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Netlight Consulting AB

Annual Report 2019



Netlight – 20 years of Impact

2019 was the year Netlight turned 20 years. We have driven the digital revolution since 1999, helping our clients succeed with their digitalisation transformation journey. This anniversary highlighted our year, as we reflected on these two decades while keeping our focus looking forward. We maintained good profitability due to strong demand for our services.

1.1 Management report

Netlight has maintained constant growth through these 20 years. Growth is the fuel for change that has always driven Netlight forward. Netlight now has SEK 1.6 billion in revenue, whereby the company kept its ranking as 'Super Company' for the twelfth straight year in Sweden's leading business magazine, *Veckans Affärer*. No other company has kept this ranking as long. To do this, we had to live up to the tough criteria they use: including growth, profit, return, efficiency, capital structure, and financing. To be sure, we are proud to be the only company to match these criteria over such a long period.

The entire time, Netlight has held an international perspective. We opened a UK office already in 2001, our office in Oslo followed in 2008, and we came to Germany in 2011. Today, Netlight operates in six countries, and 2019 was the first year revenues from these countries surpassed revenue generated in Sweden. Our German operations earned over SEK 500 million, and will dominate company growth in coming years. We therefore found it natural to publish the book '*Harder, Better, Faster, Stronger – New ideas for the leadership of tomorrow*' in German (as the first translation from Swedish). This describes the organisational evolutionary journey Netlight has gone through.

The forefront of digitalisation in 1999 was mobile Internet, which is where Netlight established itself first. Our expressed strategy even then was to stay at the forefront, always looking to the next leading edge technology. Netlight operates in every industry segment where we find digitalisation as a critical success factor. Today, media and FinTech are at this leading edge, and are a large part of the Netlight client base. The transportation and vehicle industry showed strong growth in 2019 with demand for new mobile solutions and IoT solutions. A further trend includes digital health and AI solutions, analysis, and machine learning which showed continued growth.

This significant demand for Netlight's services contributed to high profitability, which was 21.6% for 2019. For us, profitability confirms the high quality of our services. Industry analysts Radar Ecosystems Specialist presented a report in the year showing that Netlight is seen as the consultants who deliver the highest customer value – ahead of many other highly reputable firms. Profitability allows Netlight the freedom to always be able to hire inspiring colleagues regardless of the assignment or circumstances, and the freedom to choose assignments where we can make our mark. It also provides the foundation for a stable, long-lasting partnership with our customers.

From six consultants in 1999, we've become 1,368 at year-end 2019. Attracting, recruiting and keeping the best talents to work with Netlight has always been essential. Living up to this has meant that every new hire at Netlight since 1999 was handpicked using our extensive recruitment process. In 2019 alone 377 new employees joined our ranks. This solely organic growth ensures we always hire people with compatible values who enrich our culture. Successful culture activities concentrate on diversity. And through the year, Netlight has become known for our commitment to women throughout the tech industry. This includes our initiative '*The Code Pub*' designed for young women keen on development, and '*Women of Netlight*' as our focused network to empower our female consultants. We therefore continue to concentrate on finding and recruiting more women to Netlight. We are therefore very satisfied that nearly one-third of our new hires for 2019 were women (31.6%), which was greater than the previous year.

Starting up in 1999 wasn't in a garage, but still it was in a run-down section of Solna Municipality north of Stockholm. Our 'modern' ADSL connection at the time, prevented us from answering the phone when anyone called, since this could keep us from developing our applications. Few things accentuate growth and renewal as much as moving to new offices, and this year we moved offices in Stockholm, Hamburg, and Copenhagen, which opens vistas of what the future can bring. Netlight's offices are our living rooms, where all our employees can meet after a day at the client. This is, and has been, central to the knowledge sharing that is part of the company DNA.

This meeting of people is a strategic success factor for Netlight, though it has the backside of necessitating travel. We began to estimate the emissions we produce to make climate investments and balance against the travel we couldn't reroute to train travel or replace with technical solutions. This transition brought a positive experience, and a definite business benefit, so the next year we decided to highlight another aspect of this backside. We buy more than 60,000 meals every year for our events and meetings. Following this insight, we now offer vegetarian food for these instead of red meat so we can keep growing and meeting while cutting our climate impact.

As a model for the industry, we want to continue to reduce our climate footprint. Our target for this is reducing emissions by 16% annually to comply with the Paris Climate Agreement. To ensure we can do this, we will publish our first separate Netlight Sustainability report.

