

Annual Report for

Netnod AB

556534-0014

The financial year
2021-01-01 - 2021-12-31

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Directors' Report

The Board of Directors and the managing director of Netnod AB, 556534-0014, with its registered office in Stockholm, may hereby submit the Annual Report for the financial year 2021-01-01 - 2021-12-31.

Company overview

The company

Netnod 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 2021, the turnover decreased compared to the previous year from 85 MSEK to 81 MSEK (-5%). The turnover was split between 60% for Internet Exchange services, 15% for DNS services, 19% for Time and Frequency services, and 6% for other services.

IX services

Netnod operates Internet Exchange services in Stockholm, Gothenburg, Sundsvall/Gävle, Luleå and in Copenhagen/Malmö. Netnod offers connections in Oslo through the Norwegian Internet Exchange (NIX). In November 2021, Netnod announced the launch of Netnod IX Helsinki scheduled for Q1 2022.

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

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.

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 growing rapidly.

Development of company operations, result and position

Amounts in TSEK

	2021-12-31	2020-12-31	2019-12-31	2018-12-31	2017-12-31
Net sales	81 008	85 289	81 341	78 293	76 024
Operating margin %	6,6	15	8	12	-9
Balance Sheet Total	74 908	69 004	66 095	66 010	52 510
Return on capital employed %	14,4	36	24	44	-44
Return on equity %	14,2	38	23	61	40
Equity ratio, %	49,6	50	38	32	28

Definitions: see note

Significant events during the financial year

COVID-19

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 continued to meet current and prospective customers online. The company adapted its strategies as the conditions changed and was well prepared for budget changes when physical meetings and industry events became feasible again.

Equity

	Share capital, new share issue during reg	Statutory reserve, other funds	Balance Sheet profit	Year's profit
At beginning of year	500 000	100 000	17 284 633	7 280 868
Dividend			-1 375 000	
Transfer of previous year's profit			7 280 868	-7 280 868
Profit for the year				2 601 141
At the end of the year	500 000	100 000	23 190 501	2 601 141

Proposed allocation of company profit or loss

The Board of Directors proposes that non-restricted equity, SEK 25 791 643, is appropriated as follows:

	Amounts in SEK
Dividend, [500 * 2 402]	1 201 000
Carried forward	24 590 643
Total	25 791 643

It is proposed that the Board be authorized to decide on the time when the dividend is to be paid.

The Board considers that the proposal is compatible with the precautionary rule in 17 chapter 3 § of the Swedish Companies Act pursuant to the following statement:

The nature and scope of the business are stated in the Articles of Association and the annual report.

There have been no events after the submission of the annual report that affect the company's ability to pay dividends.

The activities conducted in the company do not involve risks in addition to what occurs in the industry or the risks that are generally associated with conducting business activities. The company cyclical dependence does not deviate from what otherwise occurs in the industry.

The dividend proposal does not affect the company's ability to meet the present and anticipated in a timely manner payment obligations. The company's financial position does not give rise to any other assessment than that the company can continue its operations and that the company can be expected to fulfill its obligations on short notice and long term.

Regarding the results and position in general, reference is made to the subsequent results and balance sheet with the associated notes

Income Statement

<i>Amounts in SEK</i>	<i>Note</i>	<i>2021-01-01- 2021-12-31</i>	<i>2020-01-01- 2020-12-31</i>
Net sales	2	81 007 583	85 288 515
Other operating income	3	280 650	408 133
		<u>81 288 233</u>	<u>85 696 648</u>
<i>Operating expenses</i>			
Raw materials and consumables		-12 219 937	-11 251 803
Other external costs	5	-17 012 540	-17 414 646
Employee benefit expenses	4	-36 163 698	-33 925 825
Depreciation/amortization and impairment of tangible and intangible assets		<u>-10 542 839</u>	<u>-10 117 510</u>
Operating profit		5 349 219	12 986 864
<i>Profit from financial items</i>			
Other interest income and similar income	6	0	5
Interest expenses and similar expenses	7	<u>-78 318</u>	<u>-92 773</u>
Profit after financial items		5 270 901	12 894 096
Appropriations	8	<u>-1 917 343</u>	<u>-3 596 020</u>
Profit before tax		3 353 558	9 298 076
Tax on profit for the year	9	<u>-752 417</u>	<u>-2 017 208</u>
Net profit for the year		<u>2 601 141</u>	<u>7 280 868</u>

