

Year-end report Net Insight January – December 2016

Net Insight AB (publ) reg.no. 556533-4397



Statement from CEO Fredrik Tumegård:

”A 20 percent growth in the fourth quarter concludes a strong and profitable 2016.”

Q4 SIGNIFICANT EVENTS

- Sye received several new awards during the fourth quarter.
- Order valued more than SEK 13 million from a North American service provider who is expanding its network reach.
- The share moved to the Nasdaq Stockholm Mid Cap List on January 2, 2017.

FOURTH QUARTER 2016

- Net sales amounted to SEK 133.0 (110.6) million, up 20.3 percent year on year. The increase was 13.0 percent in comparable currencies. Organic growth was 20.3 percent.
- Operating earnings amounted to SEK 13.7 (-1.4) million, corresponding to an operating margin of 10.3 (-1.3) percent. Adjusted operating earnings were SEK 15.3 (4.3) million.*
- Net financial items were affected by SEK -6.3 (-12.0) million for the revaluation of synthetic options.*
- Total cash flow was SEK 7.3 (-105.0) million. In the comparative period, cash flow was charged with the net purchase consideration for ScheduALL of SEK -98.2 million.

JANUARY - DECEMBER 2016

- Net sales amounted to SEK 503.5 (375.8) million, up by 34.0 percent year on year. The increase was 31.1 percent in comparable currencies. Organic growth was 19.8 percent.
- Operating earnings amounted to SEK 52.4 (19.2) million, corresponding to an operating margin of 10.4 (5.1) percent. Adjusted operating earnings amounted to SEK 61.7 (27.6) million.*
- Net financial items were charged with SEK -3.2 (-11.8) million for the revaluation of synthetic options.*
- Total cash flow was SEK 20.9 (-101.1) million. In the comparative period, cash flow was affected by the net purchase consideration for ScheduALL of SEK -98.2 million.

SEK millions	Oct-Dec 2016	Oct-Dec 2015	Change	Jan-Dec 2016	Jan-Dec 2015	Change
Net sales by region						
Western Europe	60,1	60,0	0,2%	231,4	193,1	19,8%
Americas	48,7	27,6	76,7%	163,2	115,1	41,8%
Rest of World	24,2	23,0	5,2%	108,9	67,6	61,1%
Total net sales	133,0	110,6	20,3%	503,5	375,8	34,0%
Operating Earnings	13,7	-1,4		52,4	19,2	172,4%
Operating Margin	10,3%	-1,3%		10,4%	5,1%	
Net Income	6,3	-12,2		37,4	1,9	
EBITDA	8,5	-2,9		38,6	23,3	65,6%
EBITDA Margin	6,4%	-2,6%		7,7%	6,2%	
Diluted and Basic EPS (SEK)	0,02	-0,03		0,10	0,00	
Total Cash Flow	7,3	-105,0		20,9	-101,1	
Adjusted*						
Net Sales	133,9	114,1	17,3%	510,1	379,4	34,5%
Operating Earnings	15,3	4,3	252,4%	61,7	27,6	123,2%
Operating Margin	11,4%	3,8%		12,1%	7,3%	

*) See table page 7.

CEO statement

Now when it's time to conclude 2016, we can clearly state that we have delivered one of Net Insight's most successful years ever. This year, our objective has been to create growth through an increased customer focus, in combination with a broader product portfolio. It has proven to be a successful concept as we are bigger and stronger than ever.

”
Sales amounted to SEK 133 (111) million for the fourth quarter and SEK 504 (376) million for the full year.

Net sales for the fourth quarter amounted to SEK 133 (111) million, a 20 percent increase year on year. The positive revenue increase is primarily driven by our network-based solution Nimbra. We received an order worth more than SEK 13 million from an existing North American customer among others. The operating margin was 10 (-1) percent for the period, corresponding to operating earnings of SEK 14 (-1) million. Cash flow was SEK 7 million, while we continued to invest in product development, new product launches and more employees.

Total sales for the year of SEK 504 (376) million confirms the fact that our growth strategy is a stable foundation to build on. Sales increased by 34 percent overall, of which 20 percent were organic. The operating margin was 10 percent, compared to 5 percent in 2015. This positive progression is a result of an increased demand for our products, in combination with an intensive development of the whole company.

The integration of ScheduALL has resulted in a more dynamic, effective and customer-focused organization. Our joint CPN (Customer Provisioned Networks) offering has attracted several new customers, as they are able to secure network capacity for high quality real-time video transmission easily. Overall, the acquisition of ScheduALL has resulted in us taking a broader grip of the whole value chain.

Other sales-driven activities in the year included the Olympic Games in Brazil, and UEFA European Championship in France. Many of our customers decided to upgrade their systems coincident with these major international sporting events to ensure a smooth and secure delivery.

We also succeeded in entering a new market segment during the year, launching our true Live OTT solution, Sye. It's worth noting that we are still alone in the market place to be able to offer a solution that enables synchronized live viewing on several screens, simultaneously and via internet. The first phase of Sye's launch is completed, and it's time to take the next step. A stream of new enquiries and awards underscores how much the market appreciates our Live OTT solution. Sye received several new awards in the fourth quarter, including the 2016 European Readers' Choice Award in the Multiscreen category. We were also recognized as one of the most important companies in the European online video market by the same publication. We are currently conducting several tests



in parallel with Sye, but as the technology is relatively immature it will take more time for the revenue to show in numbers. Customers need time to adapt their business models, and develop content suitable for this new technology.

Overall, we have a positive view of the future and we have a strong position entering 2017. We will continue the commercialization of Live OTT, and strengthen our core business. We will also focus on increasing our awareness on the global market. Today we have more than 500 customers in 60 countries, and our ambition is to become even more customer centric and efficient in our sales oriented activities. Thereto, we will invest further in marketing and commercial activities that will drive sales.

I'm looking forward to a new exciting year that we are starting off with our share now being traded on the Nasdaq Stockholm Mid Cap List.

Stockholm, February 2017

Fredrik Tumegård, CEO

REVENUES

Fourth quarter

Net sales in the fourth quarter were SEK 133.0 (110.6) million, a 20.3 percent increase year on year. In comparable currencies, the increase was 13.0 percent. Growth in the quarter was mainly driven by the Americas region. All regions had a strong inflow of orders with subsequent deliveries, mainly to existing customers. From a product perspective, growth was primarily driven by the Nimbra-based network solutions, but also to some degree by revenues from sale of ScheduALL solutions. Sye is strengthening the company's positioning on the market and contributing to a more visionary customer dialogue. For the fourth quarter, sales increased somewhat, although from low levels, with Sye gaining further recognition, receiving more awards.

