

Net Insight Interim Report

January – September 2017

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



"Positive operating earnings despite a challenging quarter, as well as continued investments in product development."

Fredrik Tumegård, CEO, Net Insight

Third quarter 2017

- Net sales were SEK 105.4 (128.2) million, down -17.8 percent year-on-year. In comparable currencies, the decrease was -16.0 percent.
- Operating earnings were SEK 6.2 (18.9) million, corresponding to an operating margin of 5.9 (14.8) percent.
- Net financial items were positively affected by SEK 4.5 (-3.2) million for the revaluation of synthetic options. Net income was SEK 9.5 (11.5) million.
- Earnings per share, diluted and basic, was SEK 0.02 (0.03).
- Total cash flow was SEK -4.0 (12.3) million.

January – September 2017

- Net sales were SEK 309.3 (370.5) million, down -16.5 percent year-on-year. In comparable currencies, the decrease was -17.5 percent.
- Operating earnings were SEK -7.8 (38.7) million, corresponding to an operating margin of -2.5 (10.4) percent.
- Net financial items were positively affected by SEK 12.8 (3.1) million for the revaluation of synthetic options. Net income was SEK 8.6 (31.2) million.
- Earnings per share, diluted and basic, was SEK 0.02 (0.08).
- Total cash flow was SEK -17.2 (13.6) million.

FINANCIAL SUMMARY

SEK millions	Jul–Sep 2017	Jul–Sep 2016	Change	Jan–Sep 2017	Jan–Sep 2016	Change	Oct 2016– Sep 2017	Jan–Dec 2016	Change
Net sales by region									
Western Europe	47.4	62.9	-24.6%	134.4	171.2	-21.5%	194.5	231.4	-15.9%
Americas	40.0	40.6	-1.6%	101.1	114.5	-11.7%	149.8	163.2	-8.2%
Rest of World	17.9	24.7	-27.1%	73.8	84.8	-12.9%	97.9	108.9	-10.1%
Net sales	105.4	128.2	-17.8%	309.3	370.5	-16.5%	442.3	503.5	-4.5%
Operating Earnings	6.2	18.9	-67.0%	-7.8	38.7		5.8	52.4	-88.9%
Operating Margin	5.9%	14.8%		-2.5%	10.4%		1.3%	10.4%	
Net Income	9.5	11.5	-17.2%	8.6	31.2	-72.4%	14.9	37.4	-60.3%
EBITDA	2.0	18.2	-88.8%	-18.7	30.1		-10.2	38.6	
EBITDA margin	1.9%	14.2%		-6.0%	8.1%		-2.3%	7.7%	
Total Cash Flow	-4.0	12.3		-17.2	13.6		-10.0	20.9	

CEO's statement

Positive operating earnings on hesitant market

The media market is still undergoing transformation, which means our customers remain hesitant about making new investments. Third quarter sales were SEK 105 (128) million and operating earnings SEK 6 (19) million. Operating margin was 6 (15) percent in the third quarter. It's important to note that we're not seeing any signals on a long-term slowdown, neither on the market nor on our ability to compete. On the contrary, the increasing consumption of media, in particular live broadcasts, inevitably leads to increased capacity needs. The high rate of change with position movements between different market players is currently creating natural uncertainty that slows down the pace of investment.

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...there has never been a more exciting time to be part of the global media industry.

Sye, our solution for live OTT continues to attract interest. During the quarter we signed an agreement with Ericsson to integrate Sye in Ericsson's offering to create a highly efficient, global content distribution service for media content. I'm also proud to announce that we were awarded "Best of Show" at IBC in Amsterdam, one of the world's largest media expos. We received the award for our collaboration with STCC in June, where we were able to test Sye on a large scale for the first time. During IBC we also showed our new collaboration around remote production with Calrec and Grass Valley. Another exciting deal during the quarter include the contract with IP-Only, where we will deliver a remote production solution for live finance TV.

There are no major global sporting events in 2017, unlike in 2016. We take a proactive approach to the market to ensure our position in the longer term. In parallel, we're continuing to approach the market at local level, which for instance resulted in the signing of an agreement with Chinese Television System (CTS), in the quarter, for the transmission of the World Universiade 2017 Games.

Technology shifts always take time, especially when including all levels of the value chain. Customers need to adapt to both new technology and new business models, while also needing to create content that attracts increasingly selective and fast-moving audiences. This places high demands on companies like Net Insight, to quickly satisfy customer needs and respond to changing consumer behavior. At the same time, the market offering has grown explosively, and content can now be customized on the basis of individual viewer needs.

This kind of fundamental change in the structures and processes of one of the world's largest industry, obviously engenders some uncertainty in the short term, although many new business opportunities are simultaneously generated. This is especially true for a company like Net Insight, as we already have the advanced technology required to meet the emerging needs. Furthermore, we are investing in product development to be at the forefront of delivering technology for the future television.



With our total solution offering we are stronger positioned than ever. This is because the increasing demands of consumers automatically lead to increased capacity need, while new technology must be implemented. The result will be live broadcasts with drastically reduced delay, creating space for new business models, new collaborations and more viewers. We meet capacity requirements with our existing products Nimbra, ScheduALL and Sye. Therefore, I feel very confident about the future. I believe there has never been a more exciting time to be part of the global media industry despite the current sluggish decision-making of certain customers and the impact it has had on our sales turnover development during the year.

Stockholm, Sweden, October 27, 2017

Fredrik Tumegård, CEO

MARKET PROGRESS

Conditions on the global media market remain challenging for the sector as a whole, while the transformation of customer needs and consumer behavior continues at high intensity. Sector organization IABM released its latest survey results in September, which showed that the gap between the end users' and the suppliers' market view had widened. End users remained optimistic while suppliers had lost some of the optimism they had at the beginning of 2017.

Net Insight is in a strong market position through its unique total offering, extensive client portfolio and strengthened sales organization. The foundations are in place to build on future business opportunities, once the time is right and more customers catch up with the technology.

