

Net Insight Interim Report January – June 2017

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



Quote from CEO Fredrik Tumegård:

“Weaker sales second quarter but strong positioning ahead of future business opportunities.”

Second quarter 2017

- Net sales amounted to SEK 93.5 (132.3) million, a decrease of -29.3 percent year-on-year. The decrease in comparable currencies was -30.8 percent.
- Operating earnings amounted to SEK -21.5 (12.0) million, corresponding to an operating margin of -23.0 (9.0) percent. This is a departure from the press release of July 4, 2017 which indicated a range between SEK -25 million and SEK -30 million.
- Net financial items were positively affected by SEK 2.3 (-2.7) million for the revaluation of synthetic options. Net income was SEK -12.8 (5.7) million.
- Total cash flow was SEK -28.5 (-10.5) million.

Q2 SIGNIFICANT EVENTS

- Order from Telekom Malaysia regarding solutions for Southeast Asian Games 2017
- Successful STCC event using live OTT technology in collaboration with Storyfire and Lagardère
- Net Insight's Board of Directors resolves to repurchase shares

January – June 2017

- Net sales amounted to SEK 203.9 (242.3) million, a decrease of -15.8 percent. Corresponding to a decrease of -18.4 percent in comparable currencies.
- Operating earnings amounted to SEK -14.1 (19.8) million, corresponding to an operating margin of -6.9 (8.2) percent.
- Net financial items were positively affected by SEK 8.4 (6.3) million for the revaluation of synthetic options. Net income was SEK -0.9 (19.7) million.
- Total cash flow was SEK -13.2 (1.3) million.

FINANCIAL SUMMARY

SEK millions	Apr–Jun 2017	Apr–Jun 2016	Change	Jan–Jun 2017	Jan–Jun 2016	Change	Jul 2016– Jun 2017	Jan–Dec 2016	Change
Net sales by region									
Western Europe	38.9	60.5	-35.7%	87.0	108.4	-19.8%	210.0	231.4	-9.2%
Americas	27.3	38.7	-29.3%	61.1	73.9	-17.2%	150.5	163.2	-7.8%
Rest of World	27.2	33.2	-17.9%	55.8	60.1	-7.1%	104.7	108.9	-3.9%
Net sales	93.5	132.3	-29.3%	203.9	242.3	-15.8%	465.2	503.5	-7.6%
Operating earnings	-21.5	12.0		-14.1	19.8		18.5	52.4	-64.7%
Operating margin	-23.0%	9.0%		-6.9%	8.2%		4.0%	10.4%	
Net income	-12.8	5.7		-0.9	19.7		16.9	37.4	-55.0%
EBITDA	-16.6	8.9		-20.7	11.9		6.0	38.6	-84.4%
EBITDA margin	-17.8%	6.7%		-10.2%	4.9%		1.3%	7.7%	
Diluted and Basic EPS (SEK)	-0.03	0.01		0.00	0.05		0.04	0.10	-55.0%
Total cash flow	-28.5	-10.5		-13.2	1.3		6.4	20.9	-69.5%

CEO's statement

A weaker quarter, but key building blocks for future growth are in place

As previously communicated, sales for the second quarter were at an unsatisfactory level. Net sales for the second quarter were SEK 93.5 million, down 29 percent year-on-year. Operating earnings were SEK -21.5 (12.0) million.

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We hosted a successful event alongside STCC where our technology operated seamlessly.

The weaker sales are due to three primary factors. Firstly, the global media market is undergoing major restructuring, with customer needs and consumer behavior the main drivers of change. A direct consequence of this, which was particularly noticeable in the quarter, was that many customers needed more time to reach important investment decisions. We've always worked in close dialogue with our customers, and are now intensively supporting them in their decision making processes. For some customers, this relates to technical innovation and adaptations of existing systems, for others, it's about new business models. Although the market realignment leads to uneven order flows in the short term, we're confident about our offering and business strategy in the longer term. Our focused strategic initiatives in product development in recent years mean that we're now more well-positioned than ever, and we're confident that our initiatives will result in positive sales and profitability.

Secondly, the comparative period in 2016 benefitted from a number of global sporting events such as the summer Olympics and the Euro soccer championships. There were not any commensurate events with the same global effect on our customers' willingness to invest in the current period. However, progress is positive at local level. For example, we'll be delivering solutions to Telekom Malaysia for the Southeast Asian Games 2017. Another important positive indicator is that we've also won virtually all of our local tenders.

Thirdly, in 2016 we initiated a strategic journey towards building a more responsive and customer oriented organization. This includes the creation of a total offering with a joint product portfolio, as opposed to selling individual products. Furthermore, we have employed new competence within the company. The largest changes have now been completed and we have a more homogenous, productive and customer-oriented organization. Even if we saw weaker sales during second quarter, we are strongly positioned in order to make use of future business opportunities ahead.

Net Insight is active on a promising market undergoing extensive changes. The market has progressed from TV 1.0 encompassing linear TV, to TV 2.0 offering streamed services such as Netflix and Hulu. We're now approaching TV 3.0, where viewers are becoming more involved and par-



ticipate in ways only made possible by our OTT technology Sye. We're still the only operator globally to offer synchronized live services over the Internet across multiple screens simultaneously, and our technology has won numerous awards since launch. Our focus on live OTT has allowed us to drive market progress, and we've created a total offering that consolidates our position. In the quarter, we hosted a successful event alongside STCC where our technology operated seamlessly. This significantly reduced the technology risk in the company and clarified the business opportunities to our customers. We could see that viewers stayed in front of their screens for longer and were more active during broadcasts. More viewers were also able to follow broadcasts on location, or around the country. These are key factors for owners of global events and media rights, where costs and return requirements are continuously increasing.

