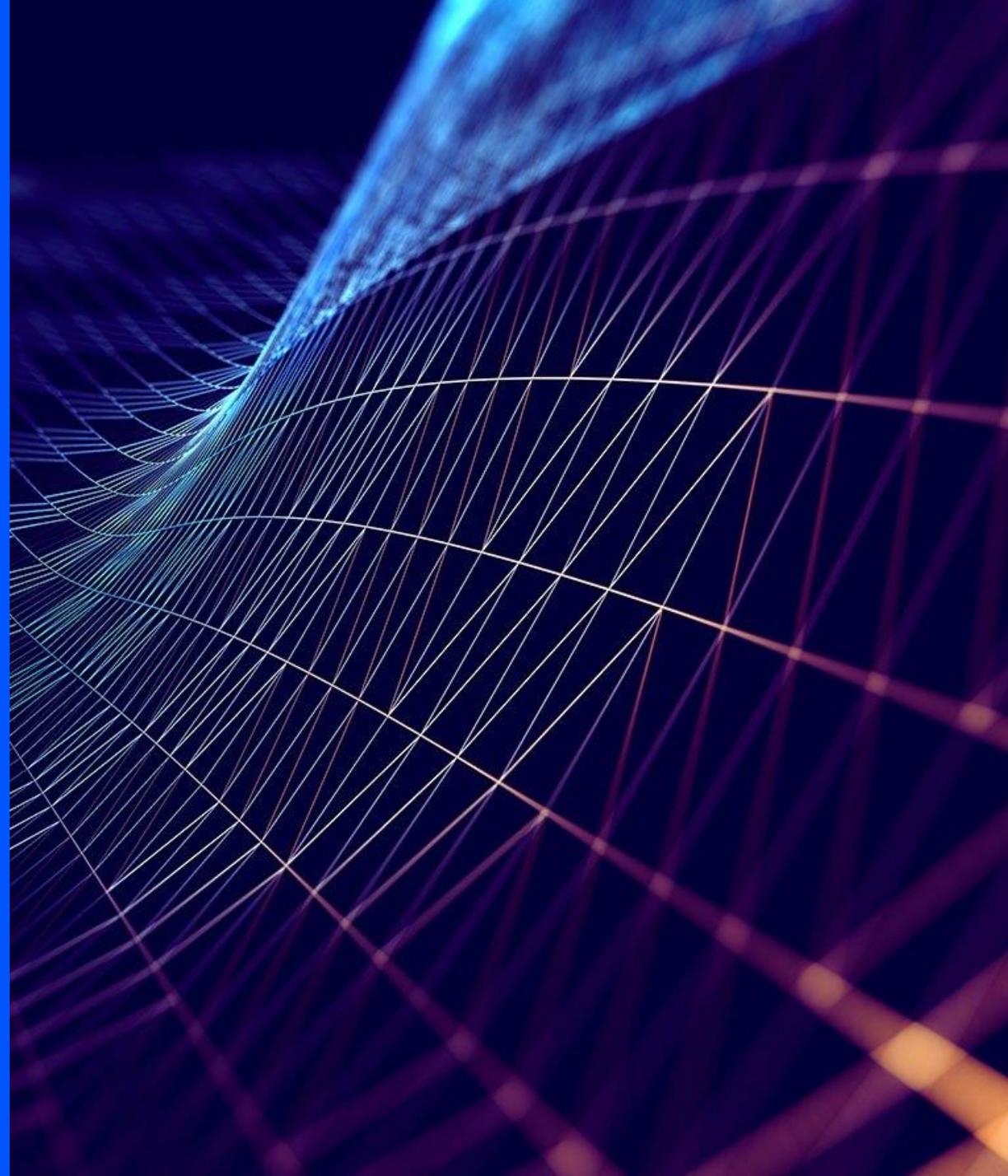


Interim report, Q4 2023

Crister Fritzson, CEO

Joakim Schedvins, CFO

16 Feb, 2024



Agenda

- 01 Q4 2023 Summary
- 02 Media Update
- 03 Time Synchronization Update
- 04 Financials
- 05 Questions



Q4 2023 Summary

- ❑ The fourth quarter is the strongest in the company's history.
- ❑ The long-term trend of improved growth and profitability is a result of many strategic initiatives
- ❑ Launched new time synchronization product in time.
- ❑ Established framework agreement with Teracom.
- ❑ Started standardization process for synchronization technology.



“The strongest quarter in the company's history concludes a record year.”

