	15.5 %	6.7 %	3.4 %	11.9 %	7.9 %
Equity ratio (%)	65.4 %	59.3 %	64.0 %	61.7 %	82.1 %	75.5 %	78.7 %	73.3 %
Revenue per active employee (TSEK)	1,479	1,516	1,501	1,399	1,460	1,464	1,517	1,468
Added values per active employee (TSEK)	1343	1,375	1,372	1,273	1,308	1,314	1,381	1,336

* - Profit after financial items includes a one-off cost linked to a subsidized incentive program totaling MSEK 50 (of which MSEK 36 relates to the parent company). This program was directed towards senior employees within the group.

Risk exposure

A series of factors are present that may directly or indirectly impact Netlight operations. The company continually conducts assessment of the operational risks present in daily operations. The significant circumstances and risk factors described below have specific significance to Netlight operations and future growth.

Economic recession

Netlight is impacted by general political, financial, and economic circumstances. Future economic prospects and related uncertainty may impact client purchasing policy and have a significant negative effect on demand for Netlight's services, thereby possibly reducing company revenues and gross profit margins. However, the current assessment is that demand for Netlight's services will continue to be strong during recession, while macroeconomic fluctuations may have negative impact on client behavior and demand. Netlight manages these by having an appropriate service offering regardless of service category or business area.

The wide range of framework agreements, stable client relationships, diversity of industry and geographic segments provides the Netlight group good ability to manage any weakening in demand. Neither is Netlight dependent on any single client since the 10 largest clients represent approximately 25 % (22 %) of net sales. No client represents more than approximately 4 % (3 %) of net sales in 2020 and fixed price assignments correspond to a very small share of the company's net sales.

Brand

The brand is one of the most important business assets for Netlight. Succeeding in maintaining brand value and keeping Netlight's reputation is vital to

the company's future. This applies to our clients and our employees, whether future or current. This risk involves various events that reduce sales, operating profit, and growth opportunities. The company manages these risks through continually monitoring the business environment we operate in and engaging in professional communication.

New competitors

The market for IT consultants, digital solutions, and management consultants is fragmented and highly competitive. Netlight competes with a wide variety of other businesses in many sizes and corporate forms who generally use varying business models. This risk is attributable to competitors or new entrants coming into the market, or consolidate or expand, which increases competition thus potentially reducing Netlight's market share. To manage this risk, the company concentrates significantly on communication. This helps raise awareness of our brand and adds emotions as drivers for our brand. Having a well-developed and defined offering of services in each of the fields we operate, plus our collaboration between these also strengthens Netlight.

Staff risk

Our view is that competition over qualified staff will remain tough in the coming year in regard to both leaders and consultants. This places significant demand on Netlight to assure our capabilities to offer attractive conditions, work tasks, and professional development. Netlight offers training and education for all our staff, and regularly reviews employment conditions to ensure these remain competitive.

IT and information security risks

Netlight's strategy for information security is to inform and train staff regarding the risks in processing



information and how Netlight manages various types of information based on content. Policies and procedures are in place describing how we manage and process information using technical solutions such as encryption at rest, encrypted links when in transit, and deleting information that is no longer needed for operations. Compliance with these policies and procedures is continually monitored and identified incidents are reported to management to ensure proper future compliance.

Board of directors

The composition of the board of directors

The Netlight board of directors currently has 6 (5) members elected by the AGM. Ingrid Engström was re-elected as chair of the board of directors. Board members Sofie König, Henrik Sidebäck and Jonas Hovmark were also re-elected. Helene Willberg and Lena Edström were elected to their first year in the board of directors.

Responsibilities and tasks of the board of directors

The board of directors' operations are aligned with the board of directors' rules of procedure to ensure they receive adequate information and documentation. The CEO is not a member of the board of directors but takes part in meetings as presenter along with other senior managers as needed. The board of directors conducts annual assessments to ensure continual improvement of the board work.

For the year, the board of directors concentrated on further developing the company and implementing an extensive employee share program. The board of directors held 14 (17) minuted meetings in 2020 of which 6 involved implementation of the traditional share issue program for all employees and the board of directors. The program covered 1,322,274 shares and thereby increased share capital by SEK 1,322.27. The program corresponds to a dilution of approximately 0.2 % in shares and voting rights.

Remuneration to the board of directors

Board fees were set at the 2020 AGM at a total of SEK 1,240,000. Of this total, SEK 600,000 was for the chair of the board of directors and SEK 160,000 to each of the independent members of the board of directors.