With two decades behind us, we thought it natural to spotlight our accomplishments over that time, and the mark Netlight has made in the industry, and in society. Therefore, the theme for the year was Impact, as reminder that the purpose for Netlight's consulting services has always been to release the potential within us and our clients. That's why the entire company reflected together through our two annual conferences on the impact we've had on each other, and on our clients and industry colleagues. We immersed ourselves in what is actually expected of us. But more importantly, we looked forward (20 years of Impact) looking to 2039 and the responsibility this represents, while still keeping a rear-view mirror in hand. The *Digital Revolution* has only just begun, and still has both a brilliant, and clouded outlook. Netlight's ambition is to be a role model in creating our common future.

20 years of digitalisation provides a breath-taking perspective. Even so, 1999 was filled with the ideas of Internet pioneers, but which largely have not been realized until today. It has been a privilege as a company to take part in bringing these ideas to fruition. Netlight started as consultants behind these Internet pioneers, to continue after the slowdown brought by the bursting IT bubble, and to realize these digital dreams in partnership with our visionary clients. This early, laser beam focus on digital transformation along with leaders in the industry (companies many may not have though even hired consultants), has given Netlight a unique position as *thought leader* today.

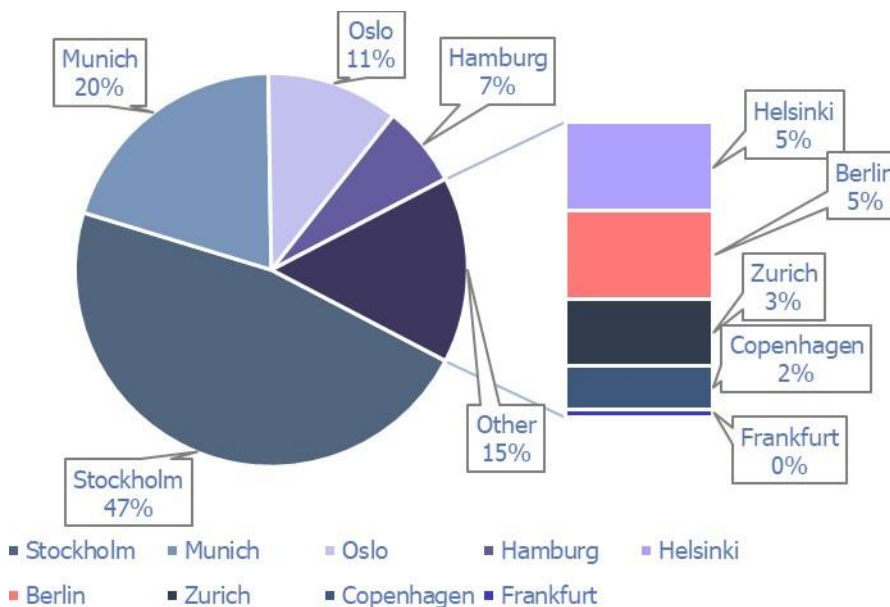


Figure 1. Sales per office

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

Sustainability reporting

As Netlight continues to grow, we will broaden our responsibility for the society we work in. Netlight wants to act as role model for the IT industry, reducing our climate footprint in line with the Paris Climate Agreement. We therefore plan to reduce our CO2 eq emissions by 16% annually. Additionally, we want to involve more companies in the IT industry in working to save the climate. Environmental activities at Netlight are characterized by transparency and focus on concrete results through our Climate First initiative.

Most of Netlight’s emissions result from air travel. We therefore see better planning of travel, digital technology, and greater use of rail travel as important means to these results. Still, we’ll need to travel by air to support our international growth, but emissions for these will be compensated for. Our Christmas gift to employees for 2019 was climate investment through Trine. Moreover, in 2019 Netlight started paying climate compensation for the personal climate impact of all our employees. This is based on an average annual CO2 emission of 11 tonnes (in Europe) as part of our employee offering through our climate partner Go Climate Neutral.

We have published our Sustainability Report at the Netlight website (in Swedish).