To conclude, I'd like to emphasize that we're confident about our long-term strategy and expect sales for the second half-year in line with the record year 2016.

Stockholm, Sweden, July 21, 2017

Fredrik Tumegård, CEO

MARKET PROGRESS

From a market perspective Net Insight experienced strong growth in 2016. In terms of overall market size, 2016 was a very strong event year with both the Olympics and Euro 2016. Early signals from the industry body IABM indicates a slightly smaller market size during 2017 for video transport, which is normal after a big event year.

Changing viewing patterns continue to put the broadcasting and media industry under pressure to change. Live sports, a key segment for Net Insight's traditional Nimbra business, are holding up better than other forms of content. Efficiency drivers for better resource management through workflow automation and more cost-effective production of content remain the industry's priorities. From a network perspective, the transition to IP for transport, and within the studio, as well as embracing virtualization, are cautiously taking off.

We will continue to monitor market developments closely. Investments in the transition to 4K are also slower than expected although expected to pick up through 2017.

Finally, evolution of business models, whether to tackle the rise of OTT content or the long-term transition to OPEX-based spending, continue to challenge the industry.

MARKET PROSPECTS FOCUSING ON LIVE OTT

The global media market is undergoing significant realignment where changing customer needs and consumer behavior are the main drivers. Although this leads to uneven order flow in the short term, it is ultimately expected to generate significant business opportunities for Net Insight.

- Net Insight approaches the market in a structured manner across selected market verticals, with the first contracts in betting and racing. The company also pursues close dialogue with a number of operators.
- The business model for Sye creates continuous revenue streams for Net Insight that increase in line with the roll-out of our customers' services and end customers starting to use the services. This means that although the first agreements will not significantly affect total sales in 2017, they will enable continuous revenue streams from 2018 onwards.
- In June 2017, Net Insight hosted a successful event alongside STCC, where Sye complemented traditional TV services. The combination of services creates new business opportunities for content owners under existing rights. The STCC streams were distributed by a CDN operator, but also through the cloud via Amazon Web Service, which evidences the improved scalability.
- After the successes with STCC, customers have taken notice and the market is starting to increase its understanding of how the technology can be used to increase audiences, improve audience participation and create revenue growth. However more time is needed for the

market to catch up with technology. Net Insight continues to approach the market with undiminished strength through active dialogue with a number of new and existing high-profile operators.

The challenge for live OTT is to create content that increases audience participation and improves interactivity. We expect to sign more live OTT agreements during 2017, which will not significantly affect sales initially. In addition, Net Insight is expected to initiate at least one live OTT collaboration with a major reference customer in broadcasting or sporting rights before the end of the year.

FINANCIAL PROSPECTS FOR 2017

Sales in the second half of the year are expected to be in line with the corresponding period in 2016, implying sales in the range of +/- 10% compared to the same period last year.

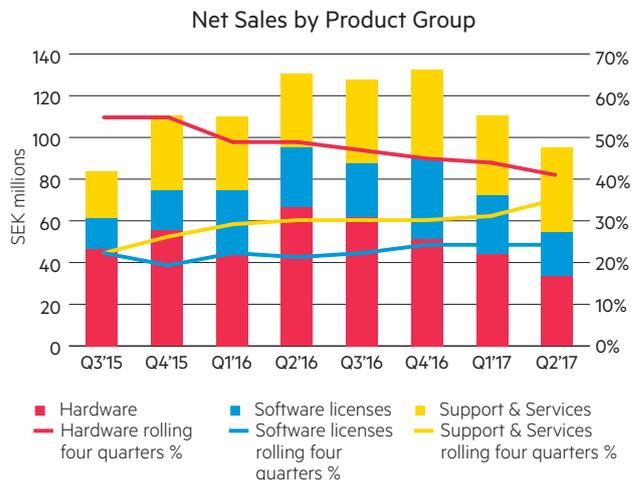
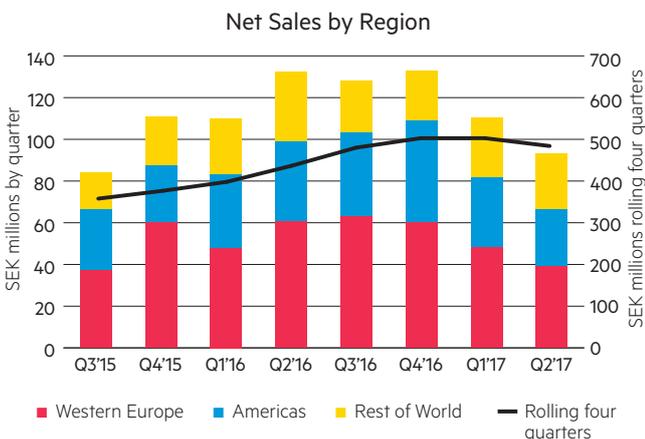
REVENUES

Second quarter

Net sales in the second quarter of 2017 were SEK 93.5 (132.3) million, a decrease of -29.3 percent year-on-year. In comparable currencies, net sales decreased by -30.8 percent. This is due to three primary factors: the absence of major global events such as the summer Olympics and the Euro soccer championships, delayed investment decisions on the market and effects of the internal transformation the company initiated in 2016.

Net sales in the Western Europe region were SEK 38.9 (60.5) million. Compared to the second quarter 2016, Western Europe has been most affected by the absence of major events. Sales were also adversely affected by delayed investment decisions from existing customers in the UK and elsewhere. The reason for the delayed investment decisions is partly normal timing issues, but also market restructuring that is leading to sector consolidation, for example. The transactions taking place in the quarter were mainly to existing customers. As previously announced in a press release, the Sye deal with STCC contributed less than SEK 1 million to sales in the quarter, but serves as an important base for gaining new Sye customers. It was also a good opportunity to test the technology in a real environment, which worked flawlessly.