Q4 2023 Summary



Net sales in Q4

Net sales amounted to 162.5 (125.0) MSEK, an increase of 30.0% year-on-year.



Thirteenth consecutive quarter of growth

Our long-term focus on creating growth is paying off.



Strong operating earnings

Operating earnings totaled 29.4 (13.2).



Increased order pipeline for time synchronization

The orderbook increased from 180 MSEK in Q3 to 195 MSEK at the end of Q4.



Media Update



Q4 2023 Highlights

»» Market challenges and technological shifts

- Persisting market headwind in the media industry.
- Customer investment driven by shift to IP and cloud technologies resulting in technical and cost benefits.

»» Commitment to market transformation

- Continuous development of media solutions.
- Support more industry standards and protocols.
- Seamless integration of new features into existing systems and customers.

»» Product development impact

- High investments in IP and cloud product development.
- Broadened offerings, attracting new customers and contributing to growth.
- Notable advancement in the EMEA region with several major deals.

»» Strengthened competence and relationships

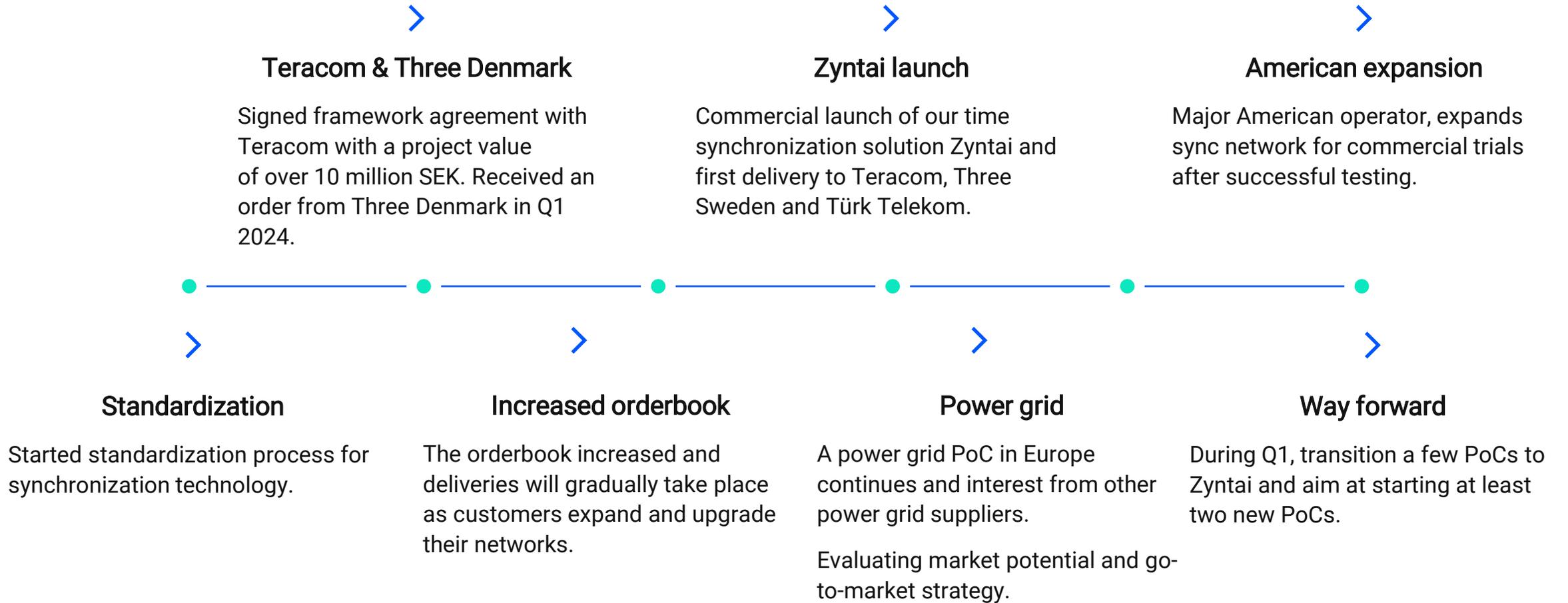
- Increased expertise in IP and cloud.
- Deepened collaborations with customers and partners.
- Higher average order values and more consistent sales as a result.
- Achieved more stable sales.



Time Synchronization Update



Update



General market update



Awareness of GPS Synchronization Challenges

- Satellite navigation systems are increasingly facing threats from jamming and spoofing incidents, posing significant challenges to flight safety.
- Awareness of the challenges associated with GPS synchronization has grown and has been highlighted in many debates.