Income and financial position – Multi-year overview

KPI	Group				Parent			
	2019	2018	2017	2016	2019	2018	2017	2016
Revenue (MSEK)	1,614.6	1,358.0	1,066.4	923.5	795.1	769.2	687.1	637.0
Profit/loss after financial items (MSEK)	354.9	379.7	252.8	247.2	293.7	308.1	223.0	227.0
Total assets (MSEK)	655.1	484.2	334.7	352.7	468.5	347.6	265.1	308.4
Total Employees at year-end	1,368	1,176	982	855	741	676	600	572
Average no. active employees	1,065	905	762	662	543	507	468	424
Operating margin (%)	21.7 %	27.6 %	23.8 %	26.6 %	17.6 %	27.8 %	25.2 %	29.0 %
Growth, revenue (%)	18.9 %	27.3 %	15.5 %	23.6 %	3.4 %	11.9 %	7.9 %	18.4 %
Equity ratio (%)	59.3 %	64.0 %	61.7 %	70.8 %	75.5 %	78.7 %	73.3 %	78.9 %
Turnover per active employee (TSEK)	1,516	1,501	1,399	1,395	1,464	1,517	1,468	1,502
Added values per active employee (TSEK)	1,375	1,372	1,273	1,266	1,314	1,381	1,336	1,355

Board of directors

Composition of the Board of Directors

The Netlight board of directors currently has 5 (6) directors elected by the AGM. Ingrid Engström was elected the new Board Chair as Hans Wirfelt chose to step down after long and dedicated service. The other directors are Sofie König, Henrik Sidebäck, Jonas Hovmark and Felix Sprick.

Responsibilities and tasks of the Board of Directors

Activities of the board of directors follow their work plan which ensures they receive requisite information and documentation. The CEO is not a board director, but participates in meetings as presenter along with other senior managers as they are needed. The board of directors conducts annual assessments to ensure continual improvement in conducting business.

For the year, the board concentrated on further developing the company and implementing an extensive employee share. The board of directors held 17 (10) minuted meetings of which three involved the implementation of two incentive programs; one is a sponsored share option program for employees, and the other a more standard share option program for all employees and board directors. The sponsored share option program is for 2,583,058 shares and the standard program is for 2,869,881 shares for a total of 5,452,939 shares, which increases share capital by SEK 5,452.94. The programs correspond to dilution of nearly 0.9% in shares and voting rights.

The board also formed an audit committee, and a remuneration committee.

Remuneration to the Board of Directors

Board fees were set at the 2019 AGM at a total of SEK 920,000. Of this total, SEK 600,000 was for the board chair and SEK 160,000 to each of the independent directors.

In addition to the above, a fee to the chair of the audit committee was adopted for SEK 90,000, and for committee members for SEK 30,000. The same levels were adopted for the remuneration committee where fees for the committee chair was SEK 90,000 and other members received fees of SEK 30,000 each. Further, the number of board directors appointed to these committees was set at three (3) each.

Total remuneration to the board for the business year 2019/2020 was SEK 1,190,000.

Auditors

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

Ownership structure

Shareholders	Share
Lars Olof Elfversson (individually or through companies)	13.0 %
Anders Larsson (individually or through companies)	12.3 %
Other	74.7 %
Total	100.0 %

Proposed appropriation of profit

Due to developments related to the Covid-19 outbreak, the market situation is uncertain and difficult to assess. To further ensure the Netlight financial position and to establish greater discretion to act, the board of directors therefore proposes to the AGM that no dividend be issued. The board of directors plans to review this question at an extraordinary general meeting to be held in fall 2020.

The board of directors therefore proposes that retained earnings (non-restricted equity) in Netlight, totalling SEK 352,921,533 is carried forward in their entirety.

2 Accounts

The 2019 consolidated financial statements and parent income statement and statements of financial position, cash flows, and changes to equity are hereby presented.

Amounts in SEK Thousand unless otherwise stated.

2.1 Netlight Group

2.1.1 Income statement

	Note	2019	2018
Net revenue	1, 3	1,603,420	1,358,005
Other operating income		11,150	0
Total revenues		1,614,570	1,358,005
Assignment-specific external expenses		-19,016	-23,062
Other external expenses	2,3,5	-124,035	-89,350
Staff expenses	4	-1,113,641	-866,839
Depreciation	6	-7,059	-4,359
Total Costs		-1,263,751	-983,610
Operating profit/loss		350,819	374,395
Interest income and similar items	7	5,016	6,231
Interest expense and similar items	7	-933	-929
Total Financial items		4,083	5,302
Profit/loss after financial items / Profit/loss before tax		354,902	379,697
Tax	8	-93,805	-95,919
Profit/loss before tax		261,097	283,778
Attributable to the equity holders of the parent		261,097	283,778