Balance Sheet

<i>Amounts in SEK</i>	<i>Note</i>	<i>2021-12-31</i>	<i>2020-12-31</i>
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Concessions, patents, licences, trademarks and similar rights	10	1 626 930	1 780 655
		<u>1 626 930</u>	<u>1 780 655</u>
<i>Tangible assets</i>			
Land and buildings		248 048	328 114
Plant and machinery		14 475 095	18 321 032
Equipment, tools, fixtures and fittings	11	6 786 858	7 051 396
		<u>21 510 001</u>	<u>25 700 542</u>
<i>Financial assets</i>			
Other long-term receivables	12	26 994	26 994
		<u>26 994</u>	<u>26 994</u>
Total fixed assets		<u>23 163 925</u>	<u>27 508 191</u>
Current assets			
<i>Current receivables</i>			
Accounts receivable - trade		12 542 714	8 795 888
Current tax assets		155 957	0
Other receivables		1 325 313	279 905
Prepaid expenses and accrued income		3 502 040	3 123 446
		<u>17 526 024</u>	<u>12 199 239</u>
<i>Cash and bank balances</i>		34 217 688	29 296 890
Total current assets		<u>51 743 712</u>	<u>41 496 129</u>
TOTAL ASSETS		<u>74 907 637</u>	<u>69 004 320</u>

Balance Sheet

<i>Amounts in SEK</i>	<i>Note</i>	<i>2021-12-31</i>	<i>2020-12-31</i>
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		500 000	500 000
Statutory reserve		100 000	100 000
		600 000	600 000
<i>Non-restricted equity</i>			
Profit or loss brought forward		23 190 501	17 284 633
Profit for the year		2 601 141	7 280 868
		25 791 642	24 565 501
Total equity		26 391 642	25 165 501
Untaxed reserves			
Accumulated excess depreciation	13	6 911 560	6 211 720
Tax allocation reserves	14	6 672 323	5 454 820
		13 583 883	11 666 540
Current liabilities			
Advance payments from customers		17 198 209	11 636 891
Accounts payable - trade		2 218 848	6 171 563
Liabilities to group companies		0	200 000
Tax liability		0	622 683
Other current liabilities		3 746 214	4 502 640
Accrued expenses and deferred income		11 768 841	9 038 502
		34 932 112	32 172 279
TOTAL EQUITY AND LIABILITIES		74 907 637	69 004 320

Cash flow statement

<i>Amounts in TSEK</i>	<i>Note</i>	<i>2021-01-01- 2021-12-31</i>	<i>2020-01-01- 2020-12-31</i>
Operating activities			
Profit after financial items		5 270 901	12 894 096
Adjustments for items not included in cash flow, etc.		10 542 839	10 117 510
		15 813 740	23 011 606
Paid income tax		-1 531 057	-773 881
Cash flow from operating activities before changes in working capital		14 282 683	22 237 725
<i>Cash flow from changes in working capital</i>			
Increase(-)/Decrease (+) in operating receivables		-5 304 695	2 030 118
Increase (+)/Decrease (-) in operating liabilities		3 716 383	-7 916 353
Cash flow from operating activities		12 694 371	16 351 490
Investing activities			
Acquisition of tangible assets		-6 198 572	-6 549 950
Cash flow from investing activities		-6 198 572	-6 549 950
Financing activities			
Group contributions paid		-200 000	-400 000
Dividend distributed to shareholders in parent company		-1 375 000	-400 000
Cash flow from financing activities		-1 575 000	-800 000
Cash flow for the year		4 920 799	9 001 540
Cash and cash equivalents at the beginning of the year		29 296 890	20 295 350
Cash and cash equivalents at the end of the year		34 217 689	29 296 890

Notes

Note 1 Accounting principles

Amounts in TSEK unless otherwise stated

General accounting principles

The annual report has been prepared in accordance with the Annual Accounts Act and the Accounting Standards Board's general guidelines BFNAR 2012:1 Annual and Group Reports (K3).