Sales in the Western Europe region were SEK 60.1 (60.0) million. The quarter featured sound inflow of orders from many of the company's existing customers, primarily from expansion. This marginal growth should be viewed in the context of a strong fourth quarter 2015.

Net sales in the Americas region increased by SEK 21.1 million to SEK 48.7 (27.6) million, equivalent to a growth of 76.7 percent. Growth is primarily sourced from additional orders from existing North American customers, including one major order from a service provider, communicated in a press release in the fourth quarter.

Net sales in the Rest of World region were SEK 24.2 (23.0) million, a 5.2 percent increase. The quarter featured deals including major shipments to a digital terrestrial TV network in central Asia. This roll-out is the continuation of a deal announced in a press release in the first quarter 2016.

Net sales in the Broadcast & Media (BMN) business area were 84 (87) percent, in Digital Terrestrial TV (DTT) 15 (9) percent and in CATV/IPTV 1 (4) percent of total sales. Most of the company's DTT

business is in the Rest of World region, because a number of countries have yet to migrate to digital transmissions.

Net sales from hardware were SEK 51.2 (55.3) million. Net sales from software licenses were SEK 38.5 (19.5) million. The substantial increase in software sales is largely an expression of normal quarterly fluctuations in the product mix but also a consequence of the company's strategy to realign pricing towards licenses. Net sales of support and service were SEK 42.7 (35.9) million, which is consistent with the larger installed support base and higher activity levels in professional services in the quarter. The above figures exclude other income of SEK 0.6 (-0.1) million, which consists of translation differences on accounts receivable in foreign currencies.

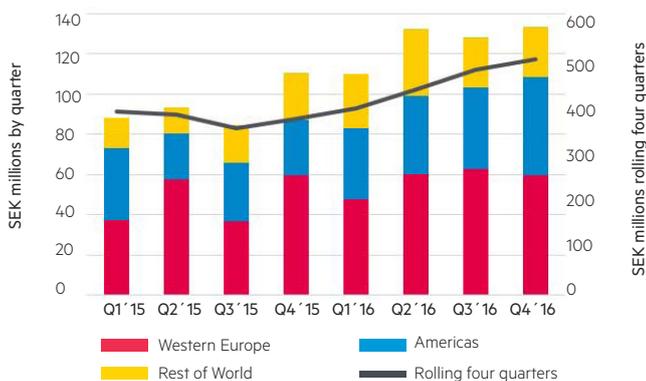
Twelve months

Net sales in 2016 were SEK 503.5 (375.8) million, a 34.0 percent increase year on year. In comparable currencies, growth was 31.1 percent. Organic growth, i.e. growth excluding the sales of ScheduALL in the first three quarters of 2016, was 19.8 percent. All regions achieved good growth, overall and organic. The sales increase was driven by a larger customer base and a broader offering. The first half of 2016 was also impacted positively by preparations for the Olympic Games in Brazil and UEFA European Championship in France.

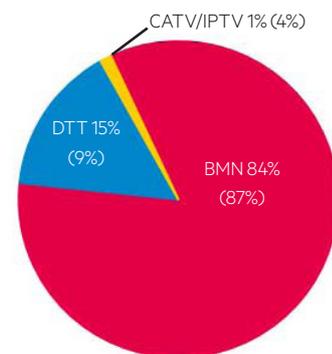
Net sales in the Western Europe region were SEK 231.4 (193.1) million, a 19.8 percent increase. Growth was primarily sourced from the DACH countries, and to some extent, France. Organic growth amounted to 13.7 percent.

The Americas region reported growth of 41.8 percent and net sales of about SEK 163.2 (115.1) million. Growth is sourced from the acquisition of ScheduALL and high organic growth, mainly in North America, but also to some extent South America, although from low levels.

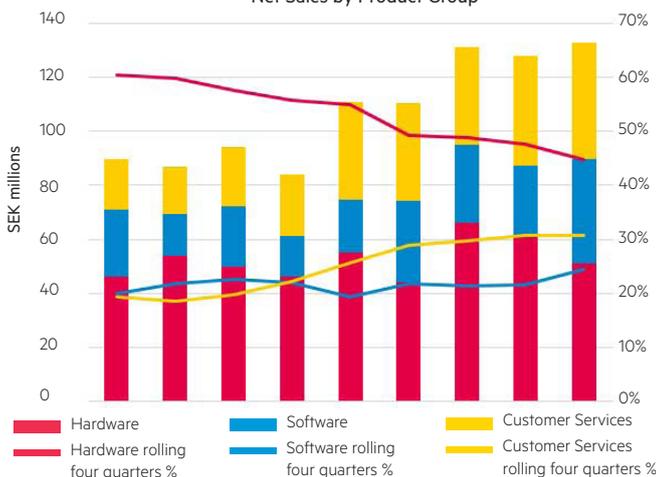
Net Sales by Region



Net Sales by Business Area October-December 2016



Net Sales by Product Group



Key Ratios	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales, SEK millions	133,0	110,6	503,5	375,8
Gross margin	62,9%	59,1%	62,7%	60,2%
Operating margin	10,3%	-1,3%	10,4%	5,1%
Opex/Net sales	52,6%	60,4%	52,3%	55,0%
EBITDA margin	6,4%	-2,6%	7,7%	6,2%

Adjusted*

Net Sales, SEK millions	133,9	114,1	510,1	379,4
Operating Margin	11,4%	3,8%	12,1%	7,3%

* See table page 7.

Net sales for the Rest of World region were SEK 108.9 (67.6) million. Growth was 61.1 percent and is mainly driven from the Middle East, Southern Africa and Central Asia.

Net sales in the Broadcast & Media (BMN) business area were 88 (82) percent, in Digital Terrestrial TV (DTT) 12 (15) percent and in CATV/IPTV 1 (3) percent of total sales. The DTT business share is expected to decrease further over time.