2.1.2 Statement of Financial Position

Assets	Note	31 Dec 2019	31 Dec 2018
Property, plant and equipment (equipment, tools, fixtures and fittings)	6	22,309	11,122
Financial non-current assets	15	20,402	19,916
Total non-current assets		42,711	31,038
Trade receivables		275,449	250,477
Other receivables		57,695	3,183
Prepayments and accrued income	10	17,466	12,817
Cash and bank balances	12	261,816	186,646
Total current assets		612,426	453,123
Total Assets		655,137	484,161
Total Equity and Provisions		31 Dec 2019	31 Dec 2018
Share capital	17	630	624
Other equity including profit or loss for the year		387,624	309,034
Total equity		388,254	309,658
Deferred tax liabilities	13	230	0
Other provisions		4,157	0
Total provisions		4,387	0
Trade payables		19,925	22,270
Current tax liabilities		52,476	42,853
Other current liabilities		74,203	62,100
Accruals and prepaid income	14	115,892	47,280
Total current liabilities		262,496	174,503
Total liabilities and provisions		266,883	174,503
Total Equity and Liabilities		655,137	484,161

2.1.3 Cash flows

	Note	2019	2018
Cash flow from operating activities			
Profit/loss before net financial items		350,819	374,395
Depreciation and amortization		7,059	4,360
Realisation gains		0	609
Changes in Provisions		407	-623
Interest revenue		5,016	6,231
Interest expense		-933	-929
Taxes paid		-80,199	-71,808
Cash flow from changes in operating capital		282,169	312,235
Cash flow from changes in operating capital			
Changes receivables		-81,088	-32,202
Changes in liabilities		75,346	19,018
Cash flow from operating activities		276,427	299,051
Investing activities			
Sale of subsidiaries		0	0
Acquisition of non-current financial assets		-486	-17,433
Acquisition of non-current tangible assets		-19,026	-7,592
Sale of property, plant, and equipment		395	1,667
Cash flow from investing activities		-19,117	-23,358
Financing activities			
Dividends paid		-224,674	-186,918
Share/share option program (new share issue)		43,569	7,370
Cash flow from financial activities		-181,105	-179,548
Cash flow for the period		76,205	96,145
Starting cash and cash equivalents		186,646	92,826
Revaluation difference		-1,035	-2,325
Ending cash and cash equivalents	12	261,816	186,646

2.1.4 Equity

Group	Equity	Other equity including profit or loss for the year	Total
Opening balance (1 Jan 2018)	623	205,907	206,530
Transactions with equity holders of the parent			
New share issue		7,370	7,370
Unregistered share capital	1		1
Dividends distributed		-186,918	-186,918
Total transactions with equity holders	1	-179,548	-179,547
Translation differences		-1,103	-1,103
Profit/loss for the year		283,778	283,778
Ending balance (31 Dec 2018)	624	309,034	309,658

Group	Share capital	Other equity including profit or loss for the year	Total
Opening balance (1 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

2.2 Parent

2.2.1 Income statement

	Note	2019	2018
Net revenue	1, 3	784,597	769,162
Other operating income		10,496	0
Total revenues		795,093	769,162
Assignment-specific external expenses		-12,695	-21,974
Other external expenses	2,3,5	-66,349	-46,008
Staff expenses	4	-573,520	-486,635
Depreciation	6	-2,475	-897
Total Costs		-655,039	-555,514
Operating profit/loss		140,054	213,648
Income from participating interests	7	149,230	88,907
Impairments	7	0	-75
Interest income and similar items	7	4,952	6,261
Interest expense and similar items	7	-503	-665
Total Financial items		153,679	94,428
Profit/loss after financial items / Profit/loss before tax		293,733	308,076
Tax	8	-32,596	-49,575
Profit/loss before tax		261,137	258,501

