

# Net Insight Year-end Report January–December 2017



netinsight

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

*“Stable profitability in core business under continued cautious market conditions in Q4 2017.”*

Fredrik Tumegård, CEO, Net Insight

## Fourth quarter 2017

- Net sales amounted to SEK 117.5 (133.0) million, a decrease of -11.7 percent year-on-year. In comparable currencies, the decrease was -8.3 percent.
- Operating earnings amounted to SEK 0.7 (12.9) million\*, corresponding to an operating margin of 0.6 (9.7) percent.
- Net income was SEK -2.1 (5.7) million\*. Net financial items were positively affected by SEK 1.7 (-6.3) million for the revaluation of synthetic options.
- Earnings per share, diluted and basic, was SEK -0.01 (0.01).
- Total cash flow was SEK -19.5 (7.3) million.

## January–December 2017

- Net sales amounted to SEK 426.7 (503.5) million, a decrease of -15.2 percent. In comparable currencies, the decrease was -15.1 percent.
- Operating earnings amounted to SEK -9.5 (49.4) million\*, corresponding to an operating margin of -2.2 (9.8) percent.
- Net income was SEK 3.7 (35.2) million\*. Net financial items were positively affected by SEK 14.5 (-3.2) million for the revaluation of synthetic options.
- Earnings per share, diluted and basic, was SEK 0.01 (0.09).
- Total cash flow was SEK -36.8 (20.9) million.

## FINANCIAL SUMMARY

SEK millions	Oct–Dec 2017	Oct–Dec 2016	Change	Jan–Dec 2017	Jan–Dec 2016	Change
<b>Net sales by region</b>						
Western Europe	60.3	60.1	0.2%	194.6	231.4	-15.9%
Americas	32.2	48.7	-33.8%	133.4	163.2	-18.3%
Rest of World	25.0	24.2	3.3%	98.7	108.9	-9.4%
<b>Net sales</b>	<b>117.5</b>	<b>133.0</b>	<b>-11.7%</b>	<b>426.7</b>	<b>503.5</b>	<b>-15.2%</b>
Operating earnings*	0.7	12.9	-94.9%	-9.5	49.4	-119.2%
Operating margin	0.6%	9.7%	-94.3%	-2.2%	9.8%	
Net income*	-2.1	5.7		3.7	35.2	-89.5%
EBITDA	-6.9	8.5		-25.6	38.6	-166.3%
EBITDA margin	-5.9%	6.4%		-6.0%	7.7%	
Total cash flow	-19.5	7.3		-36.8	20.9	

\*) The Company has adjusted its calculation method for capitalized development expenditure in certain development projects. The adjustment has been applied retroactively. For the period January–September 2017, operating earnings were adjusted by SEK -2.3 million and net income by SEK -1.8 million. For the period October–December 2016, operating earnings were adjusted by SEK -0.8 million and net income by SEK -0.6 million. For the period January–December 2016, operating earnings were adjusted by SEK -2.9 million and net income by SEK -2.3 million.

# CEO's statement

## Stable profitability in core business under continued cautious market conditions in Q4 2017

**The full year 2017, was challenging for Net Insight, and for the industry as a whole. The ongoing industry transformation is mainly driven by changing viewing patterns and customer requirements. At the same time, there were no major international sports events in 2017, which contributed to more hesitant market conditions. The International Trade Association for Broadcast & Media Technology (IABM) confirmed this view in a report published at the end of the year.**



**The commercialization of Sye is now fully underway.**

Sales for the full year 2017 totaled SEK 427 (504) million, with an operating margin of -2 (10) percent. Operating earnings for the full year were SEK -9 (49) million. Sye (Net Insight's live OTT service) made a negative contribution on operating earnings of SEK -42 (-15) million.

Our assessment is that although the market has stabilized, the transformation process is set to continue for some time. The underlying business was solid in the quarter, and we signed an agreement with a major global media services provider in remote production. The commercialization of Sye is now fully underway. In the quarter, we concluded an agreement with Mediatech in Hong Kong relating to a synchronized streaming solution for live sports in Asia. We have also developed a cloud solution, which means that we can offer Sye as a complete service for small to medium-sized customers.

During the quarter, TATA began its global roll-out of Sye, which means that the company can now initiate focused marketing and sales of its global VDN (Video Delivery Network) streaming service with ultra-low delay. Ericsson also began integrating Sye with its UDN (Unified Delivery Networks), an important milestone in the quarter. In both cases, the business model is based on revenues being generated as customers start using the service.

In the Q3 Interim Report, we concluded that "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". This turned out to be correct, with fourth quarter sales at SEK 117 (133) million, representing a decrease of -12 percent (-8 percent currency adjusted) compared to the corresponding quarter in the record year 2016.

Operating margin in the fourth quarter was 1 (10) percent, corresponding to operating earnings of SEK 1 (13) million. Cash flow was SEK -20 (7) million, influenced by the continued development and commercialization of Sye.

The acquisition of ScheduALL has improved our control of the complete value chain and strengthened our product portfolio. Our CPN (Customer Provisioned Networks) offering, which automates booking of network capacity for



high quality video transmission in real-time, has attracted a number of new customers.

It's only natural for transformations to take time, especially when encompassing all parts of the value chain. The technology of the future is already here and is driving progress. However, in 2017 it became clear that the market needs more time to adapt content and business models to changing consumer behavior.

During the year, we consolidated our organization and made changes to management. The purpose was to ensure we have the right competences in place for taking Net Insight into the future. Even if it takes time for these changes to feed through, we are confident about our business strategy and that the investments we are making create the right conditions for future growth.

Stockholm, Sweden, February 14, 2018

Fredrik Tumegård, CEO

## MARKET PROGRESS

The ongoing transformation of the global media market is characterized by changing consumer behavior and customer requirements. The continued rapid growth in TV content is expected to lead to increased demand for capacity in the future, and to growing demand for new distribution channels and innovative business models. The presently uncertain and somewhat challenging market conditions mean that operators are more cautious when making investment decisions.

Data from sector organization IABM indicated low growth for the media technology and services sector as a whole for most of 2017, where smaller companies similar to Net Insight experienced more challenging conditions than the sector as a whole. The absence of major sports events in 2017 also had a negative impact on sales.

Net Insight has a strong market position through its unique offering, extensive customer portfolio and enhanced sales organization. The foundations are in place for continuing to capitalize on future business opportunities as more customers catch up with the technology. Investments in remote production began to pay off in the fourth quarter, with the announcement of a major order in Asia. Net Insight also announced a deal with NEP The Netherlands relating to the integration of resource planning solution ScheduALL to radically rationalize end-to-end services.

Net Insight was awarded Career Company 2018 for the third consecutive year. Net Insight was also included in Streaming Media Europe 101 companies as one of the most important, inspiring and innovative online video companies in Europe 2017.

In the third quarter, the following was communicated: "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". This turned out to be correct, since the hesitant market conditions continued during the fourth quarter. Sales in the second half of the year 2017 were 222,8 MSEK (261,2), which is a decrease of -14,7% compared to the same period 2016.

### Live OTT progress

The market for OTT video content is continuing to expand significantly and is moving TV viewing away from linear broadcast TV. The live OTT video segment is outgrowing the on-demand market, albeit from a lower level. The TV market, and especially the OTT market, is undergoing pronounced change and many new operators such as Amazon, Facebook and Twitter have started to offer live OTT streaming and acquired exclusive sports rights for streaming to end customers. According to research company Ovum, subscriptions for OTT services driven by linear streaming are currently the fastest growing segment in the online video market. This segment currently represents one fifth of the global OTT market, and Ovum predicts that by 2022 it will represent at least one third of the market.

At the beginning of the fourth quarter Net Insight announced its first contract for Sye in Asia — Hong Kong-based partner Mediatech is implementing a streaming solution with synchronization and ultra-low delay for live sports in Asia. In order to make Sye available to customers with the need for live streaming, Net Insight has developed a solution adapted for browsers. In addition, Sye will be offered as a service to more customers via major cloud operators' platforms. Swedish auction house Kaplans will be the first using Sye to stream online auctions in real-time. They will be the first commercial customer to implement the solution, which will be fully launched towards the end of the first quarter 2018.

During the quarter, TATA began a focused marketing and sales initiative for its global Sye-based VDN streaming service with ultra-low delay. Ericsson also began integrating Sye with the UDN in its global service in the quarter. In both cases, the business model with Sye is based on continuous revenue streams being generated in line with the roll-out of customer services and as end customers start using the service.

In the Interim Report for January–September, we communicated Net Insight's ambition to initiate at least one live OTT collaboration with a major reference customer before year end. This ambition proved to be challenging as customer decisions are taking longer than anticipated. This is due to a combination of new technology and customers having to revise their business models. Net Insight is currently conducting tests with various potential partners and customers, although more time will be needed for the market to catch up with the technology. Net Insight continues to approach the market at an undiminished pace through active and positive dialogue with a number of established operators. All customer contacts indicates that Net Insight remains the sole provider globally to offer synchronized live transmission via the internet on multiple screens simultaneously.

## REVENUES

### Fourth quarter

Net sales in the fourth quarter of 2017 were SEK 117.5 (133.0) million, a decrease of -11.7 percent year-on-year. In comparable currencies, net sales decreased by -8.3 percent. In regions Western Europe and Rest of World net sales were in line with the corresponding quarter in the previous year, with Americas representing the divergence in year-on-year terms. The fourth quarter saw increased market activity compared to the preceding quarters of the year, even if the market remained hesitant.

Net sales in Western Europe were SEK 60.3 (60.1) million. Net Insight won orders mainly from existing customers in the quarter, with the DACH nations, the UK and Scandinavia as the drivers.

Net sales in the Americas region were SEK 32.2 (48.7) million. In the fourth quarter 2016, Net Insight won a major order from a single customer in North America which was not repeated in 2017. During the year, the market was affected by consolidation among customers, which affected sales. In 2017, Net Insight expanded its sales force by recruiting new staff. The aim is to increase the focus on new customer sales, a necessary step for driving growth in the region.

Net sales in Rest of World were SEK 25.0 (24.2) million. Sales to India were positive in the quarter, also driven by remote production solutions for sports events. The Winter Olympic Games in South Korea also made a positive contribution, albeit limited.

Net sales in the Broadcast & Media (BMN) business area were 84 (84) percent, in Digital Terrestrial TV (DTT) 16 (15) percent and in CATV/IPTV 0 (1) percent of total sales.

Net sales from hardware were SEK 396 (51.2) million and net sales from software licenses totaled SEK 364 (38.5) million. The decrease in hardware sales was mainly due to the North American market and individual customers. Sales of support and services amounted to SEK 404 (42.7) million. The above figures exclude other operating revenue of SEK 1.0 (0.6) million, which comprises translation differences on accounts receivable in foreign currencies.

### Full year

Net sales in 2017 were SEK 426.7 (503.5) million, a decrease of -15.2 percent. In comparable currencies net sales decreased by -15.1 percent.

In general, for all regions, the decrease was driven by the absence of major global events and a market in transition, which implied delayed investment decisions. This was more pronounced during the second and third quarters of the year, and in the Western Europe and Americas regions.

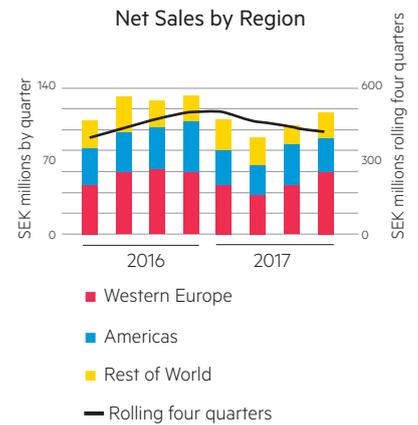
Net sales in Western Europe were SEK 194.6 (231.4) million, corresponding to a decrease of -15.9 percent. The general sales decrease across the region was due to the reasons outlined above.

Net sales in the Americas region were SEK 133.4 (163.2) million, a decrease of -18.3 percent. South America saw a relatively sharp downturn, partly due to the 2016 Olympic Games in Brazil. The US market was weak as a result of general market conditions, but also because of a few key customers who were subject to industry consolidation. The US is the world's largest media market, and Net Insight invested in a new sales team during the year with the aim of ensuring future growth.

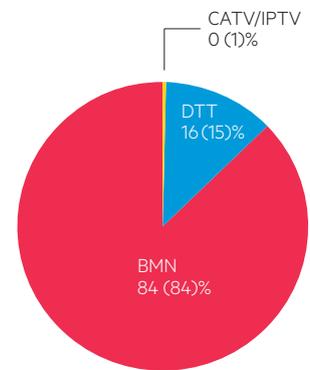
Net sales in Rest of World were SEK 98.7 (108.9) million in 2017, corresponding to a decrease of -9.4 percent. The region has been less affected by the absence of major global events than other regions. During the year, Net Insight signed significant contracts with new customers for both Nimbra and ScheduALL solutions.

Net sales in the Broadcast & Media (BMN) business area were 88 (88) percent, in Digital Terrestrial TV (DTT) 11 (12) percent and in CATV/IPTV 0 (1) percent of total sales.

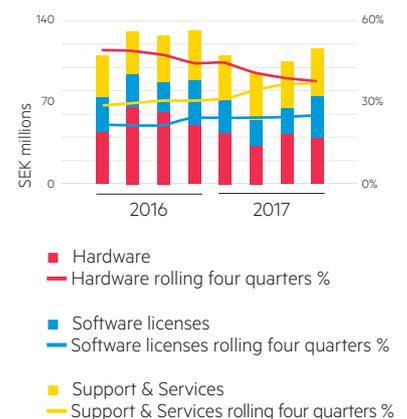
Net sales from hardware were SEK 160.6 (224.0) million. Net sales from software licenses were SEK 107.5 (122.8) million. The decrease is due to the causes outlined in the sections describing regional performance, where the absence of major global events was the main factor influencing hardware sales in the period. Net sales from support and services amounted to SEK 159.1 (154.1) 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 -0.5 (2.6) million, which comprises translation differences on accounts receivable in foreign currencies.



### Net Sales by Business Area Oct-Dec 2017



### Net Sales by Product Group



## EARNINGS

### Fourth quarter

Gross earnings was SEK 70.0 (83.8) million. The decrease was mainly related to lower sales volumes and slightly lower margins from product sales. Gross margin was 59.6 percent (63.0). Gross earnings included amortization of capitalized development expenditure of SEK -15.3 (-14.5) million. The lower gross margin was partly due to amortization of capitalized development expenditure comprising a larger proportion of net sales and slightly lower prices in the quarter. Gross margin excluding amortization of capitalized development expenditure was 72.6 (73.9) percent.

Operating expenses in the fourth quarter were SEK 69.3 (70.9) million. A minor increase in sales and marketing expenses was offset by lower development expenses. This is a result from an increased level of capitalized development expenditures, since more resources are allocated to projects in phases where expenditures are capitalized. Sales and marketing expenses increased mainly due to the commercialization of Sye. Total development expenditures were SEK 40.6 (40.3).

Operating earnings were SEK 0.7 (12.9) million, corresponding to an operating margin of 0.6 (9.7) percent. The lower operating earnings year-on-year were mainly due to reduced sales volumes in the US. EBITDA was SEK -6.9 (8.5) million, corresponding to an EBITDA margin of -5.9 (6.4) percent. Activities in development, sales and marketing of the company's live OTT solution Sye had a net effect on operating earnings and EBITDA of SEK -12.4 (-3.7) million and SEK -17.7 (-13.4) million respectively.

In the fourth quarter, net financial items were positively affected by SEK 1.7 (-6.3) million for the revaluation of synthetic options programs, due to a lower share price in the quarter. Net financial items amounted to SEK 2.2 (-6.8) million.

Profit before tax was SEK 2.8 (6.1) million, and net income for the period was SEK -2.1 (5.7) million, corresponding to a net margin of -1.8 (4.3) percent. Net income for the period was effected by SEK -1.7 million in revaluation of deferred tax assets as a result of changed corporation tax legislation in the US.

### Full year

For the full year 2017, gross earnings were SEK 248.0 (315.8) million. The decrease was mainly the result of lower net sales. Gross margin was 58.1 (62.7) percent. Gross profit included amortization of capitalized development expenditure of SEK -60.7 (-56.9) million. The lower gross margin was due to amortization of capitalized development expenditure comprising an increased proportion of net sales and lower hardware prices. Gross margin excluding amortization of capitalized development expenditure was down on the previous year at 72.3 (74.0) percent.

Operating expenses for the full year were SEK 257.5 (266.4) million. Sales and marketing expenses increased by SEK 7.6 million to SEK 144.7 (137.1) million, mainly driven by increased marketing activities and more resources allocated to sales and marketing of Sye. Development expenses were SEK 63.1 (75.0) million. The decrease was attributable to an increased level of capitalized development expenditures. Total development expenditure was SEK 150.4 (149.1) million.

Operating earnings for the full year were SEK -9.5 (49.4) million, corresponding to an operating margin of -2.2 (9.8) percent. The loss was mainly due to reduced sales volumes and lower gross margins, partly offset by lower costs. EBITDA was SEK -25.6 (38.6) million, corresponding to an EBITDA margin of -6.0 (7.7) percent. Activities in development, sales and marketing of the company's live OTT solution Sye had a net effect on operating earnings and EBITDA of SEK -42.2 (14.5) million and SEK -59.0 (41.6) million respectively. Adjusted operating earnings, see table on page 20, were SEK -4.6 (58.8) million, corresponding to an adjusted operating margin of -1.1 (11.5) percent.

Net financial items were SEK 15.0 (-5.4) million, of which SEK 14.5 (-3.2) million was attributable to value changes in synthetic option programs. The value change was due to a lower share price at the end of the year.

Profit before tax was SEK 5.5 (44.0) million and net income for the period was SEK 3.7 (35.2) million, corresponding to a net margin of 0.9 (7.0) percent. See also the section Tax on page 13.

## INVESTMENTS

Fourth quarter investments were SEK 26.1 (22.6) million, of which SEK 24.2 (21.2) million related to capitalization of development expenditure. Depreciation and amortization in the period was SEK 16.7 (16.8), of which SEK 15.3 (14.5) was related to amortization of capitalized development expenditure.

Full year investments were SEK 97.6 (78.8) million, of which SEK 87.3 (74.1) million related to capitalization of development expenditure. Depreciation and amortization was SEK 71.2 (63.3) million in the period, of which SEK 60.7 (56.9) 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 does not impact profit as it is offset by compensation paid.

The net value of capitalized development expenditure at the end of the period was SEK 251.6 (225.9) million.

Key Ratios	Oct-Dec 2017	Oct-Dec 2016
Net sales, SEK millions	117.5	133.0
Gross margin	59.6%	63.0%
Operating margin	0.6%	9.7%
EBITDA margin	-5.9%	6.4%

Key Ratios	Jan-Dec 2017	Jan-Dec 2016
Net sales, SEK millions	426.7	503.5
Gross margin	58.1%	62.7%
Operating margin	-2.2%	9.8%
EBITDA margin	-6.0%	7.7%



## CASH FLOW AND FINANCIAL POSITION

Cash flow in the fourth quarter was SEK -19.5 (7.3) million. Adjusted for repurchases of own shares, totaling SEK 4 (-) million, cash flow was SEK -15.5 (7.3). The negative cash flow was due to accumulated trade receivables caused by late invoicing in the quarter, and that cash flow from operating activities does not cover R&D investment activities.

Cash flow for the full year was SEK -36.8 (20.9) million. Adjusted for repurchases of own shares, totaling SEK 11.2 (10.3) million, cash flow was SEK -25.5 (31.2) million. The negative cash flow was due to decreased sales, which reduced cash flow from operating activities.

Cash and cash equivalents were SEK 177.7 (214.9) million as of December 31, 2017.

Remaining tax loss carry-forwards for Group companies were SEK 55.8 (51.5) million at the end of the period. See also section Tax on page 13.

Equity was SEK 548.0 (563.0) million at the end of the period, with an equity/assets ratio of 78.6 (77.3) percent. For more information see the section Contributed equity on page 12.

## EMPLOYEES

At the end of the period, Net Insight had 249 (248) employees and consultants, of which 158 (156) were employed by parent company Net Insight AB (publ).

During the quarter, two new members of the management team were recruited. Marcus Sandberg was appointed vice president business development from January 1, 2018 and Gustav Grundström was appointed vice president live OTT from the end of March, 2018.

## PARENT COMPANY

The parent company's net sales in the fourth quarter were SEK 135.2 (160.4) million, and net income for the period was SEK -15.8 (1.0) million. In the fourth quarter, intra-group sales were SEK 39.0 (47.7) million, and intra-group purchases were SEK -64.9 (-71.0) million.

Full year net sales were SEK 486.9 (568.0) million, and net income was SEK 6.2 (46.6) million. Full year intra-group sales were SEK 139.3 (136.0) million, and intra-group purchases were SEK -163.3 (-166.2) million.

Progress in the parent company, both in the fourth quarter and the full year, was largely in line with the group's progress outlined above.

## RISK AND SENSITIVITY ANALYSIS

Net Insight's operations and earnings are affected by a number of external and internal factors. The company has a continuous process for identifying all risks present, and to determine how each risk should be managed.

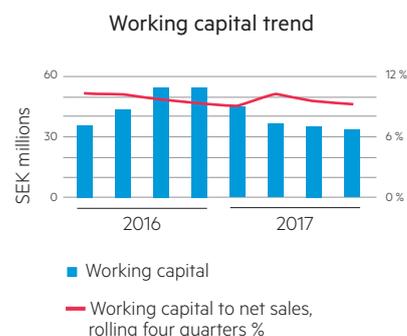
The company is primarily exposed to market-related risks (including competition, technological progress and political risks), operational risks (including product liability, intellectual property, disputes, customer dependency and contract risks) as well as financial risks.

No additional critical risks or uncertainty factors, other than those reviewed in the Annual Report for 2016, arose in 2017 or are anticipated in 2018.

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, second and third quarters, net sales were 24 percent respectively, and in the fourth quarter 28 percent of yearly sales.



## CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Oct–Dec 2017	Oct–Dec 2016*	Jan–Dec 2017*	Jan–Dec 2016*
Net sales	117,460	133,017	426,746	503,522
Cost of sales	-47,464	-49,235	-178,707	-187,712
<b>Gross earnings</b>	<b>69,996</b>	<b>83,782</b>	<b>248,039</b>	<b>315,810</b>
Sales and marketing expenses	-39,332	-37,055	-144,741	-137,094
Administration expenses	-13,680	-14,738	-49,680	-54,249
Development expenses	-16,332	-19,079	-63,100	-75,031
<b>Operating earnings</b>	<b>652</b>	<b>12,910</b>	<b>-9,482</b>	<b>49,436</b>
Net financial items	2,163	-6,828	15,018	-5,429
<b>Profit before tax</b>	<b>2,815</b>	<b>6,082</b>	<b>5,536</b>	<b>44,007</b>
Tax	-4,933	-417	-1,829	-8,841
<b>Net income</b>	<b>-2,118</b>	<b>5,665</b>	<b>3,707</b>	<b>35,166</b>
<b>Net income for the period attributable to the shareholders of the parent company</b>	<b>-2,118</b>	<b>5,665</b>	<b>3,707</b>	<b>35,166</b>
<b>Earnings per share, based on net income attributable to the parent company's shareholders during the period</b>	<b>Oct–Dec 2017</b>	<b>Oct–Dec 2016*</b>	<b>Jan–Dec 2017*</b>	<b>Jan–Dec 2016*</b>
Earnings per share, basic (SEK)	-0.01	0.01	0.01	0.09
Earnings per share, diluted (SEK)	-0.01	0.01	0.01	0.09
Average number of outstanding shares in thousands, basic	383,949	385,658	385,057	386,582
Average number of outstanding shares in thousands, diluted	383,949	386,658	385,057	386,833

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Oct–Dec 2017	Oct–Dec 2016*	Jan–Dec 2017*	Jan–Dec 2016*
<b>Net income</b>	<b>-2,118</b>	<b>5,665</b>	<b>3,707</b>	<b>35,166</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to the income statement</i>				
Translation differences	679	3,986	-7,525	6,619
<b>Total other comprehensive income, after tax</b>	<b>679</b>	<b>3,986</b>	<b>-7,525</b>	<b>6,619</b>
Total other comprehensive income for the period	-1,439	9,651	-3,818	41,785
<b>Total comprehensive income for the period attributable to the shareholders of the parent company</b>	<b>-1,439</b>	<b>9,651</b>	<b>-3,818</b>	<b>41,785</b>

\* The Company has adjusted its calculation method for capitalized development expenditures in certain development projects. See section Accounting policies on page 12.

## CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Dec 31, 2017	Sep 30, 2017*	Dec 31, 2016*
<b>ASSETS</b>			
<b>Intangible assets</b>			
Capitalized expenditure for development	251,622	245,759	225,948
Goodwill	58,452	57,640	64,136
Other intangible assets	19,458	16,263	26,037
<b>Tangible assets</b>			
Equipment	4,636	4,124	3,123
<b>Financial fixed assets</b>			
Deferred tax asset	13,756	18,850	16,163
Deposits	4,911	4,907	309
<b>Total non-current assets</b>	<b>352,835</b>	<b>347,543</b>	<b>335,716</b>
<b>Current assets</b>			
Inventories	43,598	48,269	47,065
Accounts receivable	106,186	88,616	111,121
Other receivables	16,551	18,032	19,198
Cash and cash equivalents	177,745	197,311	214,943
<b>Total current assets</b>	<b>344,080</b>	<b>352,228</b>	<b>392,327</b>
<b>TOTAL ASSETS</b>	<b>696,915</b>	<b>699,771</b>	<b>728,043</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to parent company's shareholders</b>			
Share capital	15,597	15,597	15,597
Other paid-in capital	1,192,727	1,192,727	1,192,727
Translation difference	-1,133	-1,812	6,392
Accumulated deficit	-659,225	-652,069	-651,688
<b>Total shareholders' equity</b>	<b>547,966</b>	<b>554,443</b>	<b>563,028</b>
<b>Non-current liabilities</b>			
Other liabilities	19,738	20,413	43,222
<b>Total non-current liabilities</b>	<b>19,738</b>	<b>20,413</b>	<b>43,222</b>
<b>Current liabilities</b>			
Accounts payable	21,841	20,879	14,996
Other liabilities	107,370	104,036	106,797
<b>Total current liabilities</b>	<b>129,211</b>	<b>124,915</b>	<b>121,793</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>696,915</b>	<b>699,771</b>	<b>728,043</b>

\*) The Company has adjusted its calculation method for capitalized development expenditures in certain development projects. See section Accounting policies on page 12.

## 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	
<b>January 1, 2016</b>	<b>15,597</b>	<b>1,192,727</b>	<b>-227</b>	<b>-676,547</b>	<b>531,550</b>
Repurchase of own shares	-	-	-	-10,307	-10,307
Total comprehensive income	-	-	6,619	35,166	41,785
<b>December 31, 2016</b>	<b>15,597</b>	<b>1,192,727</b>	<b>6,392</b>	<b>-651,688</b>	<b>563,028</b>
<b>January 1, 2017</b>	<b>15,597</b>	<b>1,192,727</b>	<b>6,392</b>	<b>-651,688</b>	<b>563,028</b>
Repurchase of own shares	-	-	-	-11,244	-11,244
Total comprehensive income	-	-	-7,525	3,707	-3,818
<b>December 31, 2017</b>	<b>15,597</b>	<b>1,192,727</b>	<b>-1,133</b>	<b>-659,225</b>	<b>547,966</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
<b>Ongoing activities</b>				
Profit before tax	2,815	6,082	5,536	44,007
Income tax paid	-173	-2	-247	-701
Depreciation, amortization & impairment	16,652	16,833	71,154	63,308
Other items not affecting liquidity	-217	9,652	-12,348	17,859
<b>Cash flow from operating activities before changes in working capital</b>	<b>19,077</b>	<b>32,565</b>	<b>64,095</b>	<b>124,473</b>
<b>Changes in working capital</b>				
Increase-/decrease+ in inventories	2,663	-4,847	106	2,419
Increase-/decrease+ in receivables	-15,473	2,544	9,447	-31,837
Increase+/decrease- in liabilities	4,348	-394	-2,382	13,972
<b>Cash flow from operating activities</b>	<b>10,615</b>	<b>29,868</b>	<b>71,266</b>	<b>109,027</b>
<b>Investment activities</b>				
Investment in intangible assets	-25,331	-21,712	-90,069	-76,693
Investment in tangible assets	-794	-867	-2,906	-2,203
Increase-/decrease+ in financial assets, net	-4	-2	-4,602	70
<b>Cash flow from investment activities</b>	<b>-26,129</b>	<b>-22,581</b>	<b>-97,577</b>	<b>-78,826</b>
<b>Financing activities</b>				
Option premium	-	-	763	1,001
Repurchase of own shares	-4,029	-	-11,244	-10,307
<b>Cash flow from financing activities</b>	<b>-4,029</b>	<b>0</b>	<b>-10,481</b>	<b>-9,306</b>
<b>Net change in cash and cash equivalents</b>	<b>-19,543</b>	<b>7,287</b>	<b>-36,792</b>	<b>20,895</b>
Exchange differences in cash and cash equivalents	-23	329	-406	432
Cash and cash equivalents at the beginning of the period	197,311	207,327	214,943	193,616
<b>Cash and cash equivalents at the end of the period</b>	<b>177,745</b>	<b>214,943</b>	<b>177,745</b>	<b>214,943</b>

## SEGMENT REPORT

SEK millions	Oct–Dec 2017				Oct–Dec 2016				Jan–Dec 2017				Jan–Dec 2016			
	WE	AM	RoW	Total												
Net sales	60	32	25	<b>117</b>	60	49	24	<b>133</b>	195	133	99	<b>427</b>	231	163	109	<b>504</b>
Regional contribution	18	8	5	<b>31</b>	25	17	4	<b>47</b>	57	31	15	<b>103</b>	94	60	25	<b>179</b>
<i>Regional contribution margin</i>	30%	25%	19%	<b>26%</b>	42%	35%	18%	<b>35%</b>	29%	24%	15%	<b>24%</b>	41%	37%	23%	<b>35%</b>
Administration expenses				<b>-14</b>				<b>-15</b>				<b>-50</b>				<b>-54</b>
Development expenses				<b>-16</b>				<b>-19</b>				<b>-63</b>				<b>-75</b>
Net financial items				<b>2</b>				<b>-7</b>				<b>15</b>				<b>-5</b>
<b>Profit/loss before tax</b>				<b>3</b>				<b>6</b>				<b>6</b>				<b>44</b>

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	Dec 31, 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
<b>Assets in Balance Sheet</b>						
Derivative instruments	2	-	556	2	-	975
Accounts receivable and other receivables, excluding non-financial assets		112,031	-		121,056	-
Cash and cash equivalents		177,745	-		214,943	-
<b>Total</b>		<b>289,776</b>	<b>556</b>		<b>335,999</b>	<b>975</b>

Group's financial instruments by category	Dec 31, 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
<b>Liabilities in Balance Sheet</b>						
Synthetic options	2	-	3,003	2	-	16,782
Accounts payable and other liabilities, excluding non-financial liabilities		29,169	-		18,856	-
<b>Total</b>		<b>29,169</b>	<b>3,003</b>		<b>18,856</b>	<b>16,782</b>

### 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	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Net sales	135,232	160,403	486,925	567,951
Cost of sales	-62,310	-80,970	-200,873	-241,440
<b>Gross earnings</b>	<b>72,922</b>	<b>79,433</b>	<b>286,052</b>	<b>326,511</b>
Sales and marketing expenses	-49,156	-38,120	-130,044	-113,361
Administration expenses	-12,070	-15,376	-43,448	-44,407
Development expenses	-34,740	-31,355	-122,508	-117,883
<b>Operating earnings</b>	<b>-23,044</b>	<b>-5,418</b>	<b>-9,948</b>	<b>50,860</b>
Net financial items	2,512	-5,825	14,369	-3,704
<b>Profit/loss before tax</b>	<b>-20,532</b>	<b>-11,243</b>	<b>4,421</b>	<b>47,156</b>
Tax	4,721	12,233	1,809	-561
<b>Net income</b>	<b>-15,811</b>	<b>990</b>	<b>6,230</b>	<b>46,595</b>

## PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Dec 31, 2017	Sep 30, 2017	Dec 31, 2016
<b>ASSETS</b>			
<b>Intangible assets</b>			
Other intangible assets	6,875	6,149	5,477
<b>Tangible fixed assets</b>			
Equipment	4,414	3,906	2,918
<b>Financial assets</b>			
Participations in group companies	295,068	295,068	299,243
Deferred tax asset	1,994	-	185
Deposits	4,736	4,736	161
<b>Total non-current assets</b>	<b>313,087</b>	<b>309,859</b>	<b>307,984</b>
<b>Current assets</b>			
Inventories	43,598	48,269	47,065
Accounts receivable	86,438	68,575	100,883
Receivables from group companies	132,978	147,784	111,348
Other receivables	13,809	15,140	21,405
Cash and cash equivalents	166,200	187,329	194,423
<b>Total current assets</b>	<b>443,023</b>	<b>467,097</b>	<b>475,124</b>
<b>Total assets</b>	<b>756,110</b>	<b>776,956</b>	<b>783,108</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	128,419	128,419	128,419
Non-restricted equity	527,631	547,472	532,645
<b>Total equity</b>	<b>656,050</b>	<b>675,891</b>	<b>661,064</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	-	2,727	-
Other liabilities	9,246	10,424	34,483
<b>Total non-current liabilities</b>	<b>9,246</b>	<b>13,151</b>	<b>34,483</b>
<b>Current liabilities</b>			
Accounts payable	20,284	18,565	13,269
Other liabilities	70,530	69,349	74,292
<b>Total current liabilities</b>	<b>90,814</b>	<b>87,914</b>	<b>87,561</b>
<b>Total equity and liabilities</b>	<b>756,110</b>	<b>776,956</b>	<b>783,108</b>

## 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 has adjusted its calculation method for capitalized development expenditure in certain development projects. The adjustments has been applied retroactively. For the period January–September, 2017 (January–December, 2016) operating earnings were adjusted by SEK -2.3 (-2.9) million, tax by SEK 0.5 (0.6) million and net income by SEK -1.8 (-2.3) million. As of September 30, 2017 (December 31, 2016) capitalized expenditure for development were adjusted by SEK -5.2 (-2.9) million, deferred tax assets by SEK 1.1 (0.6) million and equity by SEK -4.1 (-2.3) million.

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 for 2016.

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.

### New accounting standards to be applied after 2017

IFRS 9 Financial Instruments addresses the classification, measurement, recognition, impairment and de-recognition of financial instruments as well as hedge accounting. Effective date is January 1, 2018. The standard was endorsed by the EU on November 22, 2016. Net Insight will apply the new rules from January 1, 2018.

As part of the Company's implementation project for IFRS 9, the Company has reviewed classification and measurement of its financial assets and liabilities under IFRS 9 with the following result. The Company has concluded that IFRS 9 has no impact on the Company's accounting for financial liabilities. Regarding financial assets, the overall assessment is to treat them in accordance to the business model 'Hold to Collect', since the purpose is to collect contractual cash flows and the investments are held to maturity. Accounting for 'Hold to Collect' is carried out at amortized cost which means no change from current accounting.

IFRS 9 introduces a new impairment model for financial assets, moving from an 'incurred loss model' to an 'expected loss model'. This affects the calculation of provisions for bad debts and will result in an expected loss being provided for on all financial receivables, including those not overdue. Net Insight has created a new model for calculating bad debt provisions related to trade receivables. The 'simplified approach' will be applied, i.e. the provision will equal the lifetime expected loss. The effect from applying the new model does not lead to any significant increase of the bad debt provision for the Company, hence no opening balance adjustments in 2018.

The group has confirmed that new hedge accounting rules in IFRS 9 has no impact on the Company's accounting and the Company will continue to not apply any hedge accounting.

IFRS 15 Revenue from Contracts IFRS 15 replaces IAS 18 and IAS 11 and establishes a new mindset for revenue recognition. Effective date is January 1, 2018. The standard was endorsed by the EU on September 22, 2016. Net Insight adopts IFRS 15 with full retrospective application.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, i.e. under IFRS 15 there is a focus on the 'transfer of control' instead of 'transfer of risks and rewards' under current standards. IFRS 15 introduces a five-step model to be applied to all contracts with customers in order to establish when and how to recognize revenue. The core principle in the five-step model is:

1. Identify contracts with customers.
2. Identify the separate performance obligations.
3. Determine the transaction price of the contract.
4. Allocate the transaction price to each of the separate performance obligations.
5. Recognize the revenue as each performance obligation is satisfied.

The transition to IFRS 15 will be done by applying the retrospective method according to IFRS 15 transition guidance. Transitioning to IFRS 15 with a retrospective application means that IFRS 15 will be applied as if it has always been applied. Therefore, numbers for 2017 will be restated as applicable, and periods prior to January 1, 2017 will be restated through adjustments to the opening balances of 2017.

The Company has completed its assessment of the impact of IFRS 15 to its financial statements for all relevant comparative periods. The allocation of the transaction price to each of the separate performance obligations for certain contracts will be changed at the transition to IFRS 15. The estimated impact of IFRS 15 is a net reduction to equity at transition date, January 1, 2018, of SEK -1.9 million and at January 1, 2017 SEK -1.7 million, and a net effect on net income of SEK -0.2 million for 2017.

## CONTRIBUTED EQUITY

During the period October 27–December 21, the parent company acquired 705,000 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 4.0 million. During the year, the parent company acquired a total of 2,005,000 of its own class B shares. The total amount paid to acquire the shares, net of income tax, was SEK 11.2 million.

At the end of the reporting period, the parent company had a total of 6,280,000 of its own class B shares, at an average cost of SEK 4.66 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 382,653,009 class B shares outstanding. All shares issued by the parent company were fully paid.

## TAX

The group reported tax of SEK -1.8 (-8.8) million for the period January–December 2017. Reported tax corresponds to an effective tax rate of 33 (20) percent. Profit before tax of SEK 5.5 (44.0) million includes value changes on synthetic options of SEK 14.5 (-3.2) 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. Revaluation of deferred taxes due to the change in U.S. corporate income tax rate effected income with net SEK -1.7 (-) million. 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 55.8 million at the end of the period, compared to SEK 51.5 million as of December 31, 2016. Deferred tax assets has been recognized for the tax loss carry-forwards.

## 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 acquired the synthetic options at market price. The program addresses employees in Sweden. 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 calculation of the fair value on the grant date was based on the conditions stated in the table below.

The AGM also decided to introduce a synthetic option program for employees outside of Sweden. The Global program, which was introduced in the third quarter, is linked to employment with Net Insight and is 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.

Synthetic options, the calculation of the fair value on the grant date was based on the following conditions:	Sweden	Global
Averaged volume-weighted price paid for the Net Insight B shares, SEK	6.79	6.79
Strike price, SEK	8.10	9.17
Assumed volatility *)	34%	34%
Term	3 år	3 år
Risk-free interest	-0.52%	-0.52%
Adjustment of fair value due to CAP, SEK	-0.02	-0.02
Fair value, SEK	1.09	0.84
Number of options issued, thousands	700	1,275

\*) 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.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

## AUDITORS' REVIEW

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

## DIVIDEND

The Board of Directors proposes to the AGM that no dividend is paid for the financial year 2017.

## NOMINATION COMMITTEE, ANNUAL GENERAL MEETING AND ANNUAL REPORT

### Nomination committee

Net Insight's nomination committee for the 2018 Annual General Meeting consists of Jan Barchan (Briban Invest), Lars Bergkvist (Lannebo Fonder), Ramsay Brufer (Alecta), Christian Brunlid (Handelsbanken Fonder) and Lars Berg (Chairman of the Net Insight Board). The nomination committee appointed 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-mail: [ramsay.brufer@alecta.com](mailto:ramsay.brufer@alecta.com). As previously announced Lars Berg is not available for re-election at the Annual General Meeting 2018.

### The Annual General Meeting

The Annual General Meeting of Net Insight AB (publ) will be held on May 8, 2018 at 10 am at the company's office, 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 e-mail: [agm@netinsight.net](mailto:agm@netinsight.net) or by post:

Net Insight AB (publ)  
Box 42093  
126 14 Stockholm  
Sweden

Mark the envelope or e-mail with "Proposals to AGM 2018".

### Annual report

The Annual report will be available on Net Insight's website, <https://investors.netinsight.net/reports/> on April 17, 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 the target is to create profitable growth. On a market in fundamental transformation, growth and profitability are 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

<b>Interim report January–March 2018</b>	April 24, 2018
<b>Annual General Meeting 2018</b>	May 8, 2018
<b>Interim report January–June 2018</b>	July 20, 2018
<b>Interim report January–September 2018</b>	October 26, 2018

Stockholm, February 14, 2018

Fredrik Tumegård,  
CEO

### For more information, please contact:

Fredrik Tumegård, CEO, Net Insight AB (publ)  
Phone: +46 (0)8-685 04 00 E-mail: [fredrik.tumegard@netinsight.net](mailto:fredrik.tumegard@netinsight.net)

Thomas Bergström, CFO, Net Insight AB (publ)  
Phone: +46 (0)8-685 04 00 E-mail: [thomas.bergstrom@netinsight.net](mailto:thomas.bergstrom@netinsight.net)

Net Insight AB (publ), reg.no 556533-4397  
Box 42093  
126 14 Stockholm  
Sweden  
Phone: +46 (0)8-685 04 00 [netinsight.net](http://netinsight.net)

This is information that Net Insight AB (publ) 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 8:45 am CET on February 14, 2018.

## FINANCIAL INFORMATION

Financial information SEK millions (if not defined differently)	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
<b>Income</b>				
<i>Net sales by region</i>				
Western Europe	60.3	60.1	194.6	231.4
Americas	32.2	48.7	133.4	163.2
Rest of World	25.0	24.2	98.7	108.9
Net sales	117.5	133.0	426.7	503.5
Gross earnings	70.0	83.8	248.0	315.8
Operating expenses	69.3	70.9	257.5	266.4
Total development expenditure	40.6	40.3	150.4	149.1
EBITDA	-6.9	8.5	-25.6	38.6
Operating earnings	0.7	12.9	-9.5	49.4
Operating earnings, adjusted	1.8	14.5	-4.6	58.8
Profit after financial items	2.8	6.1	5.5	44.0
Net income	-2.1	5.7	3.7	35.2
<b>Balance sheet and cashflow</b>				
Working capital	33.6	54.3	39.1	47.1
Cash and cash equivalents	177.7	214.9	177.7	214.9
Total cash flow	-19.5	7.3	-36.8	20.9
<b>The share</b>				
Dividend per share, SEK	-	-	-	-
Earnings per share diluted and basic, SEK	-0.01	0.01	0.01	0.09
Cash flow per share, SEK	-0.05	0.02	-0.10	0.05
Equity per share basic and diluted, SEK	1.43	1.46	1.43	1.46
Average number of outstanding shares in thousands at the end of the period, basic and diluted, thousands	383,949	386,658	385,057	386,582
Number of outstanding shares in thousands, basic and diluted, thousands	383,653	385,658	383,653	385,658
Share price at end of period, SEK	4.73	8.90	4.73	8.90
<b>Employees</b>				
Employees and consultants at the end of the period	249	248	249	248
<b>KPI</b>				
Net sales YoY, change in %	-11.7%	20.3%	-15.2%	34.0%
Gross margin	59.6%	63.0%	58.1%	62.7%
Total development expenditure/Net sales	34.5%	30.3%	35.2%	29.6%
Operating margin	0.6%	9.7%	-2.2%	9.8%
Operating margin, adjusted	1.5%	10.9%	-1.1%	11.5%
EBITDA margin	-5.9%	6.4%	-6.0%	7.7%
Net margin	-1.8%	4.3%	0.9%	7.0%
Return on capital employed	-1.8%	8.8%	-1.7%	9.0%
Equity/asset ratio	78.6%	77.3%	78.6%	77.3%
Return on equity	-0.4%	1.0%	0.7%	6.4%

## ALTERNATIVE PERFORMANCE MEASURES AND OTHER DEFINITIONS

Non-IFRS financial measures are presented to enhance an investors 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 in previous year.	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 in previous year. 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 20.	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/net sales	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 level of capitalized development expenditures.
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-generated cash flow in the operation and it shows operating earnings without influence of variations in the level of capitalized development expenditures in the company's development projects.
EBITDA margin	EBITDA as a percentage of net sales.	
Region	Region corresponds to an operating segment under IFRS 8. <ul style="list-style-type: none"> <li>• Western Europe (WE).</li> <li>• Americas (AM), North and South America.</li> <li>• Rest of World (RoW), countries outside of Western Europe and Americas.</li> </ul>	

KPI Income Statement SEK millions (if not defined differently)	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	117.5	133.0	426.7	503.5
<i>Net sales YoY, change in %</i>	-11.7%	20.3%	-15.2%	34.0%
Cost of sales ex. amortization of capitalized development	-32.1	-34.7	-118.0	-130.8
<b>Gross earnings ex. amortization of capitalized development</b>	<b>85.3</b>	<b>98.3</b>	<b>308.7</b>	<b>372.7</b>
<i>Gross margin ex. amortization of capitalized development</i>	72.6%	73.9%	72.3%	74.0%
Cost of sales amortization of capitalized development	-15.3	-14.5	-60.7	-56.9
<b>Gross earnings</b>	<b>70.0</b>	<b>83.8</b>	<b>248.0</b>	<b>315.8</b>
<i>Gross margin</i>	59.6%	63.0%	58.1%	62.7%
Sales and marketing expenses	-39.3	-37.1	-144.7	-137.1
Administration expenses	-13.7	-14.7	-49.7	-54.2
Development expenses	-16.3	-19.1	-63.1	-75.0
<b>Operating expenses</b>	<b>-69.3</b>	<b>-70.9</b>	<b>-257.5</b>	<b>-266.4</b>
<i>Operating expenses/net sales</i>	59.0%	53.3%	60.3%	52.9%
<b>Operating earnings</b>	<b>0.7</b>	<b>12.9</b>	<b>-9.5</b>	<b>49.4</b>
<i>Operating margin</i>	0.6%	9.7%	-2.2%	9.8%
Net financial items	2.2	-6.8	15.0	-5.4
<b>Profit before tax</b>	<b>2.8</b>	<b>6.1</b>	<b>5.5</b>	<b>44.0</b>
Tax	-4.9	-0.4	-1.8	-8.8
<b>Net income</b>	<b>-2.1</b>	<b>5.7</b>	<b>3.7</b>	<b>35.2</b>
<i>Net margin</i>	-1.8%	4.3%	0.9%	7.0%

Change in net sales in comparable currencies SEK millions (if not defined differently)	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	117.5	133.0	426.7	503.5
Adjusted for other income	-1.0	-0.6	0.5	-2.6
Net sales excluding other income	116.5	132.4	427.3	500.9
Net currency effect of comparable currencies	5.0	-7.3	-2.1	-9.4
Net sales in comparable currencies	121.4	125.1	425.2	491.5
Change in net sales in comparable currencies	-8.3%	13.0%	-15.1%	31.1%

Total development expenditure/net sales SEK millions (if not defined differently)	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Development expenses	16.3	19.1	63.1	75.0
Capitalization of development expenditure	24.2	21.2	87.3	74.1
<b>Total development expenditure</b>	<b>40.6</b>	<b>40.3</b>	<b>150.4</b>	<b>149.1</b>
Net sales	117.5	133.0	426.7	503.5
<b>Total development expenditure/net sales</b>	<b>34.5%</b>	<b>30.3%</b>	<b>35.2%</b>	<b>29.6%</b>

EBITDA margin SEK millions (if not defined differently)	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Operating earnings	0.7	12.9	-9.5	49.4
Amortization of capitalized development expenditure	15.3	14.5	60.7	56.9
Other depreciation, amortization & impairment	1.3	2.3	10.5	6.3
Capitalization of development expenditure	-24.2	-21.2	-87.3	-74.1
<b>EBITDA</b>	<b>-6.9</b>	<b>8.5</b>	<b>-25.6</b>	<b>38.6</b>
Net sales	117.5	133.0	426.7	503.5
<b>EBITDA margin</b>	<b>-5.9%</b>	<b>6.4%</b>	<b>-6.0%</b>	<b>7.7%</b>

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 ratio of the assets 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	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Current assets	348.1	388.6	371.2	377.4
Cash and cash equivalents	-187.5	-211.1	-204.3	-203.1
Short term liabilities	-127.1	-123.2	-127.7	-127.2
<b>Working capital</b>	<b>33.6</b>	<b>54.3</b>	<b>39.1</b>	<b>47.1</b>

Return on capital employed SEK millions (if not defined differently)	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
<i>Capital employed</i>				
Total balance	698.3	719.3	716.1	704.3
Non-interest liabilities	-147.1	-161.1	-157.4	-155.7
<b>Capital employed</b>	<b>551.2</b>	<b>558.2</b>	<b>558.7</b>	<b>548.6</b>
<i>Operating earnings less interest income RQ4</i>				
Operating earnings RQ4	-9.5	49.4	-9.5	49.4
Interest income RQ4	0.2	0.1	0.2	0.1
<i>Operating earnings less interest income RQ4</i>	<i>-9.7</i>	<i>49.3</i>	<i>-9.7</i>	<i>49.3</i>
<b>Return on capital employed</b>	<b>-1.8%</b>	<b>8.8%</b>	<b>-1.7%</b>	<b>9.0%</b>

Equity/asset ratio SEK millions (if not defined differently)	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Equity	548.0	563.0	548.0	563.0
Total equity and liabilities	696.9	728.0	696.9	728.0
<b>Equity/asset ratio</b>	<b>78.6%</b>	<b>77.3%</b>	<b>78.6%</b>	<b>77.3%</b>

Return on equity SEK millions (if not defined differently)	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Net income	-2.1	5.7	3.7	35.2
Average equity	558.8	548.6	558.8	548.6
<b>Return on equity</b>	<b>-0.4%</b>	<b>1.0%</b>	<b>0.7%</b>	<b>6.4%</b>

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 who don'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	Oct–Dec 2017	Oct–Dec 2016	Jan–Dec 2017	Jan–Dec 2016
Number of employees	211	215	211	215
Number of consultants	38	33	38	33
<b>Employees and consultants at the end of the period</b>	<b>249</b>	<b>248</b>	<b>249</b>	<b>248</b>

## 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	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<b>Accounting effects due to the acquisition of ScheduALL in October 2015</b>					
Deferred revenue	(a)	-0.4	-0.9	-2.1	-6.5
Amortization on intangible assets	(b)	-0.7	-0.7	-2.8	-2.8
		<b>-1.1</b>	<b>-1.6</b>	<b>-4.9</b>	<b>-9.4</b>
<b>Effects of the Net Insight share price development during the period</b>					
Share-based benefits	(c)	0.5	-1.4	3.4	-1.0
Synthetic options, change in value	(d)	1.7	-6.3	14.5	-3.2
		<b>2.2</b>	<b>-7.6</b>	<b>18.0</b>	<b>-4.1</b>
<b>Other</b>					
Restructuring	(e)	-	-	-	-3.4
		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-3.4</b>

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) Net Insight has, after decision at the AGM, introduced synthetic option programs for employees in Sweden. 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 34 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)	Note	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales		117.5	133.0	426.7	503.5
Deferred revenue	(a)	0.4	0.9	2.1	6.5
<b>Net sales, adjusted</b>		<b>117.9</b>	<b>133.9</b>	<b>428.9</b>	<b>510.1</b>
<i>Net sales adjusted YoY, change in %</i>		<i>-12.0%</i>	<i>17.3%</i>	<i>-15.9%</i>	<i>34.5%</i>
Cost of sales		-47.5	-49.2	-178.7	-187.7
<b>Gross earnings, adjusted</b>		<b>70.4</b>	<b>84.7</b>	<b>250.2</b>	<b>322.4</b>
<i>Gross margin, adjusted</i>		<i>59.7%</i>	<i>63.2%</i>	<i>58.3%</i>	<i>63.2%</i>
Operating expenses		-69.3	-70.9	-257.5	-266.4
Amortization intangible assets, business combinations	(b)	0.7	0.7	2.8	2.8
<b>Operating earnings, adjusted</b>		<b>1.8</b>	<b>14.5</b>	<b>-4.6</b>	<b>58.8</b>
<i>Operating margin, adjusted</i>		<i>1.5%</i>	<i>10.9%</i>	<i>-1.1%</i>	<i>11.5%</i>
Net financial items		2.2	-6.8	15.0	-5.4
Synthetic options, change in value	(d)	-1.7	6.3	-14.5	3.2
<b>Profit/loss before tax, adjusted</b>		<b>2.3</b>	<b>14.0</b>	<b>-4.1</b>	<b>56.6</b>

**Net Insight AB (publ)**

Phone: +46 (0)8 685 04 00, [info@netinsight.net](mailto:info@netinsight.net), [www.netinsight.net](http://www.netinsight.net)

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