Net sales from hardware were SEK 224.0 (206.0) million, and net sales from software licenses were SEK 122.8 (72.5) million. Net sales of support and service were SEK 154.1 (96.6) million. The transition towards revenues from services and software in the year is partly linked to a larger customer base and the resulting higher support revenues, as well as the acquisition of ScheduALL, which business model has a high share of support and software license agreements. The above figures exclude other income of SEK 2.6 (0.8) million, which consist of translation differences on accounts receivable in foreign currencies.

EARNINGS

Fourth quarter

Gross profit in the fourth quarter was SEK 83.7 (65.4) million, generating a gross margin of 62.9 (59.1) percent. The improved gross margin mainly relates to an increased share of software sales and positive currency effects.

Operating expenses increased by SEK 3.3 million year on year. As the previous year, the share price rose significantly in the fourth quarter, and accordingly, costs for share-based incentive programs increased expenses by SEK 1.4 (3.2) million. Operating expenses were also charged with acquisition-related expenses of SEK 1.4 million in the fourth quarter 2015. See table Material profit/loss items on page 7. Adjusted for these items, expenses were up by SEK 6.5 million. This increase is due partly to larger sales resources, primarily in the US, as well as sales activities and customer testing linked to Sye. Development expenses increased by SEK 2.1 million to SEK 18.2 (16.2) million. Total development expenditure was SEK 40.3 (33.1) million. The increase of development expenditure relates to Sye, where investments in capacity and functionality-related development have increased.

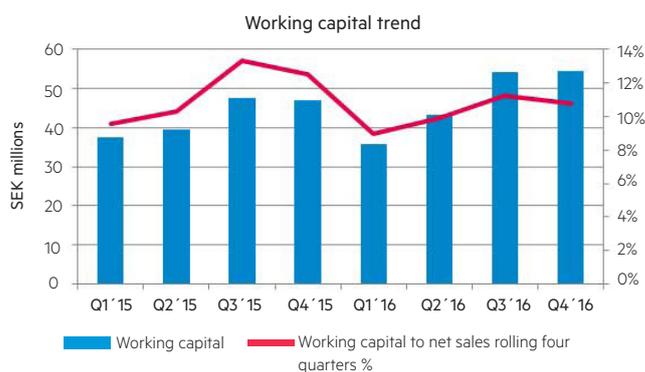


Operating earnings were SEK 13.7 (-1.4) million, equating to an operating margin of 10.3 (-1.3) percent. The increase is related to higher net sales. Operating earnings adjusted for acquisition-related expenses and accounting effects was SEK 15.3 (4.3) million, corresponding to an adjusted operating margin of 11.4 (3.8) percent. See the table Consolidated Income Statement, adjusted on page 7.

As in the fourth quarter 2015, net financial items were also affected by a higher share price in 2016, which caused value fluctuations on the company's synthetic option programs (see the table Material profit/loss items on page 7). The effect on net financial items were SEK -6.3 (-12.0) million. The synthetic options are revalued regularly by applying the Black & Scholes model, and major share price fluctuations would have a substantial impact on net financial items. For the present, value increases in the synthetic option programs are hedged by the company holding the corresponding number of own shares, which can be sold to cover potential payments.

Profit/loss before tax was SEK 6.8 (-12.7) million. Adjusted profit before tax was SEK 14.7 (5.1) million, see the table on page 7.

Net earnings for the period were SEK 6.3 (-12.2) million, resulting in a net margin of 4.7 (-11.0) percent.



Twelve months

Gross profit for the full year 2016 was SEK 315.7 (226.1) million, corresponding to a gross margin of 62.7 (60.2) percent. This improved gross margin is primarily driven by higher net sales which means that the relative share of amortization of capitalized development expenditure has decreased.

Operating expenses increased by SEK 56.5 million to SEK 263.3 (206.8) million. The increase in operating expenses largely relates to ScheduALL. Development expenses increased by SEK 28.0 million to SEK 72.0 (44.0) million, relating to the acquisition of ScheduALL. Total development expenditure amounted to SEK 149.1 (96.6) million. This increase is mainly the result of the acquisition of ScheduALL, but also a consequence of investments in Live OTT.

Operating earnings amounted to SEK 52.4 (19.2) million, generating an operating margin of 10.4 (5.1) percent. The improved operating earnings and margin are due to higher sales volumes. Adjusted operating earnings amounted to SEK 61.7 (27.6) million, corresponding to an operating margin of 12.1 (7.3) percent. Adjustments have been made for acquisition-related expenses and accounting effects, see the table Consolidated Income Statement, adjusted on page 7.

Net financial items were a negative SEK -5.4 (-12.6) million. The share price increase in the year caused value changes of the synthetic option programs, which resulted in a SEK -3.2 (-11.8) million charge to net financial items.

Profit before tax was SEK 46.9 (6.7) million. Adjusted profit before tax was SEK 59.5 (26.8) million, see the table on page 7.

Net earnings for the year were SEK 37.4 (1.9) million, resulting in a net margin of 7.4 (0.5) percent.

CASH FLOW AND FINANCIAL POSITION

Cash flow for the fourth quarter was SEK 7.3 (-105.0) million. Cash flow from operating activities was SEK 30.7 (12.6) million. Cash flow was affected by ongoing investment in development of SEK -22.6 (-18.9) million. The comparative period was affected by the net payment for the acquisition of ScheduALL of SEK -98.2 million.

Cash flow for the full year was SEK 20.9 (-101.1) million. Higher cash flow from operating activities was offset by an increase in working capital, mainly in the form of accounts receivable, and higher investment in development. Own shares worth SEK 10.3 (7.7) million were repurchased in the year for use as cash flow hedges for potential payments for synthetic option commitments. The comparative period was affected by the net payment for the acquisition of ScheduALL of SEK -98.2 million.

Cash and cash equivalents at the end of the period were SEK 214.9 (193.6) million.

Remaining tax loss carry-forwards for group companies were SEK 51.3 (91.8) million at the end of the period.

Equity was SEK 565.3 (531.6) million, with an equity/assets ratio of 77.4 (79.3) percent. Equity decreased by SEK 10.3 (-7.7) million in the year, due to the value of repurchased treasury shares.

INVESTMENTS

Fourth quarter investments were SEK 23.4 (19.2) million, of which SEK 22.0 (17.0) million related to capitalization of development expenditure. Depreciation and amortization in the period was SEK 16.9 (15.4) million, of which SEK 14.6 (14.2) million related to amortization of capitalized development expenditure.