2.2.2 Statement of Financial Position

Assets	Note	31 Dec 2019	31 Dec 2018
Non-current assets			
<i>Property, plant and equipment</i>	6		
Equipment, tools, fixtures and fittings		13,484	4,233
<i>Financial non-current assets</i>	15		
Participations in group companies	9, 15	1,356	1,356
Non-current receivables from group companies	15	960	3,495
Deposits provided	15	15,189	15,200
Total non-current assets		30,989	24,284
Current assets			
Trade receivables		125,907	131,203
Receivables from group companies	11	141,252	103,828
Other receivables		55,488	2,165
Current tax assets		15,077	0
Prepayments and accrued income	10	14,890	11,447
Cash and bank balances	12	84,885	74,642
Total current assets		437,499	323,285
Total Assets		468,488	347,569
Equity	Note	31 Dec 2019	31 Dec 2018
Restricted equity			
Share capital	16	630	624
Total restricted equity		630	624
Non-restricted equity			
Retained earnings		91,785	14,394
Profit/loss for the year		261,137	258,501
Total unrestricted equity		352,922	272,895
Total equity		353,552	273,519

Liabilities		31 Dec 2019	31 Dec 2018
Provisions			
Other provisions		4,158	0
Deferred tax liabilities	13	267	3
Total provisions		4,425	3
Current liabilities			
Trade payables		9,787	13,698
Other current liabilities		33,472	27,412
Current liabilities to group companies	11	307	1,038
Accruals and prepaid income	14	66,945	23,183
Current tax liabilities		0	8,716
Total current liabilities		110,511	74,047
Total liabilities		114,936	74,050
Total Equity and Liabilities		468,488	347,569

2.2.3 Cash flows

	Note	2019	2018
Cash flow from operating activities			
Profit/loss before net financial items		140,054	213,648
Depreciation and amortization		2,475	2,036
Changes in Provisions		265	-620
Interest revenue		4,952	6,261
Impairments		0	-75
Interest expense		-503	-665
Taxes paid		-52,107	-47,315
Operating activities before changes in working capital		95,136	173,270
Cash flow from changes in operating capital			
Changes receivables		-51,872	-5,045
Changes in liabilities		44,346	1,852
Cash flow from operating activities		87,610	170,077
Investing activities			
Acquisition of non-current tangible assets		-11,851	-3,024
Acquisition of non-current financial assets		2,546	-16,310
Acquisition of non-current financial assets		125	4,088
Cash flow from investing activities		-9,180	-15,246
Financing activities			
Dividends paid		-224,674	-186,918
Dividends received		112,917	63,445
Share/share option program (new share issue)		43,569	7,371
Cash flow from financial activities		-68,188	-116,102
Cash flow for the period		10,243	38,729
Starting cash and cash equivalents		74,642	35,913
Ending cash and cash equivalents	12	84,885	74,642

2.2.4 Equity

Parent	Equity	Retained earnings	Profit/loss for the year	Total
Opening balance (1 Jan 2018)	623	10,005	183,937	194,565
Transfers of profit/loss from previous years		183,937	-183,937	0
New share issue		7,370		7,370
Unregistered share capital	1			1
Dividend distributed		-186,918		-186,918
Profit/loss for the year			258,501	258,501
Ending balance (31 Dec 2018)	624	14,394	258,501	273,519

Parent	Share capital	Retained earnings	Profit/loss for the year	Total
Opening balance (1 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

3 Notes

Additional information

Accounting policies

General accounting policies

The annual accounts and consolidated financial statements were prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board General Recommendations BFAR 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. Subsidiaries' accounting policies otherwise agree with those of the group.

The consolidated financial statements include appropriations of these group entities and is recognised in profit/loss less deferred tax. Therefore, the untaxed reserves in group companies recognised 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 commissions/contracting assignments billed on account are recognised as revenues as the work is completed. Work performed but not invoiced is recognised in the statement of financial position at the amount that is anticipated to be invoiced and is recognised in Work performed not invoiced.

Income from service and contracting assignments are recognised 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 recognised and billed partial payments is recognised 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 recognised as an expense straight line over the lease term.

Employee Benefits

Remuneration to employees refer to all types of compensation the group provides to the employees. Group remuneration includes 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 recognised 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 are based on historical experience and other factors, including expectations about future events that are considered reasonable in the current circumstances. The group makes judgements and assumptions concerning the future. These result in accounting estimates, which, by definition, rarely correspond with actual outcome.

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 is measured at the tax rates that applied on the balance sheet date.

Deferred tax

Deferred tax is income tax related to future financial years resulting from previous events, and is recognised using the balance sheet liability method. Using this method, deferred tax liabilities and deferred tax assets are recognised 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 is measured at the tax rates that applied 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 utilised 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 Parent	Annually
Office improvements	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 recognised at amortised cost Other Liabilities and provisions are valued at the amount they are anticipated to be settled. Other assets are recognised at cost unless otherwise stated above.