Net sales in the Americas region were SEK 27.3 (38.7) million in the second quarter. The region was positively affected in the second quarter 2016 by the summer Olympics in Brazil. There were no corresponding deals with the same scope in 2017 that has created the same willingness to investments among the customers. Some of Net Insight's customers are also undergoing restructuring, either by acquiring other companies or being acquired, which has affected these customers' willingness to invest. In addition, Net Insight's focus on new competencies and reorganization of the sales organization has not yet fed through fully, which affected sales efficiency in the period.



Net sales in the Rest of World region were SEK 27.2 (33.2) million. In the quarter, Net Insight won a major order relating to deliveries for the Southeast Asian games 2017. The end customer is new to Net Insight. Other deals were with new and existing customers. The region was affected to a more limited extent by the aforementioned factors that affected Net Insight as a whole in the second quarter. The change in the region compared to the second quarter 2016 is within the range of normal quarterly fluctuations.

Net sales in the Broadcast & Media (BMN) business area were 91 (93) percent, in Digital Terrestrial TV (DTT) 8 (7) percent and in CATV/IPTV 1 (0) percent of total sales.

Net sales from hardware were SEK 33.4 (66.3) million. Net sales from software licenses were SEK 21.1 (28.7) million. The decrease is due to the causes outlined in the sections describing regional performance. Support and services amounted to SEK 40.8 (35.7) million. The above figures exclude other operating revenue of SEK -1.8 (1.5) million, which consists of translation differences on accounts receivable in foreign currencies.

Six months

Net sales in the first half of the year were SEK 203.9 (242.3) million, a decrease of -15.8 percent. In comparable currencies, net sales decreased by -18.4 percent.

Net sales in the Western Europe region were SEK 87.0 (108.4) million, corresponding to a decrease of -19.8 percent. The reduction in sales is due to the downturn in the second quarter outlined above.

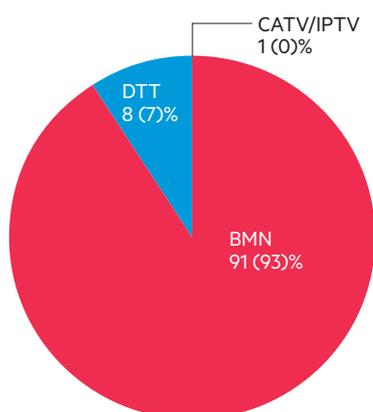
Net sales in the Americas region were SEK 61.1 (73.9) million, a decrease of -17.2 percent. Here too, the reduction is mainly due to causes that have affected the company as a whole.

Net sales in the Rest of World region were SEK 55.8 (60.1) million in the first half of 2017, corresponding to a decrease of -7.1 percent. The decrease lies within what can be considered normal fluctuations between periods.

Net sales in the Broadcast & Media (BMN) business area were 91 (87) percent, in Digital Terrestrial TV (DTT) 8 (12) percent and in CATV/IPTV 1 (1) percent of total sales.

Net sales from hardware were SEK 77.4 (111.0) million. Net sales from software licenses were SEK 49.4 (58.7) million. The decrease is due to the causes outlined in the sections describing regional performance, where the absence of major global events were the main factors influencing hardware sales. Net sales from support and services amounted to SEK 79.0 (71.3) million. The increase is mainly due to a larger installed customer base and related maintenance agreements. The above figures exclude other operating revenue of SEK -1.9 (1.3) million, which consists of translation differences on accounts receivable in foreign currencies.

Net Sales by Business Area Apr–Jun 2017



EARNINGS

Second quarter

Gross earnings in the second quarter were SEK 53.8 (83.1) million. The decrease in gross earnings were due to lower sales volume. Gross margin was 57.5 (62.8) percent. Gross earnings includes amortization of capitalized development expenditure of SEK -15.9 (-14.1) million. The lower gross margin is due to amortization of capitalized development expenditure comprising a larger relative proportion of net sales. Gross margin excluding amortization of capitalized development expenditure increased year-on-year, amounting to 74.5 (73.4) percent.

Operating expenses in the second quarter were SEK 75.3 (71.1) million. Sales and marketing expenses increased by SEK 3.3 million to SEK 39.7 (36.4) million, mainly driven by increased marketing and sales activities and more resources allocated to sales and marketing of Sye. Development expenses increased to SEK 21.6 (19.9) million as a result of higher development expenses for Sye, which are due to increased resources and a lower rate of capitalization of development expenditure. The overall increase in total development expenditure was restricted by a decrease in development expenses relating to other development. Total development expenditure was SEK 38.9 (38.4) million. The company will maintain a high rate of investment for all its product lines in order to ensure future competitiveness, including additional functionality and capacity in Sye.

Operating earnings were SEK -21.5 (12.0) million, equating to an operating margin of -23.0 (9.0) percent. The press release dated July 4, 2017 indicated the expected operating earnings in the range of SEK -25 and -30 million. The slightly reduced loss figure is due to a number of small ticket items that were unforeseeable at the time of the press release. The lower year-on-year operating earnings are mainly due to reduced sales volumes and, to some extent, cost increases mainly attributable to Sye.

In the second quarter, net financial items were positively affected by SEK 2.3 (-2.7) million for the revaluation of synthetic options programs due to a lower share price in the quarter. Net financial items amounted to SEK 2.3 (-3.4) million.

Profit/loss before tax was SEK -19.3 (8.5) million, and net earnings for the period were SEK -12.8 (5.7), resulting in a net margin of -13.6 (4.3) percent.