Investments in the full year were SEK 82.0 (57.3) million, of which SEK 77.2 (52.7) million related to capitalization of development expenditure. Depreciation and amortization in the full year was SEK 63.5 (56.8) million, of which SEK 57.1 (54.0) million related to amortization of capitalized development expenditure.

In addition to the above investments, Net Insight acquired ScheduALL in the fourth quarter of the previous year, with a net cash effect of SEK -98.2 million. For more information on the acquisition, total acquired assets and liabilities acquired, and their influence on the group's cash flow, see notes 24 and 30 in the Annual Report for 2015.

The net value of capitalized development expenditure at the end of the period was SEK 228.9 (208.8) million.

EMPLOYEES

At year-end, Net Insight had 215 (210) employees, of which 128 (126) were employed by parent company Net Insight AB (publ).

PARENT COMPANY

The parent company's net sales in the quarter were SEK 160.4 (122.6) million, and net earnings were SEK 1.0 (-1.7) million. For the full year, net sales amounted to SEK 568.0 (452.9) million, and net earnings were SEK 46.6 (21.9) million.

RISK AND SENSITIVITY ANALYSIS

Net Insight's operations and results of operations are affected by a number of external and internal factors. The company conducts a continuous process to identify all risks present, and to assess how each risk should be managed.

Primarily, those risks the company is exposed to are market-related risks (including competition, technological progress and political risks), operational risks (including product liability, intellectual property, disputes, customer dependency and contract risks) as well as financial risks.

No additional critical risks and uncertainty factors, other than those reviewed in the Annual Report for 2015, arose in 2016.

For a complete review of the company's risk and sensitivity analysis, and its risk management process, see page 32 of the Annual Report for 2015.

SEASONALITY

In the past three calendar years, average seasonality has been fairly modest. In the first quarter, net sales were 22 percent, in the second quarter 26 percent, in the third quarter 26 percent, and in the fourth quarter 26 percent of yearly sales.

FINANCIAL INFORMATION

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
SEK millions (if not defined differently)	2016	2016	2016	2016	2015	2016	2015
Net sales by region							
Western Europe	47,8	60,5	62,9	60,1	60,0	231,4	193,1
Americas	35,2	38,7	40,6	48,7	27,6	163,2	115,1
Rest of World	26,9	33,2	24,7	24,2	23,0	108,9	67,6
Net sales	110,0	132,3	128,2	133,0	110,6	503,5	375,8
<i>Net sales YoY, change in %</i>	25,3%	42,0%	52,1%	20,3%	20,4%	34,0%	-0,9%
Organic growth							
Net sales	110,0	132,3	128,2	133,0	110,6	503,5	375,8
Net sales from business combinations	-19,1	-19,3	-15,2	-	-14,5	-53,5	-14,5
Net sales, excluding business combinations	90,8	113,1	113,1	133,0	96,0	450,0	361,2
<i>Organic growth YoY, change in %</i>	3,5%	21,3%	34,2%	20,3%	4,6%	19,8%	-4,7%
Income statement							
Gross earnings	67,8	83,1	81,0	83,7	65,4	315,7	226,1
<i>Gross margin</i>	61,7%	62,8%	63,2%	62,9%	59,1%	62,7%	60,2%
Operating expenses	60,0	71,1	62,1	70,0	66,8	263,3	206,8
<i>Opex/Net sales</i>	54,6%	53,8%	48,5%	52,6%	60,4%	52,3%	55,0%
Operating earnings	7,8	12,0	18,9	13,7	-1,4	52,4	19,2
<i>Operating margin</i>	7,1%	9,0%	14,8%	10,3%	-1,3%	10,4%	5,1%
Operating earnings, adjusted	11,2	14,4	20,9	15,3	4,3	61,7	27,6
<i>Operating margin, adjusted</i>	9,9%	10,8%	16,1%	11,4%	3,8%	12,1%	7,3%
Profit/loss after financial items	16,3	8,5	15,3	6,8	-12,7	46,9	6,7
Net Income	14,0	5,7	11,5	6,3	-12,2	37,4	1,9
<i>Net margin</i>	12,8%	4,3%	9,0%	4,7%	-11,0%	7,4%	0,5%
EBITDA							
Operating earnings	7,8	12,0	18,9	13,7	-1,4	52,4	19,2
Amortization of capitalized development expenditure	14,0	14,1	14,4	14,6	14,2	57,1	54,0
Other depreciation and amortization	1,3	1,3	1,4	2,3	1,3	6,3	2,8
Capitalization of development expenditure	-20,0	-18,5	-16,6	-22,0	-16,9	-77,2	-52,7
EBITDA	3,0	8,9	18,2	8,5	-2,9	38,6	23,3
<i>EBITDA margin</i>	2,7%	6,7%	14,2%	6,4%	-2,6%	7,7%	6,2%
Total development expenditure							
Development expenses	17,5	19,9	16,3	18,2	16,2	72,0	44,0
Capitalization of development expenditure	20,0	18,5	16,6	22,0	16,9	77,2	52,7
Total development expenditure	37,5	38,4	32,9	40,3	33,1	149,1	96,6
<i>Total development expenditure/Net sales</i>	34,1%	29,0%	25,7%	30,3%	29,9%	29,6%	25,7%
Balance sheet							
Working capital	35,7	43,3	54,2	54,3	46,9	47,1	41,9
<i>Working capital/Net sales</i>	32,4%	32,7%	42,2%	40,8%	42,4%	9,3%	11,2%
<i>Return on capital employed</i>	1,4%	2,1%	3,4%	2,3%	-0,2%	9,2%	3,5%
<i>Equity/asset ratio</i>	77,8%	77,3%	77,9%	77,4%	79,3%	77,4%	79,3%
<i>Return on equity</i>	2,6%	1,0%	2,1%	1,1%	-2,3%	6,8%	0,4%
Cash and cash equivalents	204,9	195,0	207,3	214,9	193,6	214,9	193,6
Total cash flow	11,8	-10,5	12,3	7,3	-105,0	20,9	-101,1
The share							
Dividend per share, SEK	-	-	-	-	-	-	-
Earnings per share diluted and basic, SEK	0,04	0,01	0,03	0,02	-0,03	0,10	0,00
Cash flow per share, SEK	0,03	-0,03	0,03	0,02	-0,27	0,05	-0,26
Equity per share basic and diluted, SEK	1,40	1,43	1,44	1,47	1,37	1,47	1,37
Average number of shares at the end of the period, in thousands	387 158	387 158	386 356	385 658	387 200	386 582	389 138
Share price at end of period, SEK	4,74	6,00	7,05	8,90	8,30	8,90	8,30
Employees							
No. of employees at the end of the period	204	202	207	215	205	215	205

For definitions, see page 14.