Cash flow

Cash flow was prepared using the indirect method. Cash and cash equivalents includes 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.
Revenue per active employee.	(Total revenue) divided by (average number of active employees).
Added values 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 recognised at cost less any impairment. 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 revenue

Net revenue is allocated to geographic markets as follows:

Allocation of net revenue	Group		Parent	
	2019	2018	2019	2018
Scandinavia	52 %	58 %	92 %	93 %
Rest of Europe	48 %	42 %	8 %	7 %
Total	100 %	100 %	100 %	100 %

Note 2 – Operating leases

Operating leases	Group		Parent	
	2019	2018	2019	2018
Lease fees recognized	45,827	28,363	27,975	14,505
Future minimum lease fees relating to non-terminable contracts that mature				
- to be paid within 1 year	48,425	36,756	31,702	23,042
- to be paid within 1 - 5 year	166,870	189,989	125,999	152,102
- to be paid > 5 year	759	65,817	0	65,817
Total future minimum lease fees	261,881	292,563	185,676	240,961

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

- Extension to the contract for office premises with expanded office space in Oslo from 1 March 2020 to 28 February 2025
- A new lease was entered for Hamburg for 1 July 2019 to 30 June 2022.

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	
	2019	2018
Net revenue to subsidiaries	35,342	50,814
Purchases from subsidiaries	5,173	8,256

Note 4 – Remuneration to the employees and other purposes

Salaries and other benefits*	Group		Parent	
	2019	2018	2019	2018
The board of directors and CEO	6,289	4,725	6,289	4,725
Other employees	779,318	621,760	361,663	326,593
Total	785,607	626,485	367,952	331,318

*Refers to salaries paid – no bonuses or similar were paid.

Other staff costs	Group		Parent	
	2019	2018	2019	2018
Social security contributions	167,685	142,660	114,142	100,238
Pension expenses for CEO and board of directors	413	388	413	388
Other staff costs	38,540	30,312	24,456	20,189
Total	206,638	173,360	139,011	120,815

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

Staff	Group		Parent	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Total employees	1,368	1,176	741	676
- of which male	976	867	529	501
Senior management	22	23	16	17
- of which male	16	17	10	11
Board directors	5	6	5	6
- of which male	3	4	3	4
Average no. of employees	1,065	905	543	507
- of which male	785	678	401	380

Note 5 – Information regarding audit fees

Information regarding audit fees	Group		Parent	
	2019	2018	2019	2018
Ernst & Young (EY), All countries				
Audit assignment	741	851	299	279
Tax advice	33	0	0	0
Other services	53	214	53	214
Total Ernst & Young (EY)	827	1,065	352	493
Oury Clark, Great Britain				
Audit assignment	13	13	0	0
Tax advice	0	0	0	0
Other services	55	75	0	0
Total Oury Clark	68	119	0	0
Caminada, Switzerland				
Audit assignment	107	74	0	0
Total Caminada	107	74	0	0
Total	1,002	1,258	352	493

Note 6 – Property, plant and equipment

Computer and other equipment	Group		Parent	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Starting cost	26,451	19,263	10,797	7,773
Changes to accounting policies	0	1,173	0	0
Adjusted starting cost	26,451	20,436	10,797	7,773
Purchases	19,026	7,592	11,851	3,024
Sales/disposals	-2,229	-2,102	-1,517	0
Exchange rat differences	91	526	0	0
Ending accumulated cost	42,989	26,451	21,131	10,797
Starting depreciation	-15,329	-10,343	-6,564	-5,667
Changes to accounting policies	0	-1,173	0	0
Adjusted starting cost	-15,329	-11,516	-6,564	-5,667
Depreciation for the year	-7,059	-4,360	-2,475	-897
Depreciation relating to disposals	1,834	770	1,392	0
Exchange rat differences	-126	-223	0	0
Ending accumulated depreciation	-20,680	-15,329	-7,647	-6,564
Ending carrying amount	22,309	11,122	13,484	4,233

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, for which the following percentages are used. No excess depreciation was recognised.