Changes to accounting principles

During the year, the company changed principles for accounting from K2 to K3.
No significant differences have occurred in terms of accounting between the years.

Valuation principles etc

Assets, provisions and liabilities are valued based on cost unless otherwise stated.

Intangible assets

Other intangible fixed assets

Other intangible assets acquired by the company are recorded at acquisition cost less accumulated depreciation and impairment. Costs for internally generated goodwill and brands are reported in the Income Statement as costs as they are incurred.

Depreciation

Depreciation takes place lineally over the asset's useful life. Depreciation is reported as a cost in the Profit and Loss Account.

<i>Intangible assets</i>	<i>Year</i>
<i>Internally generated intangible assets</i>	
<i>Acquired intangible assets</i>	
Concessions	7,79

Tangible assets

Tangible fixed assets are reported to the cost of acquisition less accumulated depreciation and impairment [Or with addition for revaluations.] The acquisition value includes, in addition to the acquisition price, even expenses that are directly related to the acquisition.

If applicable.

Indirect production costs representing more than an insignificant portion of the total cost for production and amounts to more than an insignificant amount has been included in the acquisition value.

If applicable.

Acquisition value of tangible fixed assets acquired through a will or gift is in conformity with the tax base.

Expenses for disassembly, removal or restoration of the site are not counted in the cost of a tangible asset. Instead, a provision over the asset's useful life is progressively reported.

Additional costs

Additional expenses that meet with asset criteria are included in the asset's reported value. Expenses for running maintenance and repairs are reported as costs as and when they arise.

For certain tangible fixed assets, the difference in usage of significant components has been judged to be considerable. These assets have therefore been divided into components that are written off separately.

Depreciation

If applicable.

Depreciation is linear over the estimated lifetime of the asset as this reflects the expected consumption of the asset's future financial benefit. Depreciation is reported as a cost in the Profit and Loss Account.

<i>Tangible assets</i>	<i>Year</i>
Equipment, tools and installations	20

Note 2 Net sales by business segment and geographic market

Net sales by business segment

	<i>2021-01-01- 2021-12-31</i>	<i>2020-01-01- 2020-12-31</i>
IX Services	48 317 057	49 350 747
DNS services	12 623 615	13 812 107
Time and frequency services	15 206 772	16 066 883
Other services	4 860 139	6 058 778
Total	81 007 583	85 288 515

Note 3 Other operating income

	<i>2021-01-01- 2021-12-31</i>	<i>2020-01-01- 2020-12-31</i>
Other	280 650	408 133
Total	280 650	408 133

Note 4 Employees and personnel costs

Average number of employees

	<i>2021-01-01- 2021-12-31</i>	<i>Proportion of men</i>	<i>2020-01-01- 2020-12-31</i>	<i>Proportion of men</i>
Sweden	35	31	29	25
Total	35	31	29	25

Salaries and other remunerations and social costs, including retirement costs

	<i>2021-01-01- 2021-12-31</i>	<i>2020-01-01- 2020-12-31</i>
Salaries and other remuneration:	22 782 186	22 300 822
Social costs	12 305 413	10 951 242
(of which pension expenses) 1)	3 715 620	3 256 586

1) Of the company's pension costs, 388 144 sek (previous year 238 055 sek) concerns the CEO and

the Board of Directors.

Note 5 Remuneration to, and expenses of, auditors

	2021-01-01- 2021-12-31	2020-01-01- 2020-12-31
<i>Grant Thornton Sweden</i>		
Audit assignments	76 958	123 598

Auditing assignments refer to statutory audits of the annual accounts and the accounts, as well as the administration of the board and the managing director and auditing and other audits conducted in accordance with agreement or agreement.

This includes other duties that it is the responsibility of the company's auditor to perform as well as advice or other assistance caused by observations in such review or performance of such other duties.