MATERIAL PROFIT AND LOSS ITEMS

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group:

SEK millions	Not	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Accounting effects due to the acquisition of ScheduALL in October 2015								
Deferred revenue	(a)	-2,6	-1,8	-1,2	-0,9	-3,6	-6,5	-3,6
Amortization on intangible assets	(b)	-0,7	-0,7	-0,7	-0,7	-0,7	-2,8	-0,7
Acquisition related costs	(c)	-	-	-	-	-1,4	-	-4,1
		-3,3	-2,5	-1,9	-1,6	-5,7	-9,4	-8,4
Effects of the Net Insight share price development during the period								
Share-based benefits	(d)	2,0	-0,9	-0,8	-1,4	-3,2	-1,0	-2,8
Synthetic options, change in value	(e)	9,0	-2,7	-3,2	-6,3	-12,0	-3,2	-11,8
		11,0	-3,6	-3,9	-7,6	-15,2	-4,1	-14,6
Other								
Restructuring	(f)	-3,4	-	-	-	-	-3,4	-
		-3,4	0,0	0,0	0,0	0,0	-3,4	0,0

All items in the table above effects operating earnings, except for (e) that effects net financial items.

(a) Support revenues that ScheduALL would have recognized if they had remained a stand-alone entity, but that Net Insight is not permitted to recognize as revenue under IFRS as a result of business combination accounting rules. The effects of these business combination rules will gradually decrease.

(b) Amortizations related to the intangible assets - trademark and customer relations - that Net Insight recognized under IFRS as a result of business combination accounting rules, but that ScheduALL would not have recognized if they had remained a stand-alone entity. These amortizations will continue to affect the income over time.

(c) Acquisition related third-party advisory expenses. These costs are one-time expenses.

(d) Share-based benefits are value changes in amounts held in escrow for participation in the synthetic share program.

(e) During the second quarter of 2015 and 2016, after decision at the AGM, Net Insight introduced synthetic option programs. The synthetic options are revaluated on a current basis to fair value by applying an options valuation model. The changes in value during the term of the options are presented as a financial item. See also Accounting policies on page 13. To financially hedge future cash flow effects of the company's commitments in the synthetic option programs, if the share price would exceed the strike price, the parent company has repurchased its own shares. The repurchased of own shares is deducted from equity, retained earnings, and are not revaluated to fair value on a current basis.

(f) Development expenses in the first quarter of 2016 were charged with an expense of SEK 3.4 million as a result of a minor reorganization of the R&D operations aimed at rationalizing the development process.

CONSOLIDATED INCOME STATEMENT, ADJUSTED

We believe that the disclosed supplemental non-IFRS financial information provides useful information to investors because management uses this information, in addition to financial data prepared in accordance with IFRS, to attain a more transparent understanding of Net Insight's performance during 2016. The adjustments below refers to some of the items listed in the section Material profit and loss items above and the notes refers to this section. Corresponding adjustments have been made for the comparative periods.

SEK millions	Not	Oct-Dec 2016 IFRS	Oct-Dec 2016 Adjust- ment	Oct-Dec 2016 Non- IFRS	Jan-Dec 2016 IFRS	Jan-Dec 2016 Adjust- ment	Jan-Dec 2016 Non- IFRS	Oct-Dec 2015 Non- IFRS	Jan-Dec 2015 Non- IFRS
Net sales	(a)	133,0	0,9	133,9	503,5	6,5	510,1	114,1	379,4
Cost of sales		-49,3		-49,3	-187,9		-187,9	-45,2	-149,7
Gross earnings		83,7	0,9	84,6	315,7	6,5	322,2	68,9	229,6
<i>Gross margin</i>		62,9%		63,2%	62,7%		63,2%	60,4%	60,5%
Sales and marketing expenses	(b)	-37,1	0,7	-36,3	-137,1	2,8	-134,3	-33,6	-121,7
Administration expenses	(c)	-14,7		-14,7	-54,2		-54,2	-14,9	-36,4
Development expenses		-18,2		-18,2	-72,0		-72,0	-16,2	-44,0
Operating earnings		13,7	1,6	15,3	52,4	9,4	61,7	4,3	27,6
<i>Operating margin</i>		10,3%		11,4%	10,4%		12,1%	3,8%	7,3%
Net financial items	(e)	-6,8	6,3	-0,6	-5,4	3,2	-2,3	0,8	-0,8
Profit before tax		6,8	7,9	14,7	46,9	12,5	59,5	5,1	26,8

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Sales	133 017	110 552	503 522	375 773
Cost of sales	-49 335	-45 187	-187 872	-149 719
Gross earnings	83 682	65 365	315 650	226 054
Sales and marketing expenses	-37 055	-34 292	-137 094	-122 379
Administration expenses	-14 738	-16 307	-54 249	-40 498
Development expenses	-18 228	-16 157	-71 953	-43 957
Operating earnings	13 661	-1 391	52 354	19 220
Net financial items	-6 828	-11 282	-5 429	-12 563
Profit before tax	6 833	-12 673	46 925	6 657
Tax	-582	492	-9 483	-4 733
Net income	6 251	-12 181	37 442	1 924
Net income for the period attributable to the shareholders of the parent company	6 251	-12 181	37 442	1 924
Earnings/loss per share, based on net profit attributable to the parent company's shareholders during the period				
Earnings per share, basic (SEK)	0,02	-0,03	0,10	0,00
Earnings per share, diluted (SEK)	0,02	-0,03	0,10	0,00
Average number of outstanding shares in thousands, basic	385 658	387 200	386 582	389 138
Average number of outstanding shares in thousands, diluted	385 658	387 200	386 582	389 138

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net Income	6 251	-12 181	37 442	1 924
Other comprehensive income				
<i>Items that may be reclassified subsequently to the income statement</i>				
Translation differences	3 986	-306	6 619	466
Total other comprehensive income, after tax	3 986	-306	6 619	466
Total other comprehensive income for the period	10 237	-12 487	4 4061	2 390
Total comprehensive income for the period attributable to the shareholders of the parent company	10 237	-12 487	44 061	2 390