Note 7 – Financial items

Income from participating interests	Parent	
	2019	2018
Dividends received (anticipated)	137,550	88,907
Other dividends	11,680	0
Total	149,230	88,907

Other interest income and similar items	Group		Parent	
	2019	2018	2019	2018
Interest income from group entities	0	0	44	154
Other interest income	118	99	54	11
Exchange rate differences	4,899	6,132	4,854	6,096
Total	5,016	6,231	4,952	6,261

Interest expense and similar items	Group		Parent	
	2019	2018	2019	2018
Impairments	0	0	0	-75
Other interest expense	-240	-287	-187	-255
Exchange rate differences	-693	-642	-316	-410
Total	-933	-929	-503	-740

Note 8 – Tax on profit/loss for the year

Tax on profit/loss for the year	Group		Parent	
	2019	2018	2019	2018
Current tax	92,965	96,567	32,332	50,195
Deferred tax	407	-648	264	-620
Total current tax expense	93,805	95,919	32,596	49,575
Average effective tax	26.4 %	25.6 %	11.1 %	16.1 %
Reconciling effective tax	Group		Parent	
	2019	2018	2019	2018
Recognized profit/loss before tax	354,902	374,285	293,733	308,076
Tax on reported profit according to applicable tax rates (21.4%):	75,949	82,343	62,859	67,777
Tax effects of:				
Non-allowable expenses / Non-taxed income	2,414	1,448	-30,263	-18,202
Differences in foreign tax rates	15,443	12,128	0	0
Reported tax	93,805	95,919	32,596	49,575

Note 9 – Participations in group entities (parent)

Participations in group companies	Capital Share	Voting power	Carrying amount 31 Dec 2019	Carrying amount 31 Dec 2018
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 shares and participations in group entities	31 Dec 2019	31 Dec 2018
Starting cost	1,356	1,403
Acquisitions for the year	0	0
Disposals	0	-48
Value fluctuations (Exchange changes)	0	1
Ending accumulated cost	1,356	1,356
Impairments	0	0
Ending carrying amount	1,356	1,356

Information and corporate registration numbers for subsidiaries as 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. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Work performed not invoiced	1,249	0	1,249	13
Prepaid lease expenses	0	3,189	0	3,189
Prepaid insurance premiums	2,109	1,787	2,109	1,787
Other prepayments	14,108	7,842	11,532	6,459
Total	17,466	12,817	14,890	11,447

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

At year-end (31 Dec. 2019), intra-group receivables were SEK 3.7 million (2.4) and intra-group trade payables were SEK 0.3 million (0.6).

Note 12 – Cash and cash equivalents

Cash and bank balances	Group		Parent	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Cash	1	1	0	0
Available bank balances	258,084	183,308	84,885	74,642
Investments in securities	3,731	3,337	0	0
Total	261,816	186,646	84,885	74,642

Note 13 – Deferred tax asset (parent)

Deferred tax liabilities	Parent	
	2019	2018
Tax on work performed not invoiced	267	3
Total	267	3

Note 14 – Accruals and prepaid income

Accruals and prepaid income	Group		Parent	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Annual leave pay liabilities	35,088	27,479	10,658	9,717
Accrued salaries	66,211	15,779	48,216	12,170
Other accrued expenses	8,560	4,022	2,038	1,296
Total	109,859	47,280	60,912	23,183

Note 15 – Financial non-current assets

Financial non-current assets	Group		Parent	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Shares in group companies	0	0	1,356	1,356
Deferred tax assets/liabilities	0	170	0	0
Interest Long term loans to group companies	0	0	960	3,495
Deposits for premises, and similar	20,402	19,746	15,189	15,200
Total	20,402	19,916	17,505	20,051

Non-current receivables in group entities (parent only)	31 Dec 2019	31 Dec 2018
Receivables from group companies	7,531	10,066
Impairment for Netlight Consulting Ltd *	-6,571	-6,571
Total	960	3,495

* - relates to impairment of receivable from Netlight Consulting Ltd.

Note 16 – Total shares and par value

Shares	31 Dec 2019*	31 Dec 2018**
Total outstanding shares (par value SEK 0.10)	624,093,111	624,093,111
Unregistered shares (par value SEK 0.10)	5,452,939	0
	629,546,050	624,093,111

* 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 Bolagsverket (Swedish Companies Registration Office) as of 01 Feb. 2020 and with Euroclear Sweden (VPC) as of 05 Feb. 2020. Shares in IP 2019:2 were registered with the Bolagsverket (Swedish Companies Registration Office) as of 16 Mar. 2020 and 17 Mar. 2020 with Euroclear Sweden (VPC) 2020-03-17.

