

# Net Insight Interim Report January – September 2018

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netinsight

## July – September 2018

- Net sales amounted to SEK 115.1 (104.7)\* million, an increase of 9.9% year-on-year. The increase in comparable currencies was 1.5%.
- Operating earnings amounted to SEK -4.2 (6.6)\* million, corresponding to an operating margin of -3.7% (6.3%). Operating earnings were charged with SEK -3 million in non-recurring costs.
- Net income was SEK -3.8 (8.9)\* million for the period. Net financial items were positively affected by SEK 0.8 (4.5) million for the revaluation of synthetic options.
- Earnings per share, basic and diluted, was SEK -0.01 (0.023).
- Total cash flow was SEK -38.4 (-4.0) million.

## January – September 2018

- Net sales amounted to SEK 345.1 (310.8) million\*, an increase of 11.0% year-on-year. The increase in comparable currencies was 7.8%.
- Operating earnings amounted to SEK -14.7 (-8.3)\* million, corresponding to an operating margin of -4.3% (-2.7%). Operating earnings were charged with SEK -10 million in non-recurring costs.
- Net income was SEK -10.2 (6.9) million\*. Net financial items were positively affected by SEK 2.5 (12.8) million for revaluation of synthetic options.
- Earnings per share, basic and diluted, was SEK -0.03 (0.02).
- Total cash flow was SEK -67.0 (-17.2) million.

## Stable quarter and success for Nimbra 1060

Henrik Sund, interim CEO, Net Insight

### Significant events:

- Several orders for newly launched Nimbra 1060
- Strong quarter for internet-based Nimbra VA
- Strengthened management for Resource Optimization (ScheduALL)

## FINANCIAL HIGHLIGHTS

| SEK millions                | Jul-Sep 2018 | Jul-Sep 2017* | Change      | Jan-Sep 2018 | Jan-Sep 2017* | Change       | Oct 2017– Sep 2018 | Jan-Dec 2017* | Change      |
|-----------------------------|--------------|---------------|-------------|--------------|---------------|--------------|--------------------|---------------|-------------|
| <b>Net sales by segment</b> |              |               |             |              |               |              |                    |               |             |
| Western Europe              | 46.0         | 46.9          | -2.0%       | 147.9        | 134.8         | 9.8%         | 207.6              | 194.4         | 6.8%        |
| Americas                    | 48.7         | 40.1          | 21.7%       | 117.3        | 101.8         | 15.2%        | 149.3              | 133.8         | 11.6%       |
| Rest of World               | 20.4         | 17.8          | 14.6%       | 79.9         | 74.3          | 7.6%         | 104.4              | 98.8          | 5.7%        |
| <b>Net sales</b>            | <b>115.1</b> | <b>104.7</b>  | <b>9.9%</b> | <b>345.1</b> | <b>310.8</b>  | <b>11.0%</b> | <b>461.3</b>       | <b>427.0</b>  | <b>8.0%</b> |
| Operating earnings          | -4.2         | 6.6           |             | -14.7        | -8.3          |              | -14.0              | -7.5          |             |
| Operating margin            | -3.7%        | 6.3%          |             | -4.3%        | -2.7%         |              | -3.0%              | -1.8%         |             |
| Net income                  | -3.8         | 8.9           |             | -10.2        | 6.9           |              | -13.6              | 3.5           |             |
| EBITDA                      | -2.3         | 3.0           |             | -19.4        | -16.8         |              | -26.3              | -23.7         |             |
| EBITDA margin               | -2.0%        | 2.9%          |             | -5.6%        | -5.4%         |              | -5.7%              | -5.5%         |             |
| Total cash flow             | -38.4        | -4.0          |             | -67.0        | -17.2         |              | -86.5              | -36.8         |             |

\*) Recalculated comparable periods, see page 11-12.

# CEO's statement

## Stable quarter and success for Nimbra 1060

**We continued to expand with sales growth of 10 percent despite fewer major orders compared to a strong comparative quarter in 2017. We continue to win many deals for live sporting events and completed several transactions with recently launched Nimbra 1060, while our internet-based Nimbra VA service also had a strong quarter.**

” We've already sold some 10 units of our latest flagship Nimbra 1060, while Nimbra VA also grew strongly with doubled sales in the quarter.

The ongoing technology shift continues to alter the global media industry in combination with changing consumer behavior. The challenges include global competition, new operators, consolidation and increasing demand for efficient utilization of resources.

The ongoing sector transformation was one of the main themes at IBC in September, one of the world's largest media trade fairs which is always a period of intense activity for Net Insight. Clear trends emerging at IBC include IP migration, cloud-based solutions and live production of the future using automated and smart solutions, all of which are a close fit with our offering. The changing market means that our customers experience increased uncertainty and cost pressure, which generates new opportunities for our quality-assured and resourceefficient solutions. Examples of our solutions include the reliable Nimbra transport solution for remote production, internet distribution through Nimbra VA and the next generation platform with terabyte capacity via Nimbra 1060.

It's pleasing to observe the strength of our product portfolio. Examples in the quarter include the sale of some 10 units of our latest flagship Nimbra 1060, while Nimbra VA is also growing strongly with doubled sales in the quarter. A major deal with a US broadcaster that includes both Nimbra VA, ScheduALL and consulting services is another example. We perceive positive growth potential in Resource Optimization (ScheduALL), although we haven't fully capitalized on ScheduALL or solutions combining Nimbra and ScheduALL. This led us to strengthen the management of Resource Optimization in the quarter.

In the field of OTT, there's considerable interest in the Sye Streaming Service, our cloud-based offering that removes customer needs of own infrastructure. Since its launch in April, our first customer Trippel Media has attracted a sharp increase in interest in its live quiz app Primetime, which is based on Sye, and draws a daily average of 50,000 players. This highlights the attraction of engaging and interactive content. Trippel Media has now started to license its platform to other national markets. As a result of the progress made by the Sye Streaming Service, Net Insight retained its status as a Global ISV with Microsoft Azure. This is extremely pleasing, especially considering that Net Insight is the smallest company of 16 Global ISVs in media and telecom.

The commercialization of Sye to the mass market through partnerships with major operators has taken longer than anticipated. At the same time, we're convinced



that there's a substantial market for solutions like Sye that enable live online streaming with low latency. This became particularly clear during the FIFA World Cup, when online viewing broke all records at the same time as viewers and broadcasters experienced significant problems with latency and the spoiler effect.

Although turnover is stable, profitability is impacted by our continued sales initiatives, Sye and reduced capitalization of development expenditures in connection with the launch of solutions such as Nimbra 1060. We're active on a market dealing with complex solutions, and the accumulation of new customers and projects require sustained effort that is time and resource intensive.

Being even closer to our customers is a key growth factor, and after the end of the quarter we implemented a reorganization aimed at better understanding our customers' needs and making us more responsive to changing customer behaviors.

With regard to Net Insight's growth and profitability, although our expectations exceed the current position, we remain confident that the changes we're implementing will create the right conditions for improved growth and profitability looking ahead.

Solna, Sweden, October 26, 2018  
Henrik Sund, Interim CEO

## REVENUES

### July – September

Net sales in the third quarter of 2018 were SEK 115.1 (104.7) million, up 9.9% on the relatively strong corresponding quarter in the previous year. In comparable currencies, the increase was 1.5% as a result of a weaker SEK against the USD and EUR.

In Western Europe net sales were SEK 46.0 (46.9) million, down -2.0% year