Devoncroft also published its sector report BBS Brand Report 2017 in the quarter, which indicated that Net Insight's brand awareness had increased from 44 percent to 52 percent. This is a sign of strength that shows that the focus on sales activities are paying off.

The increased brand awareness was also clear during IBC, one of the world's largest media expos, which took place in September. Net Insight's total offering and numerous remote production demos were well attended and attracted considerable interest. Alongside Calrec and Grass Valley, and using Net Insight's core products Nimbra and ScheduALL, we showed how remote production enables simplified and cost-efficient workflows. At IBC, the STCC Live app was awarded "Best of Show," which was pleasing as it was during the STCC races that the live OTT solution Sye was tested on a larger scale for the first time.

Live OTT progress

The global media market is undergoing major realignment driven by changing customer needs and consumer behavior. Even if this can be expected to create uneven order flows in the short terms it is in the long run expected to lead to significant business opportunities for Sye.

The live OTT market is expected to continue to grow significantly over coming years, largely driven by increased online TV viewing and new consumer patterns. Net Insight's Sye solution for True Live OTT continues to attract considerable interest on the market, and has received numerous awards and nominations.

As previously commented, following the success of STCC earlier in the year, customers are now starting to wake up to the new technology. The market is also beginning to understand how the technology for live OTT can be used to create larger audiences, increased interactivity and more revenue.

However, more time will be needed for the market to catch up with the new technology. Net Insight continues to approach the market at an undiminished pace through active dialogue with a number of established operators, new and existing.

In the Q2 2017 Interim Report, we communicated Net Insight's ambition to initiate at least one live OTT collaboration with a major reference customer before the end of 2017. This ambition still stands. Considering the present industry sluggishness in combination with customers' hesitant attitude to new investments. Net Insight anticipates that this may take somewhat longer. Realisation adjustment indicates a year-end or early 2018 time frame.

The business model for Sye is based on continuous revenue streams for Net Insight, which will increase at a pace with the roll-out of customers' services, and end customers once they start using the services.

During the third quarter, Net Insight announced a strategic partnership with Ericsson, where Sye will be integrated in Ericsson's UDN offering for efficient, global distribution of live content to content providers and broadcasters. We also announced our first reference project in South East Asia just after the end of the quarter.

PROSPECTS FOR 2017

Given the current sluggish market, the assessment is that it is still possible, but more challenging than previously anticipated, to achieve the prospects communicated in the second quarter of 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

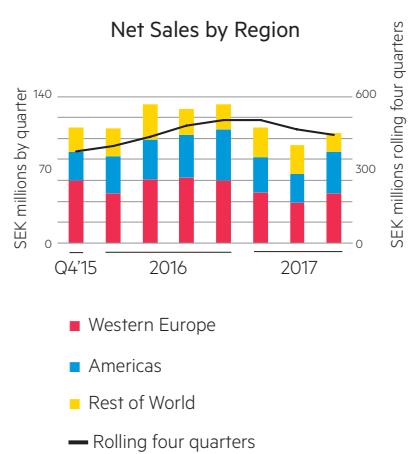
Third quarter

Net sales in the third quarter of 2017 were SEK 105.4 (128.2) million, a decrease of -17.8 percent year-on-year. In comparable currencies, net sales decreased by -16.0 percent. Even if the third quarter was stronger than the previous quarter, it was characterized by customer restraint and higher discounts in a few deals due to higher competition and initial offerings, which mainly affected the Western Europe region. In general, underlying sales in the form of extensions and upgrades were relatively strong, although no major orders were delivered in contrast with the third quarter last year.

Net sales in the Western Europe region were SEK 47.4 (62.9) million. In the quarter, transactions and deliveries from most of Net Insight's customers were in line with the previous year. However, the company won a large order for a major contribution network in the third quarter 2016, which was not repeated this year.

Net sales in the Americas region were SEK 40.0 (40.6), relatively strong quarterly figures in historical terms. Sales were primarily related to capacity increases by North American customers. Global customers are also strengthening their position on the North American market.

Net sales in the Rest of World region were SEK 17.9 (24.7) million. In the quarter, India and China generated



relatively strong sales, while the Middle East and southern Africa had a weaker quarter. Sales were mainly to existing customers.

Net sales in the Broadcast & Media (BMN) business area were 88 (93) percent, in Digital Terrestrial TV (DTT) 12 (7) percent and in CATV/IPTV 0 (0) percent of total sales.

Net sales of hardware were SEK 43.6 (61.8) million. Net sales from software licenses were SEK 21.6 (25.5) million. The decrease in hardware sales was due to the absence of major roll-outs in the quarter. Support and services amounted to SEK 39.7 (40.2) million. The above figures exclude other operating revenue of SEK 0.4 (0.7) million, which consists of translation differences on accounts receivable in foreign currencies.

Nine months

Net sales in the first nine months of the year were SEK 309.3 (370.5) million, corresponding to a decrease of -16.5 percent. In comparable currencies, net sales decreased by -17.5 percent. Generally for all regions, the decrease was driven by a lack of major global events and the market transformation, which led to postponed investment decisions.

Net sales in the Western Europe region were SEK 134.4 (171.2) million, corresponding to a decrease of -21.5 percent. The region was affected by the decrease in major global events to a greater extent than other regions.

Net sales in the Americas region were SEK 101.2 (114.5) million, a decrease of -11.6 percent.

Net sales in the Rest of World region were SEK 73.8 (84.8) million in the nine-month period, corresponding to a decrease of -12.9 percent. The region was affected by the absence of major global events to a lesser extent than other regions.

Net sales in the Broadcast & Media (BMN) business area were 90 (89) percent, 9 (10) percent in Digital Terrestrial TV (DTT) and 1 (1) percent of total sales in CATV/IPTV.