In addition to the above, a fee to the chair of the audit committee was adopted for SEK 270,000, and for

committee members for SEK 90,000, whereas a fee to the chair of the remuneration committee was adopted for SEK 240,000 and SEK 120,000 for each other member of the committee.

Total remuneration to the board for the business year 2020/2021 was SEK 2,050,000.

Auditors

The company auditor, Ernst & Young AB, with Beata Lihammar as chief auditor, reports annually to the board of directors their audit findings and assessment of the company's internal controls.

Ownership structure

Shareholders	Share
Lars Olof Elfversson (individually or through companies)	13.2 %
Anders Larsson (individually or through companies)	12.3 %
Other	74.5 %
Total	100.0 %

Events after the year-end

At the start of the new year, the impact on business from the Covid-19 pandemic remains present in the daily activities of Netlight but these have limited impact. Certain effects relating to reduced demand and willingness to pay are still present, particularly those obviously linked to travel and experience industries. But this is also counterbalanced by demand from clients in several additional industries increasing over previous levels. We see certain variations between the various markets Netlight operates in, though generally the year has started with positive trends – following those at year-end 2020.

In February 2021, Erik Ringertz provided notification that he plans to leave the role of CEO after 17 years. This handover is planned for the AGM.

Proposed allocation of the company's profit

At the disposal of the annual general meeting [SEK]

Retained earnings	99,961,653
Profit/loss for the year	266,302,642
Total	366,264,295

The board of directors and the CEO propose allocation of the company's profit as follows

Shareholders shall be paid a dividend of 33 öre per share.	208,186,547
Shall be brought forward	158,077,748
Total	366,264,295



1. Financial Statements

The consolidated and parent financial statements for 2020 are presented here.
Amounts in thousands Swedish kronas (TSEK) unless otherwise stated.

1.1 Netlight Group

1.1.1 Income statement

	Note	2020	2019
Net sales	1, 3	1,732,047	1,603,420
Other operating income		14,286	11,150
Total revenue		1,746,333	1,614,570
Assignment-specific external expenses		-10,852	-19,016
Other external expenses	2,3,5	-139,739	-124,035
Staff expenses	4	-1,199,793	-1,113,641
Depreciation	6	-10,917	-7,059
Total operating costs		-1,361,301	-1,263,751
Operating profit		385,032	350,819
Interest income and similar items	7	2,603	5,016
Interest expense and similar items	7	-9,305	-933
Total financial items		-6,702	4,083
Profit after financial items		378,330	354,902
Corporate taxes	8	-99,794	-93,805
Profit after tax		278,536	261,097
Attributable to the equity holders of the parent		278,536	261,097



1.1.2 Statement of Financial Position

Assets	Note	31 Dec. 2020	31 Dec. 2019
Tangible fixed assets	6	27,183	22,309
Financial fixed assets	15,17	24,165	20,402
Total fixed assets		51,348	42,711
Account receivable		251,103	275,449
Other receivables		4,708	57,695
Prepaid expenses and accrued income	10	20,356	17,466
Cash and bank balances	12	293,029	261,816
Total current assets		569,196	612,426
Total assets		620,544	655,137

Total Equity and Provisions		31 Dec. 2020	31 Dec. 2019
Share capital	16	631	630
Other equity including profit or loss for the year		405,324	387,624
Total equity		405,955	388,254
Deferred tax liabilities	13	443	230
Other provisions		0	4,157
Total provisions		443	4,387
Accounts payable		12,118	19,925
Current tax liabilities		45,261	52,476
Other current liabilities		82,913	74,203
Accruals and prepaid income	14	73,854	115,892
Total current liabilities		214,146	262,496
Total liabilities and provisions		214,589	266,883
Total Equity and Liabilities		620,544	655,137

1.1.3 Cash flow

	Note	2020	2019
Cash flow from operating activities			
Profit/loss before net financial items		385,032	350,819
Depreciation and amortization	6	10,917	7,059
Unrealized exchange rate differences		61	0
Changes in provisions		-3,957	407
Interest revenue	7	2,603	5,016
Interest expense	7	-9,305	-933
Taxes paid		-104,811	-80,199
Cash flow from changes in operating capital		280,540	282,169
Cash flow from changes in operating capital			
Changes in receivables		66,938	-81,088
Changes in liabilities		-35,320	75,346
Cash flow from operating activities		312,158	276,427
Investing activities			
Acquisition of non-current financial assets		-3,736	-486
Acquisition of non-current tangible assets		-16,522	-19,026
Sale of property, plant, and equipment		152	395
Cash flow from investing activities		-20,106	-19,117
Financing activities			
Dividends paid		-264,409	-224,674
Share/share option program (new share issue)		11451	43,569
Cash flow from financial activities		-252,958	-181,105
Cash flow for the period			
Starting cash and cash equivalents		261,816	186,646
Revaluation difference		-7,881	-1,035
Ending cash and cash equivalents	12	293,029	261,816