Six months

Gross earnings were SEK 119.7 (150.9) million in the first half of 2017. The decrease is a direct result of lower net sales. Gross margin was 58.7 (62.3) percent. Gross earnings includes amortization of capitalized development expenditure of SEK -29.9 (-28.0) million. The lower gross margin is due to amortization of capitalized development expenditure comprising a larger relative proportion of net sales. Gross margin excluding amortization of capitalized development expenditure was in line with the previous year, amounting to 73.4 (73.9) percent.

Operating expenses in the six-month period were SEK 133.8 (131.2) million. Sales and marketing expenses increased by SEK 6.5 million to SEK 74.0 (67.6) million, mainly driven by increased marketing and sales activities and more resources allocated to sales and marketing of Sye. Development expenses were SEK 34.0 (37.4). The decrease is due to

Key Ratios	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016
Net sales, SEK millions	93.5	132.3	203.9	242.3
Gross margin	57.5%	62.8%	58.7%	62.3%
Operating margin	-23.0%	9.0%	-6.9%	8.2%
Opex/Net sales	80.6%	53.8%	65.6%	54.1%
EBITDA margin	-17.8%	6.7%	-10.2%	4.9%

the high rate of capitalization of development expenditure in the first quarter 2017. Total development expenditure was SEK 78.4 (76.0) million. It is worth noting that the comparative period was charged with expenses of SEK 3.4 million relating to reorganization that took place in the first quarter 2016. The increase in development expenditure is attributable to the development of Sye.

Operating earnings for the six-month period were SEK -14.1 (19.8) million, equating to an operating margin of -6.9 (8.2) percent. The loss is mainly due to reduced sales volumes and, to some extent, cost increases for the development, sales and marketing of Sye. Adjusted operating earnings, see table on page 7, was SEK -11.4 (25.6) million, corresponding to an adjusted operating margin of -5.5 (10.4) percent.

Net financial items were SEK 7.8 (5.1) million, of which SEK 8.4 (6.3) were attributable to revaluation of synthetic options programs.

Profit/loss before tax was SEK -6.3 (24.8) million, and net earnings for the period were SEK -0.9 (19.7), resulting in a net margin of -0.4 (8.1) percent. See also section Tax on page 13.

INVESTMENTS

Second quarter investments were SEK 19.1 (19.4) million, of which SEK 17.3 (18.5) million related to capitalization of development expenditure. Depreciation, amortization and impairment in the period was SEK 22.2 (15.4) million, of which SEK 15.9 (14.1) million related to amortization of capitalized development expenditure. The amount includes impairment loss of customer relationships totaling SEK 4.0 million relating to final settlement for the acquisition of ScheduALL in October 2015. The impairment loss will not impact profit as it is offset by compensation received.

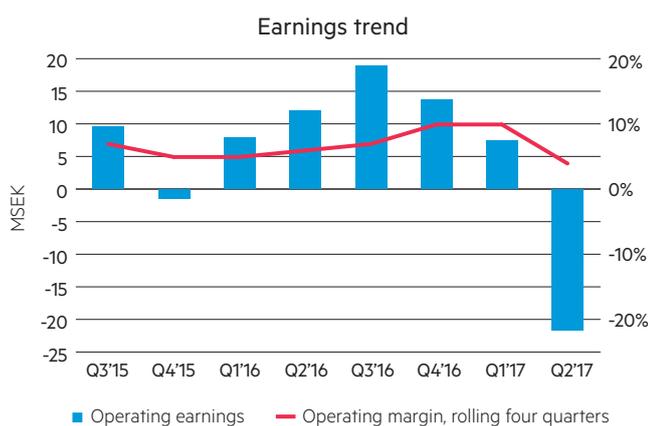
First six months investments were SEK 47.3 (41.8) million, of which SEK 44.4 (38.6) million related to capitalization of development expenditure. Depreciation, amortization and impairment in the period was SEK 37.8 (30.7) million, of which SEK 29.9 (28.0) million related to impairment loss of capitalized development expenditure. The amount includes amortization of customer relationships totaling SEK 4.0 million relating to final settlement for the acquisition of ScheduALL in October 2015. The impairment loss will not impact profit as it is offset by compensation received.

The net value of capitalized development expenditure at the end of the period was SEK 245.5 (228.9) million.

CASH FLOW AND FINANCIAL POSITION

Cash flow in the second quarter was SEK -28.5 (-10.5) million. The negative cash flow is due to reduced and delayed invoicing in the quarter, which led to decreased customer payments and stockpiling as a result of lower sales volumes.

Cash flow in the first half year was SEK -13.2 (1.3) million. The negative cash flow was due to low invoicing and stockpiling.



Cash and cash equivalents at the end of the quarter were SEK 201.4 million, compared to SEK 214.9 million as of December 31, 2016.

Remaining tax loss carry-forwards for Group companies were SEK 69.7 million at the end of the period, compared to SEK 51.5 million as of December 31, 2016.

Equity was SEK 559.2 million, compared to SEK 565.3 million as of December 31, 2016. The equity/assets ratio of 77.0 percent, compared to 77.3 percent as of December 31, 2016. See also section Equity on page 13.

EMPLOYEES

At the end of the period, Net Insight had 213 (202) employees, of which 131 (121) were employed by parent company Net Insight AB (publ).

PARENT COMPANY

The parent company's net sales in the second quarter were SEK 110.9 (146.8) million, and net earnings were SEK -7.8 (11.2) million. In the second quarter, intra-group sales were SEK 36.4 (31.6) million, and intra-group purchases SEK -40.8 (-34.6) million.

In the six-month period, net sales were SEK 235.5 (268.5) million, and net income was SEK 10.4 (30.5) million. In the six-month period, intra-group sales were SEK 71.6 (62.4) million and intragroup purchases SEK -65.4 (-62.6) million.