** Total outstanding shares increased in 2018 by 1,031,597 related to share option programs for employees and the board of directors.

Share options	31 Dec 2019	31 Dec 2018
Share options (2018/2021)*	1,300,000	1,300,000

* Every share option entitles the holder to subscribe to one share priced at SEK 9.44, with subscription set for 6 to 30 November 2021. Restricted capital will thereby increase SEK 1,300 after full subscription of the share options.

Note 17 – Pledged assets and contingent liabilities

Pledged assets and contingent liabilities	Group		Parent	
	2019	2018	2019	2018
Pledged assets	20,402	19,746	15,189	15,200
Contingent liabilities	0	0	0	0
Total	20,402	19,746	15,189	15,200

Note 18 – Significant events after the year-end

At the start of this year, the market for Netlight services appeared to have stable, though somewhat slowing, growth. Digitalisation remains vital to many industries whereby demand for company services had been increasingly unrelated to business cycles, though our clients' willingness to invest may be impacted by current market conditions.

This market has since been shaken by the Covid-19 virus outbreak that is now designated a pandemic by the WHO. In addition to the health impact of this, markets have reacted significantly to the immediate uncertainty it has caused. Stock markets have experienced exceptional declines.

We have experienced the general economic downturn, and an immediate impact related to specific industries such as travel providers, and health-related restrictions in daily work activities throughout the business sector in all markets. It is too early to say what negative effect this will have on Netlight both operationally and financially, though we expect it might be significant.

However, we are confident that Netlight is well equipped operationally and culturally to meet these circumstances, even more so than industry colleagues. While we currently cannot estimate the duration of the impact brought by the virus outbreak, it will be overcome.

For this duration, though, it will be vital for Netlight to maintain our strengths and avoid short-sighted actions. Netlight's capacity for continuous renewal and development will be an important asset in these circumstances.

Note 19 – Proposed appropriation of profit

Due to developments related to the Covid-19 outbreak, the market situation is uncertain and difficult to assess. To further ensure Netlight's financial position and to establish greater discretion to act, the board of directors therefore proposes to the AGM that no dividend be issued. The board of directors plans to review this question at an extraordinary general meeting to be held in fall 2020.

The board of directors therefore proposes that retained earnings (Non-restricted equity) in Netlight, totalling SEK 352,921,533 is carried forward in their entirety.

The board of directors and CEO of Netlight Consulting AB in Stockholm on April 22, 2020

Ingrid Engström
Chair of the Board

Henrik Sidebäck
Director

Jonas Hovmark
Director

Sofie König
Director

Felix Sprick
Director

Erik Ringertz
CEO

Our audit report on May 13, 2020

Ernst & Young AB

Beata Lihammar, Certified Public Accountant

Revisionsberättelse

Till bolagsstämman i Netlight Consulting AB (publ), org.nr 556575-6227

Rapport om årsredovisningen och koncernredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen och koncernredovisningen för Netlight Consulting AB (publ) för räkenskapsåret 2019.

Enligt vår uppfattning har årsredovisningen och koncernredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av moderbolagets och koncernens finansiella ställning per den 31 december 2019 och av dessas finansiella resultat och kassaflöden för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens och koncernredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för moderbolaget och koncernen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till moderbolaget och koncernen enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen och koncernredovisningen upprättas och att de ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning och koncernredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen och koncernredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets och koncernens förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen och koncernredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen och koncernredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen och koncernredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen och koncernredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets och koncernens förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen och koncernredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen och koncernredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag och en koncern inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen och koncernredovisningen, däribland upplysningarna, och om årsredovisningen och koncernredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.
- inhämtar vi tillräckliga och ändamålsenliga revisionsbevis avseende den finansiella informationen för enheterna eller affärsaktiviteterna inom koncernen för att göra ett uttalande avseende koncernredovisningen. Vi ansvarar för styrning, övervakning och utförande av koncernrevisionen. Vi är ensamt ansvariga för våra uttalanden.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen och koncernredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Netlight Consulting AB (publ) för räkenskapsåret 2019 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till moderbolaget och koncernen enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets och koncernens verksamhetsart, omfattning och risker ställer på storleken av moderbolagets och koncernens egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets och koncernens ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelse skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Stockholm den 13 maj 2020

Ernst & Young AB

Beata Lihammar
Auktoriserad Revisor