1.1.4 Equity

Group	Equity	Other equity including profit or loss for the year	Total
Starting balance (01 Jan. 2019)	624	309,034	309,658
Transactions with equity holders of the parent			
New share issue		43,564	43,564
Unregistered share capital	6		6
Dividend distributed		-224,674	-224,674
Total transactions with equity holders	6	-181,110	-181,104
Translation differences		-1,397	-1,373
Profit/loss for the year		261,097	261,097
Ending balance (31 Dec. 2019)	630	387,624	388,254

Group	Equity	Other equity inc. profit or loss for the year	Total
Starting balance (01 Jan. 2020)	630	387,624	388,254
Transactions with equity holders of the parent			
New share issue		11,451	11,451
Unregistered share capital	1		1
Dividend distributed		-264,409	-264,409
Total transactions with equity holders	1	-252,958	-252,957
Translation differences		-7,878	-7,878
Profit/loss for the year		278,536	278,536
Ending balance (31 Dec. 2020)	631	405,324	405,955

1.2 Parent

1.2.1 Income statement

	Note	2020	2019
Net sales	1, 3	835,337	784,597
Other operating income		13,066	10,496
Total revenue		848,403	795,093
Assignment-specific external expenses		-14,307	-12,695
Other external expenses	2,3,5	-71,091	-66,349
Staff expenses	4	-590,920	-573,520
Depreciation	6	-2,867	-2,475
Total operating costs		-679,185	-655,039
Operating profit		169,218	140,054
Income from participating interests	7	139,844	149,230
Impairment loss for non-current financial assets	7	-464	0
Interest income and similar items	7	2,547	4,952
Interest expense and similar items	7	-9,168	-503
Total financial items		132,759	153,679
Profit after financial items		301,977	293,733
Corporate taxes	8	-35,675	-32,596
Profit after tax		266,302	261,137



1.2.2 Statement of Financial Position

Assets	Note	31 Dec. 2020	31 Dec. 2019	Equity	Note	31 Dec. 2020	31 Dec. 2019
Non-current assets				Restricted equity			
Tangible fixed assets	6			Share capital	16	631	630
Equipment, tools, fixtures and fittings		12,609	13,484	Total restricted equity		631	630
Financial fixed assets				Non-restricted equity			
Participations in group companies	9	1,356	1,356	Retained earnings		99,962	91,785
Non-current receivables from group companies	15	436	960	Profit/loss for the year		266,302	261,137
Deposits provided	15	15,189	15,189	Total unrestricted equity		366,264	352,922
Total fixed assets		29,590	30,989	<hr/>			
Current assets				Total equity		366,895	353,552
Account receivable		111,645	125,907	<hr/>			
Receivables from group companies	11	153,526	141,252	Liabilities and provisions		31 Dec. 2020	31 Dec. 2019
Other receivables		2,897	55,488	Provisions			
Current tax assets		868	15,077	Other provisions		0	4,158
Prepayments and accrued income	10	16,189	14,890	Deferred tax liabilities	13	667	267
Cash and bank balances	12	132,095	84,885	Total provisions		667	4,425
Total current assets		417,220	437,499	<hr/>			
<hr/>				Current liabilities			
Total assets		446,810	468,488	Accounts payable		8,362	9,787
<hr/>				Current liabilities to group companies	11	3,363	307
				Other current liabilities		33,200	33,472
				Current tax liabilities		0	0
				Accruals and prepaid income	14	34,323	66,945
				Total current liabilities		79,248	110,511
<hr/>				<hr/>			
				Total liabilities and provisions		79,915	114,936
<hr/>				<hr/>			
				Total Equity and Liabilities		446,810	468,488