Market Resilience for Synchronization

- Despite a general market downturn for 5G, the synchronization market is growing, driven by increased demand for secure and more reliable network solutions.



Adopting Swedish Model

- Sweden set a precedent by initiating the first formal mandate on GPS/GNSS independence.
- Other nations have proposed comparable recommendations.
- Geopolitical tensions and GPS vulnerabilities in Syrian and Ukrainian conflicts prompt international review of the Swedish model.

TIME SYNCHRONIZATION

5G Magazine article next week with Netnod

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HOW SWEDEN LEADS THE WAY IN SOLUTIONS FOR GNSS INDEPENDENCE

People and businesses across the entire economy rely on the availability of mobile communications. With IoT and M2M, this is further amplified. Sweden has developed one of the world's leading time services to ensure national robustness and remove the dependencies from foreign impact on this critical national service.

PTS has been working with a large-scale public/private cooperation since 2014 to ensure that Sweden has a robust, secure, and neutral national time service that all 5G operators could use for their time synchronization.

In this article, we cover some of the key players involved in developing the framework and technical solution for Sweden's time service: PTS, the Swedish telecom regulator; Netnod, the neutral organization working to develop core technical infrastructure in Sweden; and Net Insight, inventor of the Precision TimeNet technology for network-based time distribution using existing infrastructure, including over leased lines.

For more than ten years, the Swedish regulator, PTS, has worked with a range of organizations and operators, including Netnod and Net Insight, to discuss the best way to deal with the vulnerabilities related to time services dependent on GNSS.

PTS has been working with a large-scale public/private cooperation since 2014 to ensure that Sweden has a robust, secure, and neutral national time service that all 5G operators could use for their time synchronization.

To distribute the time from the national time reference out to the 5G radio access networks without GNSS support can be a challenge, since network-based time synchronization solutions can be both costly and complex in a nationwide rollout. Several Swedish operators in 5G and critical networks have chosen a new GNSS-independent network-based synchronization solution called Precision TimeNet to reduce cost and accelerate rollouts. Standardization of this technology has started within ITU.

5G MAGAZINE | #04

TECKNEXUS

THE SWEDISH MODEL

The Swedish regulator, the Swedish Post and Telecom Authority (PTS) has set the technical requirements for granting licenses for frequency bands that are internationally harmonized for mobile communications networks. The technical requirements are set to meet the very high-capacity requirements by allowing for the fifth generation of terrestrial systems (5G).

The PTS requirements are explicit that a GNSS-independent solution to transport synchronization is a mandatory requirement for operating the 5G network. This is written in the license conditions for the spectrum auctions: "Conditions for license to use radio transmitters in allocated frequency space within 3400-3720 MHz, Appendix A2"

To support the 5G licensed mobile operators and ensure they are all operating their 5G TDD networks using the same time reference source even if the GNSS signal is completely lost, PTS could rely on the work they had initiated to provide a distributed national time infrastructure with connections to atomic ePRC clocks. These clocks, located throughout the country, operate independently of GNSS and are traceable to Swedish national time, UTC(SP).

This is monitored by the organization responsible for UTC(SP), RISE, which is Sweden's National Metrology Institute. The journey to such a well-developed national time service independent of GNSS provides an excellent example of public/private cooperation together with the long-term view of how to implement a platform that can meet evolving needs across a range of sectors.

Sweden has been looking at GNSS redundancy for a long time. Netnod's work with GNSS redundancy goes back to 1997 when Netnod offered their first-time service over fiber. Since then, Netnod has been involved in discussions with operators, the government, and the Swedish telecom authority on the best way to deal with the problems related to GNSS.

In 2014, the government commissioned Netnod to develop a national time distribution network without GNSS dependency. The first question was that of funding. Netnod were commissioned to develop a system that would be robust and available throughout the country; but which also had to be affordable for all operators. The costs here are significant, beyond what can be covered by the market alone.

26. If the primary source of common time reference is the reception of signals from satellite (GNSS) or if the source is otherwise located outside Sweden, a redundant source located in Sweden must be functionally tested and ready to put into use when required at latest by January 1st, 2025.