Net sales from hardware were SEK 121.0 (172.8) million. Net sales from software licenses were SEK 71.0 (84.2) million. The decrease was due to the causes outlined in the sections on regional performance, where the absence of major global events were the main factors affecting hardware sales. Net sales from support and services were SEK 118.7 (111.5) million. The increase was mainly due to a larger installed customer base and related maintenance agreements. The above figures exclude other operating revenue of SEK -15 (2.0) million, which consisted of translation differences on accounts receivable in foreign currencies.

EARNINGS

Third quarter

Gross profit was SEK 57.8 (81.0) million. The decrease in gross profit was due to lower sales volumes and reduced margins from product sales. Gross margin was 54.8 percent (63.2). Gross profit included amortization of capitalized development expenditure of SEK -16.0 (-14.4) million. The lower gross margin was partly due to amortization of capitalized development expenditure comprising a higher proportion of net sales in relative terms, but also an unfavorable product mix in the quarter plus increased competition and initial offerings for a limited number of deals. Gross margin excluding amortization of capitalized development expenditure decreased year-on-year and was 70.0 (74.5) percent.

Operating expenses for the third quarter were SEK 51.5 (62.1) million. The relatively low expenses in the third quarter were partly due to decreased salary expenses resulting from a reduction in provisions for variable salary components, and also by a higher rate of capitalization of development expenditure, as the company currently runs a limited number of major projects that are being capitalized. Total development expenditures were SEK 31.4 (32.9) million.

Operating earnings were SEK 6.2 (18.9) million, corresponding to an operating margin of 5.9 (14.8) percent. The lower year-on-year operating earnings was mainly due to a decrease in gross earnings due to lower sales volumes, and a reduction in gross margin, which was partly offset by lower operating expenses.

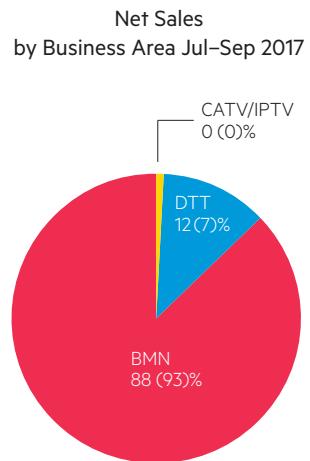
In the third quarter, net financial items were positively affected by SEK 4.5 (-3.2) million relating to the revaluation of synthetic options programs as a result of a lower share price in the quarter. Net financial items amounted to SEK 5.1 (-3.7) million.

Profit before tax was SEK 11.3 (15.3) million, and net income for the period were SEK 9.5 (11.5) million, resulting in a net margin of 9.0 (9.0) percent.

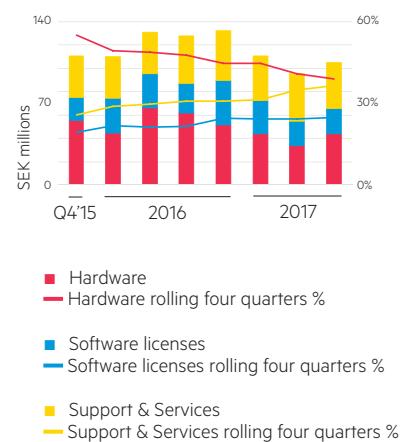
Nine months

In the first nine months of 2017, gross earnings were SEK 177.5 (232.0) million. The decrease was mainly the result of lower net sales, coupled with the reduction in margins outlined above under third quarter earnings. Gross margin was 57.4 (62.6) percent. Gross profit included amortization of capitalized development expenditure of SEK -45.9 (-42.5) million. The lower gross margin was due to amortization of capitalized development expenditure comprising a relatively larger proportion of net sales and lower margins in the third quarter. Gross margin excluding amortization of capitalized development expenditure was down on the previous year at 72.2 (74.1) percent.

Operating expenses for the nine-month period were SEK 185.3 (193.3) million. Sales and marketing expenses increased by SEK 5.4 million to SEK 105.4 (100.0) million, mainly driven by increased marketing activities and more resources allocated to the sales and marketing of Sye. Development expenses were SEK 43.9 (53.7) million. The decrease was attributable to an average increase in the rate of capitalization of development projects in the year. Total development expenditures were SEK 109.8 (108.8) million. The



Net Sales by Product Group



Key Ratios	Jul-Sep 2017	Jul-Sep 2016
Net sales, SEK millions	105.4	128.2
Gross margin	54.8%	63.2%
Operating margin	5.9%	14.8%
EBITDA margin	1.9%	14.2%

Key Ratios	Jan-Sep 2017	Jan-Sep 2016
Net sales, SEK millions	309.3	370.5
Gross margin	57.4%	62.6%
Operating margin	-2.5%	10.4%
EBITDA margin	-6.0%	8.1%

company will continue to maintain a high rate of investments across all product lines to ensure future competitiveness. This also applies to Sye, to add further functionality and capacity.

Operating earnings for the nine-month period were SEK -7.8 (38.7) million, corresponding to an operating margin of -2.5 (10.4) percent. The loss was mainly due to reduced sales volumes and lower gross margins, which was partly offset by lower costs. Adjusted operating earnings, see table on page 17, were SEK -4.1 (46.5) million, corresponding to an adjusted operating margin of -1.3 (12.4) percent.

Net financial items were SEK 12.9 (1.4) million, of which SEK 12.8 (3.1) million was attributable to value changes in synthetic option programs.

Profit before tax were SEK 5.0 (40.1) million and net income for the period were SEK 8.6 (31.2) million, corresponding to a net margin of 2.8 (8.4) percent. See also the section Tax on page 11.

INVESTMENTS

Third quarter investments were SEK 26.9 (16.6) million, of which SEK 21.5 (16.6) million related to capitalization of development expenditure. Depreciation and amortization was SEK 17.3 (15.9) million in the period, of which SEK 16.0 (14.4) million related to amortization of capitalized development expenditure.