Progress in the parent company, in the second quarter and six-month period, was largely in line with the group progress indicated above.

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.

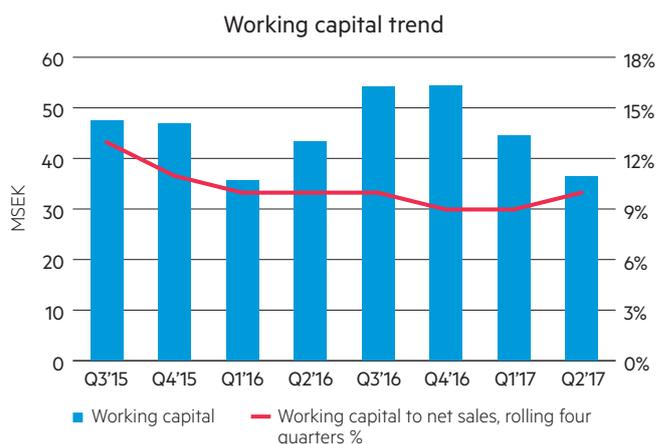
Primarily, those risks the company is exposed to are market-related risks (including competition, technological progress and political risks), operational risks (including product liability, intellectual property, disputes, customer dependency and contract risks) as well as financial risks.

No additional critical risks and uncertainty factors, other than those reviewed in the Annual Report for 2016, arose or are expected to arise in 2017.

For a complete review of the company's risk and sensitivity analysis, and its risk management process, see pages 30-31 and 46-47 of the Annual Report for 2016.

SEASONALITY

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



FINANCIAL INFORMATION

SEK millions (if not defined differently)	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016– Jun 2017	Jan–Dec 2016
Net sales by region						
Western Europe	38.9	60.5	87.0	108.4	210.0	231.4
Americas	27.3	38.7	61.1	73.9	150.5	163.2
Rest of World	27.2	33.2	55.8	60.1	104.7	108.9
Net sales	93.5	132.3	203.9	242.3	465.2	503.5
<i>Net sales YoY, change in %</i>	-29.3%	42.0%	-15.8%	33.9%	6.4%	34.0%
Income statement						
Gross earnings	53.8	83.1	119.7	150.9	284.4	315.7
<i>Gross margin</i>	57.5%	62.8%	58.7%	62.3%	61.1%	62.7%
Operating expenses	75.3	71.1	133.8	131.2	265.9	263.3
<i>Opex/Net sales</i>	80.6%	53.8%	65.6%	54.1%	57.2%	52.3%
Operating earnings	-21.5	12.0	-14.1	19.8	18.5	52.4
<i>Operating margin</i>	-23.0%	9.0%	-6.9%	8.2%	4.0%	10.4%
Operating earnings, adjusted	-20.2	14.4	-11.4	25.6	24.8	61.7
<i>Operating margin, adjusted</i>	-21.5%	10.8%	-5.5%	10.4%	5.3%	12.1%
Profit/loss after financial items	-19.3	8.5	-6.3	24.8	15.8	46.9
Net income	-12.8	5.7	-0.9	19.7	16.9	37.4
<i>Net margin</i>	-13.6%	4.3%	-0.4%	8.1%	3.6%	7.4%
EBITDA						
Operating earnings	-21.5	12.0	-14.1	19.8	18.5	52.4
Amortization of capitalized development expenditure	15.9	14.1	29.9	28.0	59.0	57.1
Other depreciation, amortization & impairment	6.4	1.3	7.9	2.6	11.6	6.3
Capitalization of development expenditure	-17.3	-18.5	-44.4	-38.6	-83.0	-77.2
EBITDA	-16.6	8.9	-20.7	11.9	6.0	38.6
<i>EBITDA margin</i>	-17.8%	6.7%	-10.2%	4.9%	1.3%	7.7%
Total development expenditure						
Development expenses	21.6	19.9	34.0	37.4	68.6	72.0
Capitalization of development expenditure	17.3	18.5	44.4	38.6	83.0	77.2
Total development expenditure	38.9	38.4	78.4	76.0	151.6	149.1
<i>Total development expenditure/Net sales</i>	41.7%	29.0%	38.5%	31.4%	32.6%	29.6%
Balance sheet						
Working capital	36.5	43.3	42.8	42.2	47.4	47.1
<i>Working capital/Net sales</i>	10.2%	10.1%	10.2%	10.1%	10.2%	9.3%
<i>Return on capital employed</i>	3.3%	5.2%	3.3%	5.2%	3.3%	9.6%
<i>Equity/asset ratio</i>	77.0%	77.3%	77.0%	77.3%	77.0%	77.4%
<i>Return on equity</i>	3.0%	2.6%	3.0%	2.6%	3.0%	6.8%
Cash and cash equivalents	201.4	195.0	201.4	195.0	201.4	214.9
Total cash flow	-28.5	-10.5	-13.2	1.3	6.4	20.9
The share						
Dividend per share, SEK	-	-	-	-	-	-
Earnings per share diluted and basic, SEK	-0.03	0.01	0.00	0.05	0.04	0.10
Cash flow per share, SEK	-0.07	-0.03	-0.02	0.00	0.01	0.05
Equity per share basic and diluted, SEK	1.45	1.43	1.45	1.43	1.45	1.47
Average number of outstanding shares in thousands, basic and diluted	385,658	387,158	385,658	387,158	385,832	386,582
Share price at end of period, SEK	6.55	6.00	6.55	6.00	6.55	8.90
Employees						
No. of employees at the end of the period	213	202	213	202	213	215

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	Note	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016– Jun 2017	Jan–Dec 2016
Accounting effects due to the acquisition of ScheduALL in October 2015							
Deferred revenue	(a)	-0.6	-1.8	-1.3	-4.4	-3.4	-6.5
Amortization on intangible assets	(b)	-0.7	-0.7	-1.5	-1.4	-2.9	-2.8
		-1.3	-2.5	-2.7	-5.8	-6.3	-9.4
Effects of the Net Insight share price development during the period							
Share-based benefits	(c)	0.6	-0.9	1.8	1.1	-0.3	-1.0
Synthetic options, change in value	(d)	2.3	-2.7	8.4	6.3	-1.1	-3.2
		2.9	-3.6	10.2	7.4	-1.3	-4.1
Other							
Restructuring	(e)	–	–	–	-3.4	–	-3.4
		0.0	0.0	0.0	-3.4	0.0	-3.4

All items in the table above effects operating earnings, except for (d) 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) Share-based benefits are value changes in amounts held in escrow for participation in the synthetic share program.

