

Annual Report for

Netnod Internet Exchange i Sverige AB

556534-0014

the Financial Year

2020-01-01 - 2020-12-31

Directors' Report

The Board of Directors of Netnod Internet Exchange i Sverige AB, 556534-0014, situated in Stockholm, hereby submit the Annual Report for 2020.

The company

The company

Netnod Internet Exchange i Sverige AB (Netnod) operates Internet Exchanges (IXes) in the Nordics and provides secondary DNS services globally. Netnod also provides time and frequency services (NTP, NTS and PTP) as per an agreement with the Swedish Post and Telecom Authority (PTS) and operates i.root-servers.net, one of the 13 root name servers. The company is a wholly-owned subsidiary of the non-profit foundation TU-stiftelsen (Stiftelsen för Telematikens utveckling).

During 2020, the turnover increased compared to the previous year from 81 MSEK to 85 MSEK (+4,9%). The turnover was split between 59% for Internet Exchange services, 9% for DNS services, 19% for Time and Frequency services, and 13% for other services.

IX services

Netnods established reputation as the largest IX operator in the Nordics, combined with its transport products, give Netnod the unique selling point as the one-stop shop for connectivity services in the Nordics.

Netnod operates Internet Exchange services in Stockholm, Gothenburg, Sundsvall/Gävle, Luleå and in Copenhagen/Malmö, the Netnod Copenhagen IX. Netnod offers connections in Oslo through the Norwegian Internet Exchange (NIX). Netnod also provides WDM transport services for point-to-point transport between locations at a regional and metro level. In 2019, Netnod was one of the first IXes to make 400GE ports available. In 2020, Netnod launched an unlimited product enabling unlimited traffic on the IX for big networks.

DNS services

Netnod operates one of the worlds thirteen root name servers (i.root-servers.net) as well as a secondary DNS service for ccTLDs and gTLDs. The DNSNODE platform, one of the worlds most advanced anycast networks, serves some of the largest TLDs on the internet. Since 2016, Netnod has also offered an Enterprise DNS service (mostly via partners).

Time and frequency services

Recognised as world leading by the Royal Swedish Academy of Engineering Sciences, Netnods Time and Frequency services support a range of sectors. Netnods Network Time Protocol (NTP) service is a Swedish source for time and frequency. In 2019, it was one of the first in the world to offer Network Time Security (NTS), a protocol that Netnod was instrumental in developing. Netnod is also one of the leading providers of Precision Time Protocol (PTP) services for systems that need the highest levels of accuracy.

COVID-19

The global pandemic COVID-19 has demonstrated how well, resilient and scalable networks can accommodate sudden increases in bandwidth requirements. Netnod has supported its customers and the industry in general to ensure that the internet continues to function effectively at a time when people need it more than ever. There was a significant increase in upgrades at the Netnod IX while operations continued to run smoothly with no supply chain issues.

Netnod continued effective operations across all services and technical platforms with robust and well-functioning systems for the staff to work remotely. The company followed strict procedures to minimise the risk to staff while ensuring business continuity. With the worldwide turn to remote working and virtual meetings, Netnod has continued to meet current and prospective customers online. The company will adapt its strategies as the conditions change.

Future

Netnod foresees continued strong growth for interconnection services in the Nordics. This is based on continued technical migration to higher bandwidth and continued market growth for traffic exchange in the region as well as the significant increase in the number of data centres being built in the Nordics. This will result in higher bandwidth needs per customer, more customers, and increasing demand for cost-effective and easy to manage interconnections. By developing interconnection services that provide public and private peering, both directly and remotely, as well as by offering point-to-point transport across metro areas and regions, Netnods services will continue to attract a wide customer base.

The DNS market continues to provide new challenges. As the operator of a root server, and a DNS provider for some of the largest ccTLDs, Netnod has an established reputation for successfully operating critical DNS infrastructure. We are well positioned to continue to provide DNS services that are secure, stable and trusted.

The interest in time and frequency services has increased in recent years and has grown beyond the telecommunications industry. As a provider of world-leading time and frequency services, Netnod foresees a strong position for our services in a market that is set to grow rapidly.

Multi-year review

	<i>Amounts in SEK</i>			
	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
Net sales	85 289	81 341	78 293	76 024
Profit after financial items	12 894	5 838	8 838	-6 745
Equity ratio, %	50	38	32	28

Equity

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Balance Sheet profit</i>	<i>Year's profit</i>
At beginning of year	500 000	100 000	15 519 001	2 165 633
Dividend			-400 000	
Transfer of previous year's profit			2 165 632	-2 165 633
Profit for the year				7 280 868
At the end of the year	500 000	100 000	17 284 633	7 280 868

Appropriation of profit

	<i>Amounts in SEK</i>
The Board of Directors proposes that the unappropriated funds:	
accumulated profit	17 284 633
Profit for the year	7 280 868
Total	<u>24 565 501</u>
appropriated for	
dividend, [500 x 2 750)	1 375 000
carried forward	23 190 501
Total	<u>24 565 501</u>

The Board is authorised to determine a date for the distribution of dividends.

The Board considers that the proposal complies with the rule in Chapter 17, § 3 of the Swedish Companies Act in accordance with the following statement: The Board of Directors believes that the dividend is justifiable in view of the requirements that the nature, scope and risk puts on the size of equity, the company's requirements of consolidation, liquidity and financial position.

The company's financial position and results are shown in the following Income Statement and Balance Sheet with explanatory notes.

Income Statement

<i>Amounts in SEK</i>	<i>Note</i>	<i>2020-01-01- 2020-12-31</i>	<i>2019-01-01- 2019-12-31</i>
Operating income, stock change etc.			
Net sales	1	85 288 515	81 340 558
Other operating income		408 133	250 000
Total operating income, stock change etc.		<u>85 696 648</u>	<u>81 590 558</u>
Operating expenses			
Raw materials and consumables	1	-11 251 803	-12 453 841
Other external costs		-17 414 646	-19 013 407
Employee benefit expenses	2	-33 925 825	-33 713 653
Depreciation and amortization of tangible and intangible assets		-10 117 510	-10 175 744
Total operating expenses		<u>-72 709 784</u>	<u>-75 356 645</u>
Operating profit		<u>12 986 864</u>	<u>6 233 913</u>
Financial items			
Other interest income and similar profit items		5	816
Interest expense and similar profit items		-92 773	-397 093
Total financial items		<u>-92 768</u>	<u>-396 277</u>
Profit after financial items		<u>12 894 096</u>	<u>5 837 636</u>
Appropriations			
Group contributions paid		-200 000	-400 000
Change in tax allocation reserves		-3 142 072	-1 205 423
Change in additional depreciations		-253 948	-1 292 699
Total appropriations		<u>-3 596 020</u>	<u>-2 898 122</u>
Profit before tax		<u>9 298 076</u>	<u>2 939 514</u>
Taxes			
Tax on profit for the year		-2 017 208	-773 881
Net profit for the year		<u>7 280 868</u>	<u>2 165 633</u>

Balance Sheet

<i>Amounts in SEK</i>	<i>Note</i>	<i>2020-12-31</i>	<i>2019-12-31</i>
ASSETS			
Fixed assets			
<i>Intangible assets</i>	3		
Concessions, patents, licences, trademarks and similar rights		1 780 655	1 934 380
Total intangible assets		<u>1 780 655</u>	<u>1 934 380</u>
<i>Tangible assets</i>	4		
Plant and machinery		18 321 032	21 657 030
Equipment, tools, fixtures and fittings		7 051 396	7 233 161
Improvement on someone else's property		328 114	224 184
Total tangible assets		<u>25 700 542</u>	<u>29 114 375</u>
<i>Financial assets</i>			
Other long-term receivables	5	26 994	26 994
Total financial assets		<u>26 994</u>	<u>26 994</u>
Total fixed assets		<u>27 508 191</u>	<u>31 075 749</u>
Current assets			
<i>Current receivables</i>			
Accounts receivable - trade		8 795 888	11 262 812
Other receivables		279 905	687 209
Prepaid expenses and accrued income		3 123 446	2 773 755
Total current receivables		<u>12 199 239</u>	<u>14 723 776</u>
<i>Cash and bank balances</i>			
Cash and bank balances	6	29 296 890	20 295 350
Total cash and bank balances		<u>29 296 890</u>	<u>20 295 350</u>
Total current assets		<u>41 496 129</u>	<u>35 019 126</u>
TOTAL ASSETS		<u>69 004 320</u>	<u>66 094 875</u>

Balance Sheet

<i>Amounts in SEK</i>	<i>Note</i>	<i>2020-12-31</i>	<i>2019-12-31</i>
EQUITY AND LIABILITIES			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital		500 000	500 000
Statutory reserve		100 000	100 000
Total restricted equity		600 000	600 000
<i>Non-restricted equity</i>			
Profit brought forward		17 284 633	15 519 001
Profit for the year		7 280 868	2 165 633
Total non-restricted equity		24 565 501	17 684 634
Total equity		25 165 501	18 284 634
<i>Untaxed reserves</i>			
Tax allocation reserves		5 454 820	2 312 748
Accumulated excess depreciation		6 211 720	5 957 772
Total untaxed reserves		11 666 540	8 270 520
<i>Current liabilities</i>			
Advance payments from customers		11 636 891	17 282 756
Accounts payable - trade		6 171 563	6 008 089
Liabilities to group companies		200 000	400 000
Tax liability		622 683	0
Other liabilities		4 502 640	3 022 096
Accrued expenses and deferred income		9 038 502	12 826 780
Total current liabilities		32 172 279	39 539 721
TOTAL EQUITY AND LIABILITIES		69 004 320	66 094 875

Notes

Accounting principles

The Annual Report has been prepared in accordance with the Annual Accounts Act and BFNAR 2016:10 Annual Reports for small companies.

The accounting policies are unchanged from the previous year

Receivables

Receivables are recognised at cost less any write-downs.

Depreciation of fixed assets

Planned depreciation is based on original acquisition cost less estimated residual value. Depreciation takes place in a straight line over the asset's useful lifetime.

The following depreciation rates have been applied, taking into account the holding period for assets acquired and divested during the year.

<i>Fixed assets</i>	<i>% per year</i>
- Concessions, patents and similar rights	7,79
Tangible assets:	
- Equipment, tools and installations	20

The difference between the above depreciations and tax depreciation is reported as accumulated excess depreciation, which is included in untaxed reserves.

Revenue is recognized in accordance with BFNAR 2016:10.

As the company reports its income the fair value of the consideration received or receivable. The company recognizes revenue at nominal value (invoice amount) if the Company receives payment in cash directly to delivered. Deductions are made for discounts.

Monthly, quarterly and annual fees are invoiced in advance, but are recognized in the period to which they relate. Possible non-invoiced revenues are reported as deferred income.

Note 1 Information about the group

Of the subsidiary's total purchases and sales are 0 sek of purchases and 0 sek of sales concern other companies in the group to which the company belongs.

Internal profit on transactions within the group amounts to KSEK 0.

Note 2 Employees and personnel costs

Average number of employees

	2020-01-01- 2020-12-31	2019-01-01- 2019-12-31
Men	25	24
Women	4	4
Total	29	28

Note 3 Intangible assets

	2020-12-31	2019-12-31
<i>Accumulated cost of acquisitions</i>		
- New acquisitions	2 012 800	2 012 800
At the end of the year	2 012 800	2 012 800
<i>Accumulated depreciation:</i>		
- At beginning of year	-78 420	
-Depreciation for the year	-153 725	-78 420
At the end of the year	-232 145	-78 420
Carrying amount at year-end	1 780 655	1 934 380

Note 4 Equipment, tools and installations

	2020-12-31	2019-12-31
Accumulated acquisition costs:		
- At beginning of year	102 077 924	90 952 220
- New acquisitions	6 549 950	11 355 857
- Disposals and obsolescence	-426 513	
	108 201 361	102 308 077
Scheduled accumulated depreciation:		
- At beginning of year	-73 187 732	-63 181 213
- Disposals and obsolescence	656 666	
- Scheduled depreciation for the year on acquisition cost	-9 969 753	-10 236 672
	-82 500 819	-73 417 885
Carrying amount at year-end	25 700 542	28 890 192

Note 5 Other long-term receivables

	2020-12-31	2019-12-31
Accumulated acquisition costs:		
- At beginning of year	26 994	26 994
Carrying amount at year-end	26 994	26 994

Deposit to Interxion Sweden AB

Note 6 Overdrafts

	2020-12-31	2019-12-31
Agreed credit	7 000 000	7 000 000
Total	7 000 000	7 000 000

Note 7 Pledged assets and contingent liabilities

Securities pledged

	2020-12-31	2019-12-31
Pledges and securities	7 000 000	7 000 000

Note 8 Significant events after the end of the financial year

The Board estimates that the outbreak of the virus Covid-19 will not have a significant effect on the company's results for the new year. The Board actively monitors the development to evaluate any effects of Covid-19

Signatures

Stockholm 2021-05-

Anders Janson
Chairman of the Board

Lars Michael Jogbäck
Managing Director

Mikael Abrahamsson

Hafsteinn Jonsson

Stefan Lindeberg

Carl Moberg

Anders Rosendal

Amanda Östlund

Our Audit Report was submitted on 2021-05-
Grant Thornton Sweden AB

Linda Karlsson
Authorized public accountant