1.2.3 Cash flow

	Note	2020	2019
Cash flow from operating activities			
Profit/loss before net financial items		169,218	140,054
Depreciation and amortization	6	2,867	2,475
Unrealized exchange rate differences		61	0
Changes in provisions		-3,758	265
Interest revenue	7	2,547	4,952
Interest expense	7	-9,168	-503
Taxes paid		-21,338	-52,107
Cash flow from changes in operating capital		140,429	95,136
Cash flow from changes in operating capital			
Changes in receivables		66,711	-51,872
Changes in liabilities		-31,265	44,346
Cash flow from operating activities		175,875	87,610
Investing activities			
Acquisition of non-current tangible assets		-2,025	-11,851
Acquisition of non-current financial assets		0	2,546
Sale of property, plant, and equipment		32	125
Cash flow from investing activities		-1,993	-9,180
Financing activities			
Dividends paid		-264,409	-224,674
Dividends received		126,286	112,917
Share/share option program (new share issue)		11,451	43,569
Cash flow from financial activities		-126,672	-68,188
Cash flow for the period			
Starting cash and cash equivalents		84,885	74,642
Ending cash and cash equivalents	12	132,095	84,885

1.2.4 Equity

Parent	Equity	Retained earnings	Profit/loss for the year	Total
Starting balance (01 Jan. 2019)	624	14,394	258,501	273,519
Transfers of profit/loss from previous years		258,501	-258,501	0
New share issue		43,564		43,564
Unregistered share capital	6			6
Dividend distributed		-224,674		-224,674
Profit/loss for the year			261,137	261,137
Ending balance (31 Dec. 2019)	630	91,785	261,137	353,552

Parent	Equity	Retained earnings	Profit/loss for the year	Total
Starting balance (01 Jan. 2020)	630	91,785	261,137	353,552
Transfers of profit/loss from previous years		261,137	-261,137	0
New share issue		11,451		11,451
Unregistered share capital	1			1
Dividend distributed		-264,409		-264,409
Profit/loss for the year			266,302	266,302
Adjustments		-2		-2
Ending balance (31 Dec. 2020)	631	99,962	266,302	366,895

2. Notes

Additional information

Accounting policies and similar

General accounting policies

The annual accounts and consolidated financial statements accounts were prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board General Recommendations BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3).

Basis of consolidation

These consolidated financial statements were prepared using the acquisition method. The consolidated financial statements cover the parent and its subsidiaries. Subsidiaries are those companies where the parent directly or indirectly exercises control. Normally, this refers to companies in which the parent holds more than 50 % of the voting rights. The consolidated financial statements include subsidiaries as of the date the group gains control until the date that controlling influence ceases. The subsidiaries' accounting policies otherwise agree with those of the group.

The consolidated financial statements include appropriations of these group entities and is recognized in profit/loss less deferred tax. Therefore, the untaxed reserves in group companies recognized in the consolidated statement of financial position is allocated to deferred tax liabilities and equity.

Revenue recognition

Interest, royalties, and dividends

Income from interest, royalties, or dividends is recognized as revenue when it is probable that future economic benefits attributable to the transaction will flow to the company and when the income can be measured reliably.

Interest is recognized as revenue using the effective interest or method.

Royalties are accrued in accordance with the economic substance of the relevant agreement.

Dividends are recognized as revenue when the shareholder's right to receive payment is established.

Service and contracting assignment

Service and contracting assignments billed on account are recognized as revenues as the work is completed. Work performed but not invoiced is recognized in the statement of financial position at the amount that is anticipated to be invoiced and is recognized in Work performed not invoiced.

Income from service and contracting assignments are recognized as revenue as work is completed using the percentage of completion method. When calculating accrued profit, the percentage of completion is measured as the relationship of expenses paid as of the balance sheet date and estimated total expense for the commission. The difference between revenue recognized and billed partial payments is recognized in the statement of financial position as Work performed not invoiced.

Borrowing costs

Borrowing costs for loan capital are recognized in the income statement for the period they arise.

Lease agreements

The group is lessee in operating leases when the future economic risks and benefits associated with the asset do not transfer to the group. Lease fees, including possible first rent increase, are recognized as an expense straight line over the lease term.

Employee Benefits

Remunerations to employees refer to all types of compensation the group provides to the employees. Group remunerations include salaries, paid annual leave, other paid leave, and bonus. These are recognized as they are earned.

The group has only defined contribution pension plans. Expenses for defined contribution plans are recognized as an expense in the period when the employees performed the services related to the obligation.