- (d) During the second quarter of 2015, 2016 and 2017, 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. 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.
- (e) Development expenses in the first quarter of 2016 was 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 the first six months of 2017. 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 (if not defined differently)	Note	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016– Jun 2017	Jan–Dec 2016
Net sales		93.5	132.3	203.9	242.3	465.2	503.5
Deferred revenue	(a)	0.6	1.8	1.3	4.4	3.4	6.5
Net sales, adjusted		94.1	134.1	205.2	246.7	468.5	510.1
<i>Net sales adjusted YoY, change in %</i>		-29.9%	43.9%	-16.8%	36.4%	9.2%	34.5%
Cost of sales		-39.7	-49.2	-84.2	-91.4	-180.7	-187.9
Gross earnings, adjusted		54.4	84.9	121.0	155.4	287.8	322.2
<i>Gross margin, adjusted</i>		57.8%	63.3%	59.0%	63.0%	61.4%	63.2%
Operating expenses		-75.3	-71.1	-133.8	-131.2	-265.9	-263.3
Amortization intangible assets, business combinations	(b)	0.7	0.7	1.5	1.4	2.9	2.8
Operating earnings, adjusted		-20.2	14.4	-11.4	25.6	24.8	61.7
<i>Operating margin, adjusted</i>		-21.5%	10.8%	-5.5%	10.4%	5.3%	12.1%
Net financial items		2.3	-3.4	7.8	5.1	-2.7	-5.4
Synthetic options, change in value	(d)	-2.3	2.7	-8.4	-6.3	1.1	3.2
Profit/loss before tax, adjusted		-20.3	13.7	-11.9	24.4	23.1	59.5

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016– Jun 2017	Jan–Dec 2016
Net sales	93,504	132,331	203,914	242,286	465,150	503,522
Cost of sales	-39 695	-49 233	-84 212	-91 364	-180 720	-187 872
Gross earnings	53,809	83,098	119,702	150,922	284,430	315,650
Sales and marketing expenses	-39,694	-36,388	-74,036	-67,574	-143,556	-137,094
Administration expenses	-14,026	-14,852	-25,716	-26,175	-53,790	-54,249
Development expenses	-21,620	-19,904	-34,028	-37,402	-68,579	-71,953
Operating earnings	-21,531	11,954	-14,078	19,771	18,505	52,354
Net financial items	2,252	-3,425	7,782	5,069	-2,716	-5,429
Profit/loss before tax	-19,279	8,529	-6,296	24,842	15,789	46,929
Tax	6,528	-2,870	5,397	-5,153	1,067	-9,483
Net income	-12,751	5,659	-899	19,687	16,856	37,442
Net income for the period attributable to the shareholders of the parent company	-12,751	5,659	-899	19,687	16,856	37,442

Earnings per share, based on net income attributable to the parent company's shareholders during the period	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016– Jun 2017	Jan–Dec 2016
Earnings per share, basic (SEK)	-0.03	0.01	0.00	0.05	0.04	0.10
Earnings per share, diluted (SEK)	-0.03	0.01	0.00	0.05	0.04	0.10
Average number of outstanding shares in thousands, basic	385,658	387,158	385,658	387 158	385,832	386,582
Average number of outstanding shares in thousands, diluted	385,658	387,158	385,658	387 158	385,832	386,582

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016– Jun 2017	Jan–Dec 2016
Net income	-12,751	5,659	-899	19,687	16,856	37,442
Other comprehensive income						
<i>Items that may be reclassified subsequently to the income statement</i>						
Translation differences	-3,848	3,314	-5,242	1,321	56	6,619
Total other comprehensive income, after tax	-3,848	3,314	-5,242	1,321	56	6,619
Total other comprehensive income for the period	-16,599	8,973	-6,141	21,008	16,912	44,061
Total comprehensive income for the period attributable to the shareholders of the parent company	-16,599	8,973	-6,141	21,008	16,912	44,061

CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Jun 30, 2017	Dec 31, 2016
ASSETS		
Intangible assets		
Capitalized expenditure for development	245,473	228,867
Goodwill	60,008	64,136
Other intangible assets	17,287	26,037
Tangible assets		
Equipment	4,042	3,123
Financial fixed assets		
Deferred tax asset	20,068	15,520
Deposits	333	309
Total non-current assets	347,211	337,992
Current assets		
Inventories	55,419	47,065
Accounts receivable	108,520	111,121
Other receivables	13,395	19,198
Cash and cash equivalents	201,407	214,943
Total current assets	378,741	392,327
TOTAL ASSETS	725,952	730,319
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	1,150	6,392
Accumulated deficit	-650,311	-649,412
Total shareholders' equity	559,163	565,304
Non-current liabilities		
Other liabilities	28,955	43,222
Total non-current liabilities	28,955	43,222
Current liabilities		
Accounts payable	19,383	14,996
Other liabilities	118,451	106,797
Total current liabilities	137,834	121,793
TOTAL EQUITY AND LIABILITIES	725,952	730,319