Investments were SEK 74.3 (58.5) million in the first nine months of the year, of which SEK 65.9 (55.1) million related to capitalization of development expenditure. Depreciation and amortization in the period was SEK 55.1 (46.5) million, of which SEK 45.9 (42.5) 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 has been offset by compensation paid.

The net value of capitalized development expenditure was SEK 251.0 million at the end of the period, compared to SEK 228.9 million as of 31 December, 2016.

CASH FLOW AND FINANCIAL POSITION

Cash flow in the third quarter was SEK -4.0 (12.3) million. Adjusted for repurchase of own shares, at a value of SEK 7.2 (10.3) million, cash flow was SEK 3.2 (22.6) million.

Cash flow for the nine-month period was SEK -17.2 (13.6) million. Adjusted for repurchase of own shares, at a value of SEK 7.2 (10.3) million, cash flow was SEK -10.0 (23.9) million. The negative cash flow was due to lower sales.

Cash and cash equivalents at the end of the quarter were SEK 197.3, against SEK 214.9 million as of 31 December, 2016.

Remaining tax loss carry-forwards for group companies were SEK 56.9 at the end of the period, compared to SEK 51.5 million as of 31 December, 2016.

Equity was SEK 558.5 million at the end of the period, compared to SEK 565.3 million as of 31 December, 2016. The equity/assets ratio was 79.4 percent, against 77.4 percent as of 31 December 2016. See also the section Contributed equity on page 11.

EMPLOYEES

At the end of the period, Net Insight had 247 (243) employees and consultants, of which 158 (158) were employed by parent company Net Insight AB (publ).

PARENT COMPANY

The parent company's net sales were SEK 116.2 (139.0) million in the third quarter, and net income were SEK 11.6 (15.1) million. In the quarter, intra-group sales were SEK 28.7 (25.9) million and intra-group purchases were SEK -33.0 (-32.5) million.

For the nine-month period, net sales were SEK 351.7 (407.5) million, and net income were SEK 22.0 (45.6) million. In the nine-month period, intra-group sales were SEK 100.3 (88.3) million, and intra-group purchases were SEK -98.5 (-95.1) million.

Progress in the parent company, both in the third quarter and the nine-month period, was largely in line with the group's progress outlined above.

RISK AND SENSITIVITY ANALYSIS

Net Insight's operations and results of operations were 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 respectively.



CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Net sales	105,372	128,219	309,286	370,505	442,303	503,522
Cost of sales	-47,595	-47,173	-131,807	-138,537	-181,142	-187,872
Gross earnings	57,777	81,046	177,479	231,968	261,161	315,650
Sales and marketing expenses	-31,373	-32,465	-105,409	-100,039	-142,464	-137,094
Administration expenses	-10,284	-13,336	-36,000	-39,511	-50,738	-54,249
Development expenses	-9,883	-16,323	-43,911	-53,725	-62,139	-71,953
Operating earnings	6,237	18,922	-7,841	38,693	5,820	52,354
Net financial items	5,073	-3,670	12,855	1,399	6,027	-5,429
Profit before tax	11,310	15,252	5,014	40,096	11,847	46,929
Tax	-1,789	-3,748	3,608	-8,901	3,026	-9,483
Net income	9,521	11,504	8,622	31,195	14,873	37,442
Net income for the period attributable to the shareholders of the parent company	9,521	11,504	8,622	31,195	14,873	37,442
Earnings per share, based on net income attributable to the parent company's shareholders during the period	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Earnings per share, basic (SEK)	0.02	0.03	0.02	0.08	0.04	0.10
Earnings per share, diluted (SEK)	0.02	0.03	0.02	0.08	0.04	0.10
Average number of outstanding shares in thousands, basic	384,961	386,356	385,426	386,891	385,409	386,582
Average number of outstanding shares in thousands, diluted	384,961	386,356	385,426	386,891	385,409	386,582

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Net income	9,521	11,504	8,622	31,195	14,873	37,442
Other comprehensive income						
<i>Items that may be reclassified subsequently to the income statement</i>						
Translation differences	-2,962	1,312	-8,204	2,633	-4,218	6,619
Total other comprehensive income, after tax	-2,962	1,312	-8,204	2,633	-4,218	6,619
Total other comprehensive income for the period	6,559	12,816	418	33,828	10,655	44,061
Total comprehensive income for the period attributable to the shareholders of the parent company	6,559	12,816	418	33,828	10,655	44,061

CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Sep 30, 2017	Dec 31, 2016
ASSETS		
Intangible assets		
Capitalized expenditure for development	250,969	228,867
Goodwill	57,640	64,136
Other intangible assets	16,263	26,037
Tangible assets		
Equipment	4,124	3,123
Financial fixed assets		
Deferred tax asset	17,704	15,520
Deposits	4,907	309
Total non-current assets	351,607	337,992
Current assets		
Inventories	48,269	47,065
Accounts receivable	88,616	111,121
Other receivables	18,032	19,198
Cash and cash equivalents	197,311	214,943
Total current assets	352,228	392,327
TOTAL ASSETS	703,835	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	-1,812	6,392
Accumulated deficit	-648,005	-649,412
Total shareholders' equity	558,507	565,304
Non-current liabilities		
Other liabilities	20,413	43,222
Total non-current liabilities	20,413	43,222
Current liabilities		
Accounts payable	20,879	14,996
Other liabilities	104,036	106,797
Total current liabilities	124,915	121,793
TOTAL EQUITY AND LIABILITIES	703,835	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	-	-	-	-10,307		-10,307
Total comprehensive income	-	-	2,633	31,191		33,824
September 30, 2016	15,597	1,192,727	2,406	-655,663		555,067
October 1, 2016	15,597	1,192,727	2,406	-655,663		555,067
Repurchase of own shares	-	-	-	0		0
Total comprehensive income	-	-	3,986	6,251		10,237
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	-	-	-	-7,215		-7,215
Total comprehensive income	-	-	-8,204	8,622		418
September 30, 2017	15,597	1,192,727	-1,812	-648,005		558,507