Estimates and assessments

Accounting estimates and judgements are regularly assessed and based on historical experience and other factors, including expectations about future events that are considered reasonable in the present circumstances. The group makes judgements and assumptions concerning the future. These result in accounting estimates, which, by definition, rarely correspond with actual outcome.

For Netlight, this involves relatively few assessment items and these are primarily related to trade receivables.

Translation of items in foreign currencies

Receivables and liabilities in foreign currencies have been valued at the balance sheet date exchange rate. Exchange rate gains and losses on operating receivables and liabilities are included in operating profit/loss, while exchange rate gains and losses on financial assets and liabilities are recognized in financial items.

Taxation

Tax expense is the sum of current and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is recognized in equity, whereby the related tax effect is recognized in equity.

Current tax

Current tax is the income tax for the current financial year and that portion of the financial year's income tax that has not yet been recognized. Current tax liability is measured at the tax rates applicable as of the balance sheet date.

Deferred tax

Deferred tax is income tax related to future financial years resulting from previous events, and is recognized using the balance sheet liability method. Using this method, deferred tax liabilities and deferred tax assets are recognized for all temporary differences that arise between the carrying and taxable amount of assets and liabilities, and for other taxable deductions or tax loss carry forwards.

Deferred tax assets and deferred tax liabilities are recognized net only when they can be paid as a net amount. Deferred tax assets are estimated based on applicable tax rates on the balance sheet date. Effects

due to changes in applicable tax rates are recognized as expenses in the period the change is legislated. The carrying amount for deferred tax assets is reduced to the extent that it is no longer probable the underlying assets can be utilized in the foreseeable future. Deferred tax assets are recognized as financial non-current assets and deferred tax liabilities as provisions.

Non-current assets

Tangible, and intangible non-current asset are recognized at cost less accumulated depreciation according to plan and any impairment.

Property, plant and equipment is allocated to significant components when these components have significantly different useful lives.

Depreciable amount is the cost of an asset less its estimated residual value when that value is measurable. Depreciation is straight line over the expected useful life.

The following depreciation periods are applied:

Depreciation policy Group	Annually
Office improvements (8 years)	Lease period
Other equipment, tools, fixtures and fittings	20 %

Receivables, liabilities, and provisions

Receivables are recognized at the lower of cost and the amount that is anticipated to flow to the company, unless otherwise stated. Non-current receivables, and non-current liabilities are first recognized at amortized cost Other Liabilities and provisions are valued at the amount they are anticipated to be settled. Other assets are recognized at cost unless otherwise stated above.

Cash flow

Cash flow was prepared using the indirect method. Cash and cash equivalents include cash and bank balances. Reported cash flows include only transactions for lead to receipts and payments.

Definition of key ratios

Key performance indicators	Definitions
Equity ratio (%)	Equity +78.6% for untaxed reserves in relation to the balance sheet total.
Profit margin (%)	Profit/loss from financial items plus income from financing activities in relation to revenue.
Growth (%)	Change in total revenue in relation to the previous year.
Turnover per employee	(Total revenue) divided by (average number of active employees).
Added value per active employee	(Profit/loss before financial items plus staff costs) divided by (average number of active employees).

Accounting policy – Parent

Only accounting policies that differ from those applied in the consolidated financial statements.

Participations in group companies

Participations in in group companies are recognized at cost less any impairments. Dividends are recognized as revenue, even when the dividend relates to accumulated profit prior to the transaction date of the acquisition. Dividends are generally reported when the authorized body adopts the decision therefore, and can be measured reliably.

Note 1 – Allocation of net sales

Net sales are allocated to geographic markets as follows:

Allocation of net sales	Group		Parent	
	2020	2019	2020	2019
Nordic countries	53 %	52 %	90 %	92 %
Other European countries	47 %	48 %	10 %	8 %
Total	100 %	100 %	100 %	100 %

Note 2 – Operating leases

Operating leases	Group		Parent	
	2020	2019	2020	2019
Lease fees recognized	52,731	45,827	31,348	27,975
Future minimum lease fees relating to non-terminable contracts that mature				
- to be paid within 1 year	54,658	48,425	31,536	31,702
- to be paid within 1 - 5 years	139,747	166,870	86,343	125,999
- to be paid > 5 year	0	759	0	0
Total future minimum lease fees	247,136	261,881	149,227	185,676

The group and parent have entered the following material leases, which are recognized as operating leases:

- A new lease was entered for office space in Helsinki for 01 September, 2020 to 31 March, 2021.
- A new lease was entered for office space in Frankfurt for 01 November, 2020 to 31 October, 2021.
- A new lease was entered for office space in Zurich for 01 July, 2020 to 31 March, 2021.
- A new lease was entered for office space in Berlin for 01 August, 2020 to 31 December, 2021.
- A new lease was entered for office space in Copenhagen for 01 April, 2021 to 31 December, 2023.