CHANGES IN CONSOLIDATED EQUITY, IN SUMMARY

SEK thousands	Attributable to parent company's shareholders				Total shareholders' equity
	Share capital	Other paid-in capital	Translation differences	Accumulated deficit	
January 1, 2016	15,597	1,192,727	-227	-676,547	531,550
Repurchase of own shares	-	-	-	0	0
Total comprehensive income	-	-	-1,321	19,687	18,366
June 30, 2016	15,597	1,192,727	-1,548	-656,860	549,916
July 1, 2016	15,597	1,192,727	-1,548	-656,860	549,916
Repurchase of own shares	-	-	-	-10,307	-10,307
Total comprehensive income	-	-	7,940	17,755	25,695
December 31, 2016	15,597	1,192,727	6,392	-649,412	565,304
January 1, 2017	15,597	1,192,727	6,392	-649,412	565,304
Repurchase of own shares	-	-	-	-	0
Total comprehensive income	-	-	-5,242	-899	-6,141
June 30, 2017	15,597	1,192,727	1,150	-650,311	559,163

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016–Jun 2017	Jan–Dec 2016
Ongoing activities						
Profit/loss before tax	-19,279	8,529	-6,296	24,840	15,789	46,925
Income tax paid	0	-600	0	-600	-101	-701
Depreciation, amortization & impairment	22,242	15,449	37,762	30,681	70,549	63,468
Other items not affecting liquidity	-797	8,528	-6,777	-1,209	12,291	17,859
Cash flow from operating activities before changes in working capital	2,166	31,906	24,689	53,712	98,528	127,551
Changes in working capital						
Increase-/decrease+ in inventories	-6,840	7,837	-8,270	8,778	-14,629	2,419
Increase-/decrease+ in receivables	-13,264	-28,500	7,098	-43,738	19,000	-31,836
Increase+/decrease- in liabilities	7,802	-3,298	9,874	23,424	422	13,972
Cash flow from operating activities	-10,136	7,945	33,391	42,176	103,321	112,106
Investment activities						
Investment in intangible assets	-17,746	-19,066	-45,666	-40,604	-84,834	-79,772
Investment in tangible assets	-1,327	-363	-1,681	-1,216	-2,668	-2,203
Increase-/decrease+ in financial assets, net	-23	-14	-24	-58	104	70
Cash flow from investment activities	-19,096	-19,443	-47,371	-41,878	-87,398	-81,905
Financing activities						
Option premium	763	1,001	763	1,001	763	1,001
Repurchase of own shares	-	-	-	-	-10,307	-10,307
Cash flow from financing activities	763	1,001	763	1,001	-9,544	-9,306
Net change in cash and cash equivalents	-28,469	-10,497	-13,217	1,299	6,379	20,895
Exchange differences in cash and cash equivalents	-270	691	-319	129	-16	432
Cash and cash equivalents at the beginning of the period	230,146	204,850	214,943	193,616	195,044	193,616
Cash and cash equivalents at the end of the period	201,407	195,044	201,407	195,044	201,407	214,943

SEGMENT REPORT

SEK millions	Apr–Jun 2017				Apr–Jun 2016				Jan–Jun 2017				Jan–Jun 2016			
	WE	AM	RoW	Total	WE	AM	RoW	Total	WE	AM	RoW	Total	WE	AM	RoW	Total
Net sales	39	27	27	94	61	39	33	132	87	61	56	204	108	74	60	242
Regional contribution	10	2	3	14	24	14	9	47	26	11	9	46	43	27	14	84
<i>Regional contribution margin</i>	25%	7%	10%	15%	40%	36%	26%	35%	30%	17%	16%	22%	39%	37%	23%	35%
Administration expenses				-14				-15				-26				-26
Development expenses				-22				-20				-34				-37
Net financial items				2				-3				8				5
Profit/loss before tax				-19				9				-6				25

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.

FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category	Jun 30, 2017			Dec 31, 2016		
	Valuetier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss	Valuetier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss
Assets in Balance Sheet						
Derivative instruments	2	–	88	2	–	975
Accounts receivable and other receivables, excluding interim receivables		109,627	–		121,056	–
Cash and cash equivalents		201,407	–		214,943	–
Total		311,034	88		335,999	975

Group's financial instruments by category	Jun 30, 2017			Dec 31, 2016		
	Valuetier	Other financial liabilities	Liabilities measured at fair value through profit or loss	Valuetier	Other financial liabilities	Liabilities measured at fair value through profit or loss
Liabilities in Balance Sheet						
Synthetic options	2	–	9,130	2	–	16,782
Derivative instruments	2	–	227	2	–	–
Accounts payable and other liabilities, excluding non-financial liabilities		24,079	–		18,856	–
Total		24,079	9,357		18,856	16,782

Financial instruments in tier 2

The fair value of derivative instruments is measured using exchange rates of currency forwards on the reporting date. 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	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016– Jun 2017	Jan–Dec 2016
Net sales	110,941	146,810	235,539	268,504	534,986	567,951
Cost of sales	-50,180	-58,839	-93,151	-104,855	-229,736	-241,440
Gross earnings	60,761	87,971	142,388	163,649	305,250	326,511
Sales and marketing expenses	-29,583	-26,598	-53,711	-50,592	-116,480	-113,361
Administration expenses	-12,072	-11,694	-21,776	-19,169	-47,014	-44,407
Development expenses	-31,764	-30,933	-63,179	-61,186	-119,876	-117,883
Operating earnings	-12,658	18,746	3,722	32,702	21,880	50,860
Net financial items	2,044	-2,852	7,401	5,483	-1,787	-3,704
Profit/loss before tax	-10,614	15,894	11,123	38,185	20,093	47,156
Tax	2,821	-4,674	-725	-7,666	6,380	-561
Net income	-7,793	11,220	10,398	30,519	26,473	46,595