CONSOLIDATED BALANCE SHEET, IN SUMMARY

KSEK	Dec 31 2016	Dec 31 2015
ASSETS		
Intangible assets		
Capitalized expenditure for development	228 867	208 792
Goodwill	64 136	59 242
Other intangible assets	26 037	25 590
Tangible assets		
Equipment	3 123	3 743
Financial fixed assets		
Deferred tax asset	15 520	23 322
Deposits	309	379
Total non-current assets	337 992	321 068
Current assets		
Inventories	47 065	56 037
Accounts receivable	111 121	84 620
Other receivables	19 198	15 051
Cash and cash equivalents	214 943	193 616
Total current assets	392 327	349 324
TOTAL ASSETS	730 319	670 392
EQUITY AND LIABILITIES		
Equity attributable to parent company's shareholders		
Share capital	15 597	15 597
Other paid-in capital	1 192 727	1 192 727
Translation difference	6 392	-227
Accumulated deficit	-649 412	-676 547
Total shareholders' equity	565 304	531 550
Non-current liabilities		
Other liabilities	43 222	23 198
Total non-current liabilities	43 222	23 198
Current liabilities		
Accounts payable	14 996	21 410
Other liabilities	106 797	94 234
Total current liabilities	121 793	115 644
TOTAL EQUITY AND LIABILITIES	730 319	670 392

CHANGES IN CONSOLIDATED EQUITY, IN SUMMARY

SEK thousands	Attributable to parent company's shareholders				
	Share capital	Other paid-in capital	Translation differences	Accumulated deficit	Total shareholders' equity
2015-01-01	15 597	1 192 727	-693	-670 745	536 886
Repurchase of own shares	-	-	-	-7 726	-7 726
Total comprehensive income	-	-	466	1 924	2 390
2015-12-31	15 597	1 192 727	-227	-676 547	531 550
2016-01-01	15 597	1 192 727	-227	-676 547	531 550
Repurchase of own shares	-	-	-	-10 307	-10 307
Total comprehensive income	-	-	6 619	37 442	44 061
2016-12-31	15 597	1 192 727	6 392	-649 412	565 304

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Ongoing activities				
Profit/loss before tax	6 833	-12 673	46 925	6 657
Income tax paid	-2	0	-701	-79
Depreciation and amortization	16 933	15 447	63 468	56 774
Other items not affecting liquidity	9 652	5 434	17 859	6 013
Cash flow from operating activities before changes in working capital	33 416	8 208	127 551	69 365
Changes in working capital				
Increase-/decrease+ in inventories	-4 847	-2 909	2 419	-11 830
Increase-/decrease+ in receivables	2 545	11 075	-31 836	-2 014
Increase+/-decrease- in liabilities	-394	-3 725	13 972	5 715
Cash flow from operating activities	30 720	12 649	112 166	61 236
Investment activities				
Investment in intangible assets, net	-22 564	-18 913	-79 772	-55 478
Investment in tangible assets, net	-867	-331	-2 203	-1 872
Acquisition or group companies, net effect on cash	-	-98 217	-	-98 217
Investment in financial assets, net	-2	8	70	49
Cash flow from investment activities	-23 433	-117 453	-81 905	-155 518
Financing activities				
Option premium	-	-	1 001	860
Repurchase of own shares	-	-233	-10 307	-7 726
Cash flow from financing activities	0	-6 633	-9 306	-6 866
Net change in cash and cash equivalents	7 287	-105 037	20 895	-101 148
Exchange differences in cash and cash equivalents	329	68	432	446
Cash and cash equivalents at the beginning of the period	207 327	298 585	193 616	294 318
Cash and cash equivalents at the end of the period	214 943	193 616	214 943	193 616

SEGMENT REPORT

SEK millions	Oct-Dec 2016				Oct-Dec 2015				Jan-Dec 2016				Jan-Dec 2015			
	WE	AM	RoW	Total												
Net sales	60	49	24	133	60	28	23	111	231	163	109	504	193	115	68	376
Regional contribution	25	17	4	47	20	8	3	31	94	60	25	179	66	31	6	104
<i>Regional contribution margin</i>	42%	35%	18%	35%	34%	29%	12%	28%	41%	37%	23%	35%	34%	27%	9%	28%
Regional contribution	25	17	4	47	20	8	3	31	94	60	25	179	66	31	6	104
Administration expenses				-15				-17				-54				-40
Development expenses				-18				-16				-72				-44
Net financial items				-7				-11				-5				-13
Adjusted regional contribution				7				-13				47				7

Regional Contribution is defined as Gross earnings less Sales and marketing expenses. The CEO reviews the business from Western Europe (WE), Americas (North and South America, AM) and Rest of World (RoW) geographic perspectives. The segments are new from January 1st, 2016. Restatement has been made for the comparative periods to reflect the new segments.

FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category	Dec 31 2016			Dec 31 2015		
	Value-tier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss	Value-tier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss
SEK thousands						
Assets in Balance Sheet						
Derivative instruments	2	-	975	2	-	543
Accounts receivable and other receivables, excluding interim receivables exklusive interimfordringar		121 056	-		91 175	-
Cash and cash equivalents		214 943	-		193 616	-
Total		335 999	975		284 791	543

Group's financial instruments by category	Dec 31 2016			Dec 31 2015		
	Value-tier	Other financial liabilities	Liabilities measured at fair value through profit or loss	Value-tier	Other financial liabilities	Liabilities measured at fair value through profit or loss
SEK thousands						
Liabilities in Balance Sheet						
Synthetic options	2	-	16 782	2	-	12 626
Derivative instruments	2	-	-	2	-	-
Accounts payable and other liabilities, excluding non-financial liabilities		18 856	-		27 519	-
Total		18 856	16 782		27 519	12 626

Financial instruments in tier 2

The fair value of derivative instruments is measured using exchange rates of currency forwards on the reporting date where the resulting value is discounted to present value. The closing balance

for synthetic options represents the total assessed value of a number of outstanding options, which has been measured on the basis of accepted market principles and are based on Net Insight's share price.