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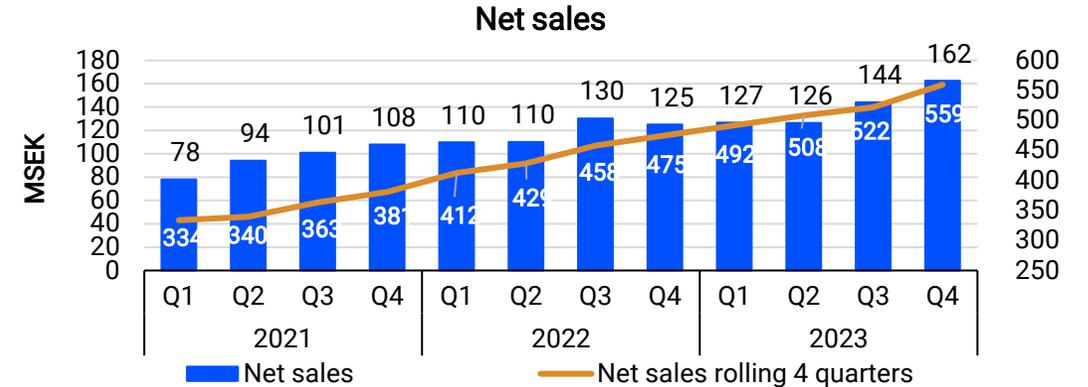
Financials



Q4 In Brief

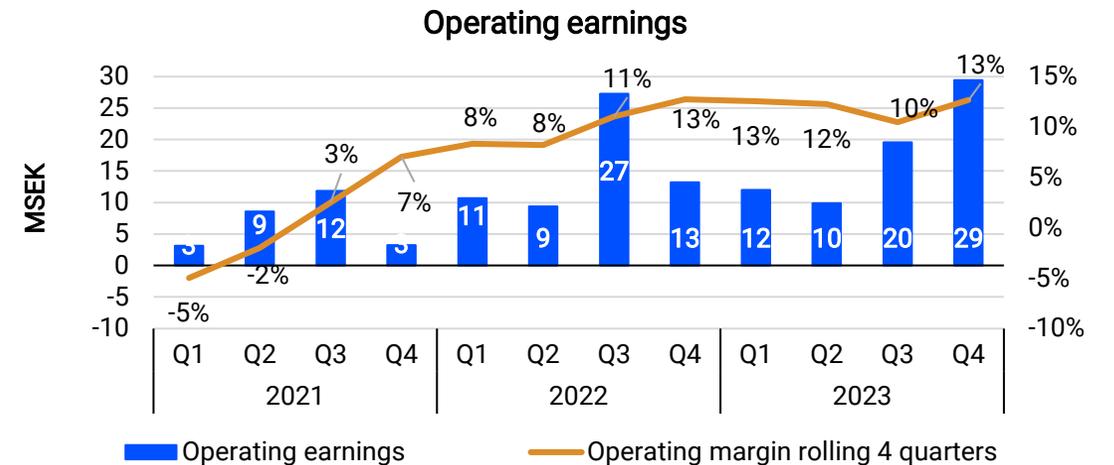
Net Sales 162.5 (125.0) MSEK

- Revenue growth of 30.0% (currency adjusted 27.2%).
- Thirteenth consecutive quarter of growth. Extended product portfolio and new features launched throughout the year support the long-term growth.
- High growth in the media business driven by:
 - Strong performance in EMEA with a number of large deals.
 - Increased activity and higher revenue in AMERICAS.



Operating Earnings 29.4 (13.2) MSEK

- All time high earnings, despite big investments driven by the strong revenue.
- Higher Gross Margin than LY driven by favorable revenue mix with increased support revenue and license revenue from extended portfolio of software solutions. Inflation driven cost increases have partly been compensated by price increases.
- Continuous investment in R&D and strengthening of organization within growth areas in combination with implementation costs for new ERP system negative impact on Opex vs LY.



Operating Margin 18.1% (10.6%)