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Jun 30, 2017	Dec 31, 2016
ASSETS		
Intangible assets		
Other intangible assets	6,076	5,477
Tangible fixed assets		
Equipment	3,853	2,918
Financial assets		
Participations in group companies	299,927	299,243
Deferred tax asset	-	185
Deposits	155	161
Total non-current assets	301,011	307,984
Current assets		
Inventories	55,419	47,065
Accounts receivable	91,853	100,883
Receivables from group companies	141,238	111,348
Other receivables	9,836	21,405
Cash and cash equivalents	186,569	194,423
Total current assets	484,915	475,124
Total assets	785,926	783,108
EQUITY AND LIABILITIES		
Equity		
Restricted equity	128,419	128,419
Non-restricted equity	538,902	532,645
Total equity	667,321	661,064
Non-current liabilities		
Deferred tax liabilities	540	-
Other liabilities	15,431	34,483
Total non-current liabilities	15,971	34,483
Current liabilities		
Accounts payable	17,800	13,269
Other liabilities	84,834	74,292
Total current liabilities	102,634	87,561
Total equity and liabilities	785,926	783,108

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.

Effective January 1, 2017, Net Insight applies the following new or amended International Financial Reporting Standards (IFRS):

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses

These amendments are not judged to have any material impact on the group's or parent company's results or financial position.

Except for stated above, 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.

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.

Figures in brackets in this report refer to comparison with the corresponding period or date in the previous year, if not stated otherwise. Divergences due to rounding may occur in this report.

CONTRIBUTED EQUITY

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.

TAX

The group reported tax of SEK 5.4 (-5.2) million for the first half-year 2017. Reported tax corresponds to an effective tax rate of 86 (21) percent. Profit/loss before tax of SEK -6.3 (24.8) million includes value changes on synthetic options of SEK 8.4 (6.3) million. The value change on synthetic options is not taxable if an income, or tax deductible if a cost. The significant difference in effective tax rates between periods is mainly due to the relative share the value change on synthetic options is of profit/loss before tax. The effective tax rate is also affected by the relative effects of foreign tax rates and temporary differences.

Remaining tax loss carry-forwards for group companies amounted to SEK 69.7 million at the end of the period, compared to SEK 51.5 million as of December 31, 2016.

SHARE-BASED INCENTIVE PROGRAMS

During the second quarter of 2017, after decisions at the AGM, Net Insight introduced synthetic option programs, where the participants acquire the synthetic options at market price. The calculation of the fair value on the grant date was based on the conditions stated in the table below.

Synthetic options, the calculation of the fair value on the grant date was based on the following conditions:		2017
Averaged volume-weighted price paid for the Net Insight B shares, SEK		6.79
Strike price, SEK		8.10
Assumed volatility ¹		34%
Term		3 years
Risk-free interest		-0.52%
Adjustment of fair value due to CAP, SEK		-0.02
Fair value, SEK		1.09
Number of options issued, thousands		700

¹ 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.

The terms and the accounting policies for the program corresponds to the year-2015 program, see pages 52-53 of the Annual Report for 2016.

The AGM also decided to introduce a synthetic option program for employees outside of Sweden. The program, starting in July, is linked to employment with Net Insight and are presented as an employee cost. The calculation of the fair value on the grant date was based on the conditions stated in the table above.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On July 4, 2017, Net Insight announced that net sales in the second quarter 2017 had decreased by some 30 percent year-on-year, which also resulted in negative operating earnings and negative cash flow. The sales downturn in the second quarter is attributable to three primary factors: the absence of major global events such as the summer Olympics and Euro soccer championships, delayed investment decisions on the market and the effects of the company's internal restructuring initiated in 2016. An element of the profit decrease is due to the initiatives in live OTT. Net Insight also announces that sales for the second half 2017 are expected to be in line with the corresponding period in 2016.

AUDITORS' REVIEW

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

ALTERNATIVE PERFORMANCE MEASURES AND OTHER DEFINITIONS

Västeuropa (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. The APMs in this report may differ from similar-titled measures used by other companies.

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 is 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 Five-year summary on previous page.

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.

Investments Investments in intangible and tangible assets.

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.

Working capital/Net sales Working capital in relation to Net sales, rolling four quarters. Slightly updated definition from previous reports, comparable periods has also been updated. Reconciliations, see table below.

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

Return on capital employed Operating earnings plus interest income, in relation to average capital employed, rolling four quarters. Capital employed is total assets less non-interest bearing liabilities, including deferred tax liabilities. The Company has no interest-bearing liabilities.

Return on equity Net income as a percentage of average shareholders' equity, rolling four quarters.

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 86 in the 2016 Annual Report.

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 stretch from the TV camera lens to the studio, 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

Net Insight's ambition is to be a growth company, and our target is to create profitable growth. On a market in fundamental transformation, growth and profitability is created through close and strategic partnerships with customers. Innovative solutions are created together that generate business benefit. To grow for the long term, we need to transform Net Insight into a more 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 – September 2017 October 27, 2017

Year-end report 2017 February 14, 2018

CERTIFICATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and the CEO certify that the Interim report for the period January - June 2017 gives a true and fair overview of the Parent Company Net Insight AB and the Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 21, 2017

Lars Berg
Chairman

Jan Barchan
Board member

Cecilia Beck-Friis
Board member

Crister Fritzon
Board member

Gunilla Fransson
Board member

Anders Harrysson
Board member

Charlotta Falvin
Board member

Fredrik Tumegård
CEO

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