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Ongoing activities						
Profit before tax	11,310	15,252	5,014	40,092	11,847	46,925
Income tax paid	-74	-99	-74	-699	-76	-701
Depreciation, amortization & impairment	17,304	15,854	55,066	46,535	71,999	63,468
Other items not affecting liquidity	-5,354	9,416	-12,131	8,207	-2,479	17,859
Cash flow from operating activities before changes in working capital	23,186	40,423	47,875	94,135	81,291	127,551
Changes in working capital						
Increase-/decrease+ in inventories	5,713	-1,512	-2,557	7,266	-7,404	2,419
Increase-/decrease+ in receivables	17,822	9,357	24,920	-34,381	27,465	-31,836
Increase+/decrease- in liabilities	-16,604	-9,058	-6,730	14,366	-7,124	13,972
Cash flow from operating activities	30,117	39,210	63,508	81,386	94,228	112,106
Investment activities						
Investment in intangible assets	-21,929	-16,604	-67,595	-57,208	-90,159	-79,772
Investment in tangible assets	-431	-120	-2,112	-1,336	-2,979	-2,203
Increase-/decrease+ in financial assets, net	-4,574	130	-4,598	72	-4,600	70
Cash flow from investment activities	-26,934	-16,594	-74,305	-58,472	-97,738	-81,905
Financing activities						
Option premium	-	-	763	1,001	763	1,001
Repurchase of own shares	-7,215	-10,307	-7,215	-10,307	-7,215	-10,307
Cash flow from financing activities	-7,215	-10,307	-6,452	-9,306	-6,452	-9,306
Net change in cash and cash equivalents	-4,032	12,309	-17,249	13,608	-9,962	20,895
Exchange differences in cash and cash equivalents	-64	-26	-383	103	-54	432
Cash and cash equivalents at the beginning of the period	201,407	195,044	214,943	193,616	207,327	193,616
Cash and cash equivalents at the end of the period	197,311	207,327	197,311	207,327	197,311	214,943

SEGMENT REPORT

SEK millions	Jul–Sep 2017				Jul–Sep 2016				Jan–Sep 2017				Jan–Sep 2016			
	WE	AM	RoW	Total	WE	AM	RoW	Total	WE	AM	RoW	Total	WE	AM	RoW	Total
Net sales	47	40	18	105	63	41	25	128	134	101	74	309	171	115	85	371
Regional contribution	14	11	2	26	27	15	7	49	40	21	11	72	69	43	20	132
<i>Regional contribution margin</i>	29%	26%	11%	25%	42%	38%	27%	38%	30%	21%	15%	23%	40%	37%	24%	36%
Administration expenses				-10				-13				-36				-40
Development expenses				-10				-16				-44				-54
Net financial items				5				-4				13				1
Profit/loss before tax				11				15				5				40

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	Sep 30, 2017				Dec 31, 2016			
	SEK thousands	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	–	191		2	–	975
Accounts receivable and other receivables, excluding interim receivables			94,705	–		121,056		–
Cash and cash equivalents			197,311	–		214,943		–
Total		292,016	191			335,999		975

Group's financial instruments by category	Sep 30, 2017				Dec 31, 2016			
	SEK thousands	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	–	4,698		2	–	16,782
Derivative instruments		2	–	55		2	–	–
Accounts payable and other liabilities, excluding non-financial liabilities			28,566	–		18,856		–
Total		28,566	4,753			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	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Jul 2016– Jun 2017	Jan–Dec 2016
Net sales	116,154	139,044	351,693	407,548	512,096	567,951
Cost of sales	-45,412	-55,615	-138,563	-160,470	-219,533	-241,440
Gross earnings	70,742	83,429	213,130	247,078	292,563	326,511
Sales and marketing expenses	-27,177	-24,649	-80,888	-75,241	-119,008	-113,361
Administration expenses	-9,602	-9,862	-31,378	-29,031	-46,754	-44,407
Development expenses	-24,589	-25,342	-87,768	-86,528	-119,123	-117,883
Operating earnings	9,374	23,576	13,096	56,278	7,678	50,860
Net financial items	4,456	-3,363	11,857	2,120	6,032	-3,704
Profit before tax	13,830	20,213	24,953	58,398	13,710	47,156
Tax	-2,187	-5,128	-2,912	-12,794	9,321	-561
Net income	11,643	15,085	22,041	45,604	23,031	46,595

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Sep 30, 2017	Dec 31, 2016
ASSETS		
Intangible assets		
Other intangible assets	6,149	5,477
Tangible fixed assets		
Equipment	3,906	2,918
Financial assets		
Participations in group companies	295,068	299,243
Deferred tax asset	-	185
Deposits	4,736	161
Total non-current assets	309,859	307,984
Current assets		
Inventories	48,269	47,065
Accounts receivable	68,575	100,883
Receivables from group companies	147,784	111,348
Other receivables	15,140	21,405
Cash and cash equivalents	187,329	194,423
Total current assets	467,097	475,124
Total assets	776,956	783,108
EQUITY AND LIABILITIES		
Equity		
Restricted equity	128,419	128,419
Non-restricted equity	547,472	532,645
Total equity	675,891	661,064
Non-current liabilities		
Deferred tax liabilities	2,727	-
Other liabilities	10,424	34,483
Total non-current liabilities	13,151	34,483
Current liabilities		
Accounts payable	18,565	13,269
Other liabilities	69,349	74,292
Total current liabilities	87,914	87,561
Total equity and liabilities	776,956	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 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.

The Company's view of the new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts, both effective as of January 1, 2018, continuous and still don't show any significant differences compared to the current principles.

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

During the period July 21 – September 5, the parent company acquired 1,300,000 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 7.2 million. This corresponds to the total number of shares that the parent company has repurchased during 2017.

At the end of the reporting period, the parent company had a total of 5,575,000 of its own class B shares, at an average cost of SEK 4.53 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 383,358,009 class B shares outstanding. All shares issued by the parent company were fully paid.

TAX

The group reported tax of SEK 3.6 (-8.9) million for the period January - September 2017. Reported tax corresponds to an effective tax rate of 72 (-22) percent. Profit before tax of SEK 5.0 (40.1) million includes value changes on synthetic options of SEK 12.8 (3.1) 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 56.9 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 a synthetic option program, 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

¹The 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, which was introduced in the third quarter, 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 October 9 it was announced that Net Insight had won an order from Mediatech for implementing the Live OTT solution Sye for delivery of live sports in Hong Kong. The order from Mediatech included both software and professional services. The product roll-out is expected to be completed in Q4, 2017. The initial order value for the first phase is less than SEK 1 million.

FINANCIAL INFORMATION

SEK millions (if not defined differently)	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct 2016– Sep 2017	Jan–Dec 2016
Earnings						
<i>Net sales by region</i>						
Western Europe	47.4	62.9	134.4	171.2	194.5	231.4
Americas	40.0	40.6	101.2	114.5	149.9	163.2
Rest of World	17.9	24.7	73.8	84.8	97.9	108.9
Net sales	105.4	128.2	309.3	370.5	442.3	503.5
Gross earnings	57.8	81.0	177.5	232.0	261.2	315.7
Operating expenses	51.5	62.1	185.3	193.3	255.3	263.3
Total development expenditure	31.4	32.9	109.8	108.8	150.1	149.1
EBITDA	2.0	18.2	-18.7	30.1	-10.2	38.6
Operating earnings	6.2	18.9	-7.8	38.7	5.8	52.4
Operating earnings, adjusted	7.3	20.9	-4.1	46.5	11.2	61.7
Profit after financial items	11.3	15.3	5.0	40.1	11.8	46.9
Net income	9.5	11.5	8.6	31.2	14.9	37.4
Balance sheet and cashflow						
Working capital	34.7	54.1	39.6	44.9	42.3	47.1
Cash and cash equivalents	197.3	207.3	197.3	207.3	197.3	214.9
Total cash flow	-4.0	12.3	-17.2	13.6	-10.0	20.9
The share						
Dividend per share, SEK	-	-	-	-	-	-
Earnings per share diluted and basic, SEK	0.02	0.03	0.02	0.08	0.04	0.10
Cash flow per share, SEK	-0.01	0.03	-0.04	0.04	-0.03	0.05
Equity per share basic and diluted, SEK	1.45	1.44	1.45	1.43	1.45	1.46
Average number of outstanding shares in thousands, basic and diluted	384,961	386,356	385,426	386,891	385,409	386,582
Share price at end of period, SEK	5.25	7.05	5.25	7.05	5.25	8.90
Employees and consultants						
Employees and consultants at the end of the period	247	241	247	241	242	249
KPI						
Net sales YoY, change in %	-17.8%	52.1%	-16.5%	39.7%	-8.1%	34.0%
Gross margin	54.8%	63.2%	57.4%	62.6%	59.0%	62.7%
Total development expenditure/Net sales	29.8%	25.7%	35.5%	29.4%	33.9%	29.6%
Operating margin	5.9%	14.8%	-2.5%	10.4%	1.3%	10.4%
Operating margin, adjusted	6.9%	16.1%	-1.3%	12.4%	2.5%	12.1%
EBITDA margin	1.9%	14.2%	-6.0%	8.1%	-2.3%	7.7%
Net margin	9.0%	9.0%	2.8%	8.4%	3.4%	7.4%
Return on capital employed	1.0%	6.7%	1.0%	6.8%	1.0%	9.5%
Equity/asset ratio	79.4%	77.9%	79.4%	77.9%	79.4%	77.4%
Return on equity	1.7%	2.1%	1.5%	5.7%	2.6%	6.8%

ALTERNATIVE PERFORMANCE MEASURES AND OTHER DEFINITIONS

Non-IFRS financial measures are presented to enhance an investor's and management 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.

Calculation of performance measures not included in IFRS framework

Various types of performance measures and margin measures as a percentage of sales.		
Performance measures	Description	Reason for use of the measure
Non-IFRS performance measures		
Gross margin	Gross earnings as a percentage of net sales.	The gross margin is of major importance, showing the margin for covering the operating expenses.
Operating expenses	Sales and marketing expenses, administration expenses and development expenses.	
Operating expenses/net sales	Operating expenses as a percentage of net sales.	Used in charts to illustrate trend.
Operating earnings	Calculated as operating earnings before financial items and tax.	Operating earnings provides an overall picture of earnings generated in the operating activities.
Operating margin	Operating earnings as a percentage of net sales.	The operating margin is a key measure together with sales growth and capital employed for monitoring value creation.
Net sales YoY, change in %	The relation between net sales for the period and the corresponding sales for the comparative period.	The sales growth is a key measure together with operating margin and capital employed for monitoring value creation.
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.	This measure is of major importance for management in its monitoring of underlying sales growth driven by changes in volume, price and product mix for comparable currency rates between different periods.
Net margin	Net Income as a percentage of net sales.	The net margin shows the remaining share of net sales after all of the company's costs have been deducted.
Adjusted performance and margin measures	Performance and margin measures adjusted for items affecting comparability between periods. See table Consolidated Income Statement, Adjusted on page 17.	Reporting performance and margin measures not influenced by items affecting comparability between periods shows the performance of the underlying operation.
Total development (R&D) expenditure	Development expenses and capitalized expenditures for development.	The measure is a good complement to development expenses, as it shows the company's total expenditure in development.
Total development (R&D) expenditure/nettoomsättning	Total development expenditure as percentage of net sales.	The development expenditures effect on income, financial position and presentation in the statement of cashflow is affected by the periods capitalization rate.
EBITDA	Operating earnings before depreciation and amortization and capitalization of development expenditure.	The measures are good complements to operating earnings and margin as it, simplified, shows the earnings-generating cash flow in the operation.
EBITDA margin	EBITDA as a percentage of net sales.	
Region	<p>Region corresponds to an operating segment under IFRS 8.</p> <ul style="list-style-type: none"> • Western Europe (WE) • Americas (AM), North and South America • Rest of World (RoW), countries outside of Western Europe and Americas. 	

Performance measures SEK millions (if not defined differently)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Net sales	105.4	128.2	309.3	370.5	442.3	503.5
Net sales YoY, change in %	-17.8%	52.1%	-16.5%	39.7%	-8.1%	34.0%
Cost of sales ex. amortization of capitalized development	-31.6	-32.7	-85.9	-96.0	-120.6	-130.8
Gross earnings ex. amortization of capitalized development	73.8	95.5	223.4	274.5	321.7	372.7
Gross margin ex. amortization of capitalized development	70.0%	74.5%	72.2%	74.1%	72.7%	74.0%
Cost of sales amortization of capitalized development	-16.0	-14.4	-45.9	-42.5	-60.5	-57.1
Gross earnings	57.8	81.0	177.5	232.0	261.2	315.7
Gross margin	54.8%	63.2%	57.4%	62.6%	59.0%	62.7%
Sales and marketing expenses	-31.4	-32.5	-105.4	-100.0	-142.5	-137.1
Administration expenses	-10.3	-13.3	-36.0	-39.5	-50.7	-54.2
Development expenses	-9.9	-16.3	-43.9	-53.7	-62.1	-72.0
Operating expenses	-51.5	-62.1	-185.3	-193.3	-255.3	-263.3
Operating earnings	6.2	18.9	-7.8	38.7	5.8	52.4
Operating margin	5.9%	14.8%	-2.5%	10.4%	1.3%	10.4%
Net financial items	5.1	-3.7	12.9	1.4	6.0	-5.4
Profit before tax	11.3	15.3	5.0	40.1	11.8	46.9
Tax	-1.8	-3.7	3.6	-8.9	3.0	-9.5
Net income for the period	9.5	11.5	8.6	31.2	14.9	37.4
Net margin	9.0%	9.0%	2.8%	8.4%	3.4%	7.4%

Change in net sales in comparable currencies SEK millions (if not defined differently)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016
Net sales	105.4	128.2	309.3	370.5	503.5
Adjusted for other income	-0.4	-0.7	1.5	-2.0	-2.6
Net sales excluding other income	105.0	127.5	310.8	368.5	500.9
Net currency effect of comparable currencies	2.2	-1.2	-6.7	-2.3	-9.4
Net sales in comparable currencies	107.2	126.3	304.0	366.2	491.5
Change in net sales in comparable currencies	-16.0%	50.8%	-17.5%	38.6%	31.1%

Total development expenditure/net sales SEK millions (if not defined differently)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Development expenses	9.9	16.3	43.9	53.7	62.1	72.0
Capitalization of development expenditure	21.5	16.6	65.9	55.1	87.9	77.2
Total development expenditure	31.4	32.9	109.8	108.8	150.1	149.1
Net sales	105.4	128.2	309.3	370.5	442.3	503.5
Total development expenditure/net sales	29.8%	25.7%	35.5%	29.4%	33.9%	29.6%

EBITDA margin SEK millions (if not defined differently)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Operating earnings	6.2	18.9	-7.8	38.7	5.8	52.4
Amortization of capitalized development expenditure	16.0	14.4	45.9	42.5	60.5	57.1
Other depreciation, amortization & impairment	1.3	1.4	9.2	4.0	11.4	6.3
Capitalization of development expenditure	-21.5	-16.6	-65.9	-55.1	-87.9	-77.2
EBITDA	2.0	18.2	-18.7	30.1	-10.2	38.6
Net sales	105.4	128.2	309.3	370.5	442.3	503.5
EBITDA margin	1.9%	14.2%	-6.0%	8.1%	-2.3%	7.7%

Capital and return measures	Shows how capital is utilized and the company's financial strength. Return is a financial term that describes how much the value of an asset changes from an earlier point in time.	
Non-IFRS performance measure	Description	Reason for use of the measure
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.	This measure shows how much working capital that is tied up in the operations and can be put in relation to sales to understand how effectively tied-up working capital is used.
Capital employed	The Company capital employed is calculated as an average of total assets, less total liabilities, excluding interest-bearing liabilities . The Company has no interest-bearing liabilities.	Return on capital employed is the central ratio for measuring the return on the capital tied up in operations.
Return on capital employed	Operating earnings plus interest income, in relation to average capital employed, rolling four quarters.	
Equity/asset ratio	Shareholders' equity divided by the balance sheet total.	A traditional measure for showing financial risk, expressing the amount of restricted equity that is financed by the owners.
Return on equity	Net income as a percentage of average shareholders' equity, rolling four quarters.	Return on equity shows the total return on shareholders' capital and reflects the effect of the company's profitability as well as the financial leverage. The measure is primarily used to analyze shareholder profitability over time.
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 SEK millions	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct 2016– Sep 2017	Jan–Dec 2016
Current assets	365.5	385.3	377.9	373.7	379.3	377.4
Cash and cash equivalents	-199.4	-201.2	-210.9	-200.2	-210.2	-203.1
Short term liabilities	-131.4	-130.0	-127.4	-128.6	-126.8	-127.2
Working capital	34.7	54.1	39.6	44.9	42.3	47.1
Return on capital employed SEK millions (if not defined differently)	Jul–Sep 2017	Jul–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Oct 2016– Sep 2017	Jan–Dec 2016
<i>Capital employed</i>						
Total balance	714.9	712.2	724.2	698.5	721.8	704.8
Non-interest liabilities	-156.1	-158.4	-159.5	-152.8	-159.0	-155.2
Capital employed	558.8	553.8	564.7	545.7	562.8	549.6
<i>Operating earnings less interest income RQ4</i>						
Operating earnings RQ4	5.8	37.3	5.8	37.3	5.8	52.4
Interest income RQ4	0.1	0.1	0.1	0.1	0.1	0.1
<i>Operating earnings less interest income RQ4</i>	<i>5.7</i>	<i>37.2</i>	<i>5.7</i>	<i>37.2</i>	<i>5.7</i>	<i>52.3</i>
Return on capital employed	1.0%	6.7%	1.0%	6.8%	1.0%	9.5%

Equity/asset ratio SEK millions (if not defined differently)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Equity	558.5	555.1	558.5	555.1	558.5	565.3
Total equity and liabilities	703.8	712.2	703.8	712.2	703.8	730.3
Equity/asset ratio	79.4%	77.9%	79.4%	77.9%	79.4%	77.4%

Return on equity SEK millions (if not defined differently)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Net income	9.5	11.5	8.6	31.2	14.9	37.4
Average equity	562.8	547.4	562.8	547.4	562.8	549.6
Return on equity	1.7%	2.1%	1.5%	5.7%	2.6%	6.8%

Shareholders' information	Measures related to the share.	
Non-IFRS performance measure	Description	Reason for use of the measure
Dividend per share	Dividend divided by the average number of outstanding shares during the period.	Measures showing the return of the business to the owners, per share.
Earnings per share (EPS)	Net income divided by the average number of outstanding shares during the period.	
Cash flow per share	Total cash flow, divided by average number of outstanding shares during the period.	
Equity per share	Shareholders' equity divided by number of outstanding shares at the end of the period.	
Average 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).	

Employees	Measures related to employees.	
Non-IFRS performance measure	Description	Reason for use of the measure
Employees and consultants	The number of employees and consultants for non-temporary positions (longer than nine months) and that doesn't replace absent employees.	To supplement the number of employees with consultants gives a better measure of the Company's cost.

Employees and consultants at the end of the period	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Number of employees	209	207	209	207	209	215
Number of consultants	38	36	38	36	38	33
Employees and consultants at the end of the period	247	243	247	243	247	248

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	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Accounting effects due to the acquisition of ScheduALL in October 2015							
Deferred revenue	(a)	-0.5	-1.2	-1.7	-5.7	-2.6	-6.5
Amortization on intangible assets	(b)	-0.6	-0.7	-2.1	-2.1	-2.8	-2.8
		-1.1	-1.9	-3.8	-7.8	-5.4	-9.4
Effects of the Net Insight share price development during the period							
Share-based benefits	(c)	1.9	-0.8	3.7	0.4	2.3	-1.0
Synthetic options, change in value	(d)	4.5	-3.2	12.8	3.1	6.6	-3.2
		6.4	-3.9	16.5	3.5	8.9	-4.1
Other							
Restructuring	(e)	0.0	0.0	0.0	-3.4	0.0	-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. 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.

SEK millions (if not defined differently)	Not	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct 2016– Sep 2017	Jan-Dec 2016
Net sales		105.4	128.2	309.3	370.5	442.3	503.5
Deferred revenue	(a)	0.5	1.2	1.7	5.7	2.6	6.5
Net sales, adjusted		105.8	129.5	311.0	376.2	444.9	510.1
Net sales adjusted YoY, change in %		-18.2%	21.0%	-17.3%	41.9%	-5.7%	34.5%
Cost of sales		-47.6	-47.2	-131.8	-138.5	-181.1	-187.9
Gross earnings, adjusted		58.2	82.3	179.2	237.6	263.8	322.2
Gross margin, adjusted		55.0%	63.6%	57.6%	63.2%	59.3%	63.2%
Operating expenses		-51.5	-62.1	-185.3	-193.3	-255.3	-263.3
Amortization intangible assets, business combinations	(b)	0.6	0.7	2.1	2.1	2.8	2.8
Operating earnings, adjusted		7.3	20.9	-4.1	46.5	11.2	61.7
Operating margin, adjusted		6.9%	16.1%	-1.3%	12.4%	2.5%	12.1%
Net financial items		5.1	-3.7	12.9	1.4	6.0	-5.4
Synthetic options, change in value	(d)	-4.5	3.2	-12.8	-3.1	-6.6	3.2
Profit/loss before tax, adjusted		7.9	20.3	-4.1	44.7	10.7	59.5

NOMINATION COMMITTEE AND ANNUAL GENERAL MEETING

Net Insight's nomination committee for the 2018 Annual General Meeting consists of Jan Barchan (Briban Invest), Lars Bergkvist (Lan-nebo Fonder), Ramsay Brufer (Alecta), Christian Brunlid (Handelsbanken Fonder), and Lars Berg (Chairman of the Net Insight Board). The nomination committee appointed Ramsay Brufer (Alecta) to serve as Chairman of the Committee.

Shareholders wishing to make proposals to the nomination committee can do so by e-mail, by March 14, 2018, to the Chairman of the Nomination Committee Ramsay Brufer, e-post ramsay.brufer@lecta.com.

The Annual Shareholders' Meeting of Net Insight AB (publ) will be held on May 8, 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 20, 2018 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 2018".

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

Year-end report 2017	February 14, 2018
Interim report January – March 2018	April 24, 2018
Annual General Meeting	May 8, 2018
Interim report January – June 2018	July 20, 2018
Interim report January – September 2018	October 26, 2018

Stockholm, October 27, 2017

Fredrik Tumegård

CEO

For more information, please contact:

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This information is information that Net Insight AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08.45 am CET on October 27, 2017.

AUDITORS' REVIEW REPORT

Introduction

We have reviewed the interim report for Net Insight AB (publ) for the period January 1 – September 30, 2017. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, October 27, 2017

Deloitte AB

Therese Kjellberg

Authorized Public Accountant

Net Insight AB (publ)

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