PARENT COMPANY INCOME STATEMENT, IN SUMMARY

SEK thousands	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	160 403	122 646	567 951	452 948
Cost of sales	-80 970	-50 114	-241 440	-181 011
Gross earnings	79 433	72 532	326 511	271 937
Sales and marketing expenses	-38 120	-27 347	-113 361	-109 651
Administration expenses	-15 376	-10 216	-44 407	-31 705
Development expenses	-31 355	-26 079	-117 883	-89 612
Operating earnings	-5 418	8 890	50 860	40 969
Net financial items	-5 825	-11 421	-3 704	-12 733
Earnings before tax	-11 243	-2 531	47 156	28 236
Tax	12 233	783	-561	-6 391
Net income	990	-1748	46 595	21 845

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Dec 31 2016	Dec 31 2015
ASSETS		
Intangible assets		
Other intangible assets	5 477	3 493
Tangible fixed assets		
Equipment	2 918	3 494
Financial assets		
Participations in group companies	299 243	248 243
Deferred tax asset	185	154
Deposits	161	205
Total non-current assets	307 984	255 589
Current assets		
Inventories	47 065	56 037
Accounts receivable	100 883	77 983
Receivables from group companies	111 348	162 926
Other receivables	21 405	12 913
Cash and cash equivalents	194 423	164 955
Total current assets	475 124	474 814
Total assets	783 108	730 403
EQUITY AND LIABILITIES		
Equity		
Restricted equity	128 419	128 419
Non-restricted equity	532 645	496 357
Total equity	661 064	624 776
Non-current liabilities		
Other liabilities	34 483	21 032
Total non-current liabilities	34 483	21 032
Current liabilities		
Accounts payable	13 269	20 288
Other liabilities	74 292	64 307
Total current liabilities	87 561	84 595
Total equity and liabilities	783 108	730 403

ACCOUNTING POLICIES

This Interim Report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and applicable regulations of the Swedish Annual Accounts Act. The Interim Report of the parent company complies with chapter 9 of the Swedish Annual Accounts Act, Interim Financial Reporting, and RFR 2 *Accounting for Legal Entities*.

Disclosures in accordance with IAS 34.16A are presented in the interim financial statements and the associated notes as well as elsewhere in the interim financial report.

The preparation of the Interim Report requires management to make judgements, estimates and assumptions that affect the company's earnings and position and information presented generally. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Net Insight introduced a new global sales organization from January 1, 2016, which divides the CEO review of the business into new geographical regions. Hence, the segment reporting has changed to Western Europe (WE), Americas (North and South America, AM) and Rest of World (RoW). Comparable periods have been converted to reflect the new segments.

After review, Net Insight has altered its judgement of which IFRS standard is applicable for the revaluation of synthetic options. Its previous judgement was that revaluation should be treated in accordance to IAS 39 *Financial Instruments*, and its new judgement is that IFRS 2 *Share-based Payment* is the applicable standard. This did not imply any changed valuation method, the options are still being valued at fair value. There is no guidance in IFRS 2 to where in the Income Statement the value change should be presented. Net Insight considers that continued presentation of the value change in net financial items, similar to the previous treatment pursuant to IAS 39, provides the most relevant information to a user of the company's financial statements. This since the revaluation is not dependent on the individual performance as an employee, but rather, it's related to how the market values the Net Insight share. However, the change in principles will imply more supplementary disclosures in future annual reports, compared to the previous years.

Synthetic options

During the second quarter of 2015 and 2016, after decision at the AGM, Net Insight introduced synthetic option programs, where the participants acquire the synthetic options at market price. One synthetic option gives the option holder the right to receive from Net Insight a cash amount calculated on the basis of Net Insight's share price, however, with the limitation that such amount may not exceed three times the share price at the time of the start of the programme (CAP). The term of the options are three (3) years and they are freely transferable, but subject to pre-emptive right for Net Insight to acquire the option.

Synthetic options result in an obligation that is valued at fair value and recognized as an expense with a corresponding increase in liabilities. Premiums received did not initially, when issued, imply any cost for the company since measurement of the options at fair value using an option valuation model (Black & Scholes) corresponds to the premium received by the company.

The liability is remeasured on a current basis to fair value by applying an options valuation model, taking current terms into account. The value of the options and the underlying share is not included in the vesting conditions, the options are freely transferable and not linked to employment in the Company during the time for the change in value, and the changes in value during the term of the options are therefore presented as a financial item. If a synthetic option is utilized by the holder the financial liability, which was previously remeasured at fair value, is settled. Any realized profit or loss is recognized in profit and loss as a financial item. If the synthetic options expire and are worthless, the recognized liability is taken up as income.

A total corresponding to half of participants' deposited premiums for options will be paid, net of tax, as variable compensation to the participants in two equal payments. The year-2015 program has a stay-on clause, which means that the expense is allocated during the vesting period. The year-2016 program does not have a stay-on clause, which means that the expense is recognized when the payment for option premiums is received. Variable compensation, unlike the synthetic option, is linked to employment with Net Insight during the vesting period, and is presented as an employee cost.

Synthetic options, the calculation of the fair value on the grant date was based on the following conditions:	2016	2015
Averaged volume-weighted price paid for the Net Insights B shares, SEK	6,26	2,85
Strike price, SEK	7,50	3,80
Assumed volatility *)	31%	31%
Term	3 år	3 år
Risk-free interest	-0,54%	0,06%
Adjustment of fair value due to CAP, SEK	-0,01	-0,02
Fair value, SEK	0,87	0,31
Number of options issued, thousands	1150	2775

*) The assumed volatility was based on future forecasts based on the historical volatility of Net Insight B shares and other public shares, which are considered comparable with Net Insight.

Synthetic options, SEK thousands (if not defined differently)	Change in value		Variable remuneration, incl social security contributions							
			Paid remune- ration		Commit- ments Dec		Payment year			
Year issued	Number, thousands	Premiums received	2015	2016	31, 2016	2015		2016	31, 2016	2015
2015	2775	860	11766	1499	14125	78	468	-	546	2017
2016	1150	1001	-	1656	2657	-	1644	-	1644	2018/2019
Totalt	3925	1861	11766	3155	16782	78	2112	0	2190	

Except for the new principle, the same accounting principles and basis of calculation as those used in the latest Annual Report have been applied to the group and parent company. For a description of these accounting principles, please refer to the Annual Report.

Figures in brackets in this report refer to comparison with the corresponding period or date in the previous year. Divergences due to rounding may occur in this report.