Note 3 – Related party transactions (Parent)

Related party transactions:

The parent has a related party relationship with their subsidiaries (see note 9).

Related party transactions	Parent	
	2020	2019
Net sales to subsidiaries	38,672 (4.6%)	35,342 (4.4%)
Purchases from subsidiaries	6,234 (0.9%)	5,173 (0.8%)

Note 4 – Remuneration to the employees and other data

Salaries and other benefits *	Group		Parent	
	2020	2019	2020	2019
Erik Ringertz (CEO)	7,337	5,239	7,337	5,239
Other employees	893,642	779,318	404,271	361,663
Total board of directors	1,715	1,050	1,715	1,050
Ingrid Engström, Board Chair	843	533	843	533
Jonas Hovmark, Member of the board	236	348	236	348
Henrik Sidebäck**, Member of the board	93	0	93	0
Sofie König, Member of the board	292	169	293	169
Helene Willberg, Member of the board	251	0	251	0
Total	902,694	785,607	413,323	367,952

* Refers to expenses for the financial year. No tantiem or similar was paid and no contractual terms were agreed regarding severance pay or similar benefits to members of the board of directors, the CEO or other individuals in senior management.

** Other remuneration linked to previous employment has also been paid and is reported in Other employees.

Staff	Group		Parent	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Total employees	1,441	1,368	729	741
- of which male	1,025	976	519	529
Of which senior management	22	22	14	16
- of which male	16	16	9	10
Of which CEO	1	1	1	1
- of which male	1	1	1	1
Board of directors	6	5	6	5
- of which male	2	3	2	3
Average no. of employees	1,180	1,065	581	543
- of which male	855	785	414	401

Other staff costs *	Group		Parent	
	2020	2019	2020	2019
Social security contributions CEO	3,350	1,646	3,350	1,646
Social security fees Board of directors	539	330	539	330
Social security fees Other employees	195,121	165,709	128,478	112,166
Total social security contributions	199,010	167,685	132,367	114,142
Pension costs CEO	519	413	519	413
Pension costs Board of directors	0	0	0	0
Other staff costs	43,988	38,540	26,675	24,456
Total pension costs	44,507	38,953	27,194	24,869
Total	243,517	206,638	159,561	139,011

* There are no outstanding pension obligations for the CEO, employees or board of directors.

Average number of employees per country	Group	
	31 Dec. 2020	31 Dec. 2019
Sweden	581	543
- of which male	414	401
Denmark	33	24
- of which male	23	17
Finland	76	64
- of which male	53	45
Norway	111	103
- of which male	80	72
Germany	355	313
- of which male	268	236
Switzerland	24	18
- of which male	18	13

Note 5 – Information regarding audit fees

Information regarding audit fees	Group		Parent	
	2020	2019	2020	2019
Ernst & Young (EY), All countries				
Audit engagement	1,125	741	520	299
Tax advisory	119	33	109	0
Other services	109	53	70	53
Total Ernst & Young (EY)	1,353	827	699	352
Oury Clark, Great Britain				
Audit engagement	25	37	0	0
Tax advisory	0	0	0	0
Other services	34	55	0	0
Total Oury Clark	59	92	0	0
Caminada, Switzerland				
Audit engagement	140	107	0	0
Tax advisory	9	0	0	0
Total Caminada	149	107	0	0
Total	1,561	1,026	699	352

Note 6 – Tangible assets

Computer and inventory	Group		Parent	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Opening acquisition cost	42,989	26,451	21,131	10,797
Purchases	16,522	18,676	2,025	11,851
Sales/disposals	-4,121	-2,229	-3,584	-1,517
Exchange rate differences	-1,487	91	0	0
Closing accumulated acquisition cost	53,903	42,989	19,572	21,131
Starting depreciation	-20,680	-15,329	-7,647	-6,564
Depreciation for the year	-10,917	-7,059	-2,867	-2,475
Depreciation relating to disposals	3,969	1,834	3,551	1,392
Exchange rate differences	908	-126	0	0
Ending accumulated depreciation	-26,720	-20,680	-6,963	-7,647
Ending amount	27,183	22,309	12,609	13,484

Depreciation according to plan is charged against operating profit in the income statement. This is calculated from the original cost and is based on the estimated economic useful life of the asset. No excess depreciation was recognized.