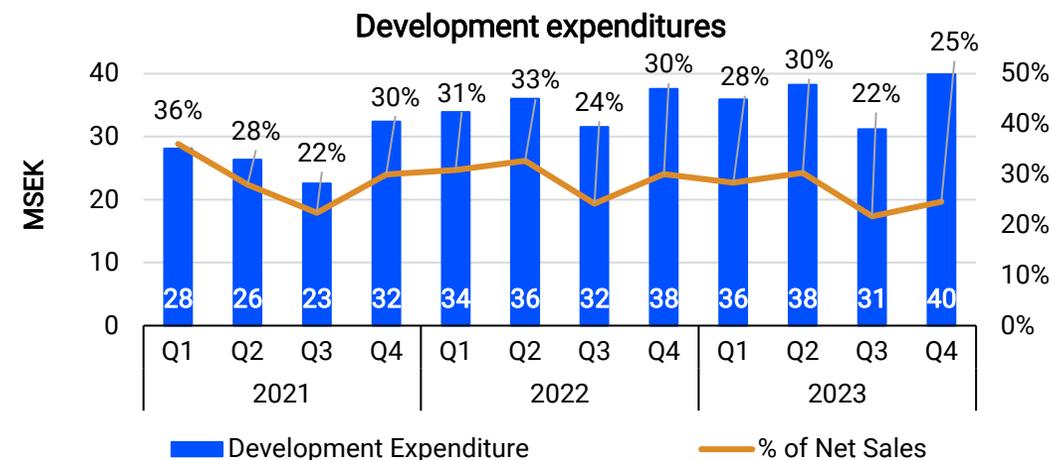
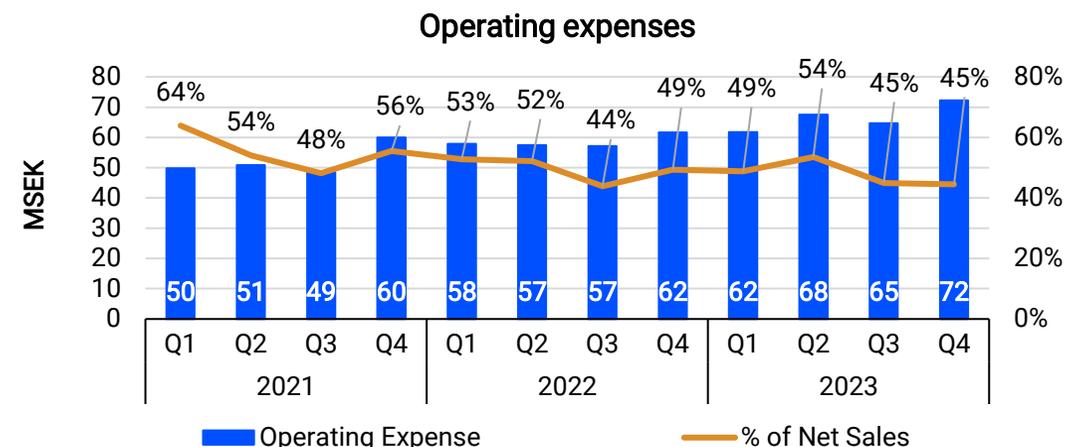
Q4 Expenses

Operating Expenses of 72.3 (61.6) MSEK

- Operating expenses higher than 2022 Q4 (17.3%).
- Strengthening of the organization related to time synchronization and other growth initiatives.
- New ERP system Implementation in 2023.
- Some increase in sales related costs as commission driven by the strong revenue in the quarter.
- Inflation driven cost increases during 2023 and negative currency effect since part of our cost base is in USD and EUR.

Development Expenditures of 39.9 (37.6) MSEK

- Development expenditures increased vs Q4 2022.
- Continued investment and high focus in R&D to maintain and increase our competitiveness and secure future growth (for example improvements in our product offering within IP Gateway, cloud and time synchronization).



Q4 Cash Flow

SEK millions	Oct-Dec		Jan-Dec	
	2023	2022	2023	2022
Cash flow from operating activities before changes in working capital	45,2	29,7	150,2	134,9
Cash flow from changes in working capital	-0,0	35,4	-42,9	14,0
Cash flow from investment activities	-25,1	-25,5	-96,3	-90,9
Cash flow from financing activities	-15,9	-25,8	-52,7	-105,0
Net change in cash and cash equivalents	4,2	14,0	-41,7	-47,0
Cash and cash equivalents at the end of the period	266,4	308,3	266,4	308,3

Q4 Net Cash Flow of 4.2 (14.0) MSEK

- Increased profit has improved cash flow from operating activities compared to LY
- Changes in working capital:
 - **Inventory reduced.** Trend of increase in inventory due to the situation with shortage of components broken in Q3.
 - **Decrease in liabilities** due to previous pre-payment from time synchronization customer (Türk Telekom) have negative impact on working capital in Q4 and FY. Opposite impact LY when the pre-payments was received.
- Capitalized development (-24.5 MSEK) and repurchase of shares (-15.1 MSEK) in Q4

Excluding the cash impact from share related transactions the cash flow was 17.5 MSEK in Q4

Questions