CONTRIBUTED EQUITY

During the period July 28 – September 19, the parent company acquired 1,500,000 of its own class B shares through purchases on Nasdaq Stockholm. The total amount paid to acquire the shares, net of income tax, was SEK 10.3 million. This corresponds to the total number of shares that the parent company has repurchased during 2016.

At the end of the reporting period, the parent company had a total of 4,275,000 of its own class B shares, at an average cost of SEK 4.22 per share and with a par value of SEK 0.04 per share. The shares are held as own shares. The parent company has the right to reissue these shares at a later date.

Total amount of class B shares in Net Insight are 388,933,009. At the end of the reporting period, there were 1,000,000 class A shares and 384,658,009 class B shares outstanding. All shares issued by the parent company were fully paid.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the end of the reporting period.

AUDITORS' REVIEW

This Report has not been reviewed by the company's auditors.

DIVIDEND

The Board of Directors propose to the AGM that no dividend is paid for the financial year 2016.

ALTERNATIVE PERFORMANCE MEASURES AND OTHER DEFINITIONS

Western Europe (WE) Western Europe.

Americas (AM) North and South America.

Rest of World (RoW) Countries outside of Western Europe and Americas.

Alternative performance measures (APM) Non-IFRS financial measures are presented to enhance an investor's possibility to evaluate the ongoing operating results, to aid in forecasting future periods and to facilitate meaningful comparison of result between periods.

Change in Net sales in comparable currencies The relation between the Net sales for the period, excluding Other revenues, recalculated using the foreign currency rates from the comparative period and the corresponding sales for the comparative period. Other revenue are in all material respect related to translation differences on unhedged accounts receivable in foreign currencies. Only sales from business combinations that's been part of the Group for the whole comparative period are recalculated.

Organic growth Net sales for the period in relation to Net sales for the comparative period, excluding Net sales from business combinations that not been part of the Group for the whole comparative period. Reconciliations, see table Financial information on page 6.

Gross margin Gross earnings as a percentage of net sales.

Operating margin Operating earnings as a percentage of net sales.

Net margin Net Income as a percentage of net sales.

EBITDA Operating earnings before depreciation and amortization and capitalization of development expenditure.

Reconciliations, see table Financial information on page 6.

EBITDA margin EBITDA as a percentage of net sales.

Adjusted financial items See table Consolidated Income Statement, Adjusted on page 7.

Operating expenses Sales and marketing expenses, Administration expenses and Development expenses.

Total development (R&D) expenditure Development expenses and capitalized expenditures for development.

Reconciliations, see table Financial information on page 6.

Total cash flow Change in cash and cash equivalents during the period, excluding exchange differences in cash and cash equivalents.

Working capital Current assets less cash and cash equivalents, accounts payable and other interest-free current liabilities. The Company has no interest-bearing liabilities.

Changes in working capital in the cash flow statement also includes adjustments for items not affecting liquidity and changes in non-current operating assets and liabilities.

Equity/asset ratio Shareholders' equity divided by the balance sheet total.

Return on capital employed Profit/Loss before tax, excluding interest expenses, in relation to average capital employed. Capital employed is total assets less non-interest bearing liabilities, including deferred tax liabilities.

Return on equity Net income as a percentage of average shareholders' equity.

Earnings per share (EPS) diluted and basic Net income divided by the average number of outstanding shares during the period.

Cash flow per share Total cash flow, excluding acquisition of group companies, divided by average number of outstanding shares during the period.

Equity per share diluted and basic Shareholders' equity divided by number of outstanding shares at the end of the period.

Number of outstanding shares Total number of shares in the Parent company, less the number of group companies holdings of shares in the Parent company (own/treasury shares).

Industry terms See Glossary on page 29 in the 2015 Annual Report.

NOMINATION COMMITTEE AND ANNUAL GENERAL MEETING

Net Insight's nomination committee for the 2017 Annual General Meeting consists of Jan Barchan (Briban Invest), Lars Bergkvist (Lannebo Fonder), Ramsay Brufer (Alecta), Christian Brunlid (Handelsbanken Fonder), and Lars Berg (Chairman of the Net Insight Board). The nomination committee appointed Lars Bergkvist (Lannebo Fonder) to serve as Chairman of the Committee.

Shareholders wishing to make proposals to the nomination committee can do so by e-mail, by March 15, 2017, to the Chairman of the Nomination Committee Lars Bergkvist, lars.bergkvist@lannebofonder.se.

The Annual Shareholders' Meeting of Net Insight AB (publ) will be held on May 9, at 10 am by the company's offices, Västberga Allé 9, Hägersten, Stockholm.

Shareholders who wish to have a matter considered at the Annual general Meeting should send their proposals in writing to the chairman of the Board no later than March 21, 2017 by email: agm@netinsight.net or by post:

Net Insight AB (publ)
Box 42093
126 14 Stockholm

Mark the envelope or email with "Proposals to AGM 2017".

Stockholm, February 16 2017

Fredrik Tumegård
CEO

THIS IS NET INSIGHT

Business concept and model

Net Insight delivers products, software and services for effective, high-quality media transport, coupled with the effective management of resources, all, which creates an enhanced TV experience. Net Insight's offerings starts from the TV cameras to the TV studios, right through to the TV viewer. Net Insight's solutions offer network operators, TV and production companies the benefit of lower total cost of ownership and the potential for effective new media service launches.

Revenues are generated through direct and indirect sales of hardware, software and services. Revenues are primarily sourced from hardware sales, although revenues from software and services have increased in recent years.

Strategy

Our ambition is to be a growth company, and our target is to create profitable growth. On a market in fundamental transformation, we create growth and profitability through close and strategic partnerships with customers. We create innovative solutions together that make our customers successful and generate business benefit. To grow for the long term, we need to transform Net Insight into a customer and market-oriented company.

Value creators

Value drivers affect Net Insight's progress and can be divided into three groups: market transformation, innovative technology and global reach. Net Insight benefits from the general increase in video traffic, live streaming and file transfers, the adoption of remote production and workflows, more widespread TV broadcasting over the internet and wider coverage of live events.

REPORTING DATES

Interim report January - March 2017	May 2	2017
Annual General Meeting 2017	May 9	2017
Interim report January - June 2017	July 21	2017
Interim report January - September 2017	October 27	2017

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