Note 7 – Financial income and expenses

Income from participating interests	Parent	
	2020	2019
Dividends received (anticipated)	139,657	137,550
Other dividends	187	11,680
Total	139,844	149,230

Other interest income and similar profit/loss items	Group		Parent	
	2020	2019	2020	2019
Interest income from group companies	0	0	0	44
Other interest income	132	118	81	54
Exchange rate differences	2,471	4,899	2,466	4,854
Total	2,603	5,016	2,547	4,952

Interest expense and similar profit/loss items	Group		Parent	
	2020	2019	2020	2019
Other interest expense	-363	-240	-218	-187
Exchange rate differences	-8,942	-693	-8,950	-316
Total	-9,305	-933	-9,168	-503

Impairment loss for non-current financial assets of TSEK 464 relates to intra-group lending to Netlight Consulting Ltd.

Note 8 – Tax on profit/loss for the year

Tax on profit/loss for the year	Group		Parent	
	2020	2019	2020	2019
Current tax	99,594	92,965	35,275	32,332
Deferred tax	200	407	400	264
Total current tax expense	99,794	93,805	35,675	32,596
Average effective tax	26.4%	26.4 %	11.8%	11.1 %

Reconciling effective tax	Group		Parent	
	2020	2019	2020	2019
Recognized profit/loss before taxes	378,481	354,902	301,978	293,733
Tax on reported profit according to applicable tax rates (21.4%):	80,995	75,949	64,623	62,859
Tax effects of:				
Dividends from group companies	0	0	-29,927	-31,935
Non-deductible costs	1,641	2,247	1,399	1,675
Non-taxable income	-821	-267	-821	-267
Other	218	433	401	264
Effect of different tax rates in foreign subsidiaries	17,762	15,443	0	0
Reported tax	99,794	93,805	35,675	32,596

Note 9 – Participations in group companies (parent)

Participations in group companies	Capitalshare	Voting share	Balance 31 Dec. 2020	Balance 31 Dec. 2019
Netlight AS	100 %	100 %	118	118
Netlight Consulting Ltd	100 %	100 %	0	0
Netlight Consulting GmbH	100 %	100 %	225	225
Netlight Consulting Oy	100 %	100 %	21	21
Netlight Consulting AG	100 %	100 %	927	927
Netlight Consulting ApS	100 %	100 %	65	65
Total			1,356	1,356

Value adjustments for shares and participations in group companies	31 Dec. 2020	31 Dec. 2019
Opening acquisition value	1,356	1,356
Acquisitions for the year	0	0
Disposals	0	0
Value fluctuations (Exchange changes)	0	0
Closing accumulated acquisition value	1,356	1,356
Impairments	0	0
Closing balance	1,356	1,356

Information and corporate registration numbers of subsidiaries are listed below.

Subsidiaries	Corporate registration number	Domicile
Netlight AS	991,952,802	Oslo
Netlight Consulting GmbH	HRB 189944	Munich
Netlight Consulting Oy	2517964-1	Helsinki
Netlight Consulting Ltd	04085885 (England & Wales)	London
Netlight Consulting AG	CHE-189.437.853	Zurich
Netlight Consulting ApS	38886851	Copenhagen

Note 10 – Prepayments and accrued income

Prepayments and accrued income	Group		Parent	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Work performed but not invoiced	4,156	1,249	3,835	1,249
Prepaid lease expenses	7,788	0	7,788	0
Prepaid insurance premiums	2,234	2,109	2,234	2,109
Other prepaid expenses	6,178	14,108	2,332	11,532
Total	20,356	17,466	16,189	14,890

Note 11 – Intra-group trade receivables and trade payables (Parent)

At year-end (31 Dec. 2020) Intra-group receivables were SEK 2.4 million (3.7) and Intra-group trade payables were SEK 3.4 million (0.3).

Note 12 – Cash and cash equivalents

Cash and bank balances	Group		Parent	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Cash	1	1	0	0
Available bank balances	289,139	258,025	131,967	84,825
Short-term liquid investments	3,889	3,790	128	60
Total	293,029	261,816	132,095	84,885

Note 13 – Deferred tax liability

Deferred tax liability	Group		Parent	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Tax on revenue generated but not invoiced	433	230	667	267
Total	433	230	667	267

Note 14 – Accruals and prepaid income

Accruals and prepaid income	Group		Parent	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Vacation pay liabilities	42,883	35,088	13,377	10,658
Accrued salaries for employees	17,459	66,211	11,328	48,216
Special payroll tax on pension expenses	6,616	6,033	6,616	6,033
Other accrued expenses	6,896	8,560	3,002	2,038
Total	73,854	115,892	34,323	66,945

Note 15 – Financial non-current assets

Deposits provided	Group		Parent	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Starting cost	20,402	19,916	15,189	15,200
Purchases	5,238	1,324	0	0
Sales/disposals	-962	-768	0	-11
Exchange rate differences	-513	-70	0	0
Ending accumulated cost	24,165	20,402	15,189	15,189

Starting depreciation	0	0	0	0
Depreciation for the year	0	0	0	0
Depreciation relating to disposals	0	0	0	0
Exchange rate differences	0	0	0	0
Ending accumulated depreciation	0	0	0	0

Ending carrying amount	24,165	20,402	15,189	15,189
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Non-current receivables in group entities (parent only)	31 Dec. 2020	31 Dec. 2019
Receivables from group companies	6,836	7,531
Impairment of receivable from Netlight Consulting Ltd.	-6,400	-6,571
Total	436	960

Note 16 – Total shares and par value

Shares	31 Dec. 2020 *	31 Dec. 2019 **
Total outstanding shares (Par value SEK 0.10)	629,546,050	624,093,111
Unregistered shares (Par value SEK 0.10)	1,322,274	5,452,939
	630,868,324	629,546,050

* A total of 1,322,274 shares were subscribed in 2020 for an incentive program (IP 2020:1). The shares were registered with the Swedish Companies Registration Office (Sw. Bolagsverket) as of 11 Feb. 2021 and 15 Feb. 2021 with Euroclear.

** In 2019, a total of 5,452,939 shares were subscribed in two incentive programs (IP 2019:1 and IP 2019:2). Shares linked to IP 2019:1 were registered with the Swedish Companies Registration Office as of 01 Feb. 2020 and 05 Feb. with Euroclear. Shares in IP 2019:2 were registered with the Swedish Companies Registration Office as of 16 Mar. 2020 and 17 Mar. 2020 with Euroclear.

Warrants	31 Dec. 2020	31 Dec. 2019
Warrants (2018/2021)*	1,300,000	1,300,000

* Every warrant entitles the holder to subscribe to one share priced at SEK 9.44, with subscription set for 06 to 30 November 2021. Share capital will thereby increase SEK 1,300 after full subscription of the warrants.

Note 17 – Pledged assets and contingent liabilities

Pledged assets and contingent liabilities	Group		Parent	
	2020	2019	2020	2019
Pledged assets	24,165	20,402	15,189	15,189
Contingent liabilities	0	0	0	0
Total	24,165	20,402	15,189	15,189

Group and parent pledged assets comprise deposits entirely and are recognized in the statement of financial position as financial non-current assets.

Note 18 – Significant events after the year-end

At the start of the new year, the impact on business by the Covid-19 pandemic remains present in the daily activities of Netlight but these have little significance. Certain effects relating to reduced demand and willingness to pay are still present, particularly those obviously linked to travel and experience industries. But this is also counterbalanced by demand from clients in several additional industries increasing over previous levels. We see certain variations between the various markets Netlight operates in, though generally the year has started with positive trends and following those at year-end 2020.

In February 2021, Erik Ringertz provided notification that he plans to leave the role of CEO after 17 years. This handover is planned for the AGM.

Note 19 – Proposed allocation of the company's profit

At the disposal of the annual general meeting [SEK]	
Retained earnings	99,961,653
Profit/loss for the year	266,302,642
Total	366,264,295

The board of directors and the CEO propose allocation of the company's profit as follows

Shareholders shall be paid a dividend of 33 öre per share.	208,186,547
Shall be brought forward	158,077,748
Total	366,264,295

The Board of Directors and the CEO of Netlight Consulting AB (publ), in Stockholm,
on the date set forth by our electronic signature

Ingrid Engström
Board Chair

Helene Willberg
Director

Henrik Sidebäck
Director

Jonas Hovmark
Director

Sofie König
Director

Lena Edström
Director

Erik Ringertz
CEO

Our audit report was submitted on the date set forth by my (our) electronic
signature

Ernst & Young AB
Beata Lihammar
Certified Public Accountant