Note 6 Interest incomes and similar result items

	2021-01-01- 2021-12-31	2020-01-01- 2020-12-31
Interest income, other		5
Total	0	5

Note 7 Interest expenses and similar result items

	2021-01-01- 2021-12-31	2020-01-01- 2020-12-31
Interest costs, other	78 318	92 773
Total	78 318	92 773

Note 8 Appropriations

	2021-01-01- 2021-12-31	2020-01-01- 2020-12-31
Difference between tax and reported depreciation:		
- Equipment, tools and installations	699 840	253 948
Tax allocation reserve, this year's allocation	-1 217 503	-3 142 072
Total	1 917 343	3 396 020

Note 9 Tax on annual profit

	2021-01-01- 2021-12-31	2020-01-01- 2020-12-31
Current tax expense	752 417	2 017 208
Deferred tax	2 798 280	2 403 307
	3 550 697	4 420 515

Note 10 Concessions, patents, licences, trademarks and similar rights

	2021-12-31	2020-12-31
<i>Accumulated cost of acquisitions</i>		
- At beginning of year	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	-232 145	-78 420
-Depreciation for the year	-153 725	-153 725
At the end of the year	-385 870	-232 145
Carrying amount at year-end	1 626 930	1 780 655

Note 11 Equipment, tools and installations

	2021-12-31	2020-12-31
<i>Accumulated cost of acquisitions</i>		
- At beginning of year	20 876 740	102 308 077
- New acquisitions	93 523 193	6 549 950
- Disposals and obsolescence		-656 666
	114 399 933	108 201 361
<i>Accumulated depreciation</i>		
- At beginning of year	-13 825 344	-73 417 885
-Reversed depreciation of disposals and scrap		656 666
- Reclassifications		224 183
-Depreciation for the year	-79 064 589	-9 963 785
	-92 889 933	-82 500 821
Carrying amount at year-end	21 510 000	25 700 540

Note 12 Other long-term receivables

	2021-12-31	2020-12-31
<i>Accumulated acquisition costs:</i>		
- At beginning of year	26 994	26 994
Carrying amount at year-end	26 994	26 994

Note 13 Accumulated depreciation

	2021-12-31	2020-12-31
Equipment, tools and installations	6 911 560	6 211 720
	6 911 560	6 211 720

Note 14 Tax allocation reserve

	2021-12-31	2020-12-31
Tax allocation reserve, allocation for tax year 2018	1 107 325	1 107 325
Tax allocation reserve, allocation for tax year 2019	1 205 423	1 205 423
Tax allocation reserve, allocation for tax year 2020	3 142 072	3 142 072
Tax allocation reserve, allocation for tax year 2021	1 217 503	
	6 672 323	5 454 820

Of the taxed allocation reserves 2 798 280 sek (2 403 307 sek) is deferred tax.

Note 15 Overdrafts

	<u>2021-12-31</u>	<u>2020-12-31</u>
Credit limit	7 000 000	7 000 000
Unused portion	<u>0</u>	<u>0</u>
Overdraft taken	7 000 000	7 000 000

Note 16 Pledged assets and contingent liabilities

Securities pledged

	2021-12-31	2020-12-31
<i>For own liabilities and provisions</i>		
Chattel mortgages	7 000 000	7 000 000
Shares	162 128	158 332
	<u>7 162 128</u>	<u>7 158 332</u>
Total pledged assets	<u>7 162 128</u>	<u>7 158 332</u>

Note 17 Definitions of key ratios

Operating margin:

Operating income / Net sales

Balance sheet total:

Total assets.

Return on capital employed:

(Operating profit + financial income / capital employed).

Financial income:

Items in the net financial income/expense that are related to assets (included in capital employed).

Capital employed:

Total assets - liabilities

Interest-free liabilities:

Liabilities that are not interest-bearing. Pension provisions are not considered interest-bearing.

Return on equity:

Profit/loss after financial items / Adjusted equity

Equity ratio:

(Total equity + (100% - current corporate tax rate of untaxed reserves)) / Total assets.

Signatures

Stockholm 2022-06-01

Anders Janson
Chairman of the Board

Lars Michael Jogbäck
Managing Director

Mikael Abrahamsson

Hafsteinn Jonsson

Stefan Lindeberg

Carl Moberg

Anders Rosendal

Amanda Östlund

Fresia Pérez

Our Audit Report was submitted on 1 June 2022
Grant Thornton Sweden AB

Linda Karlsson
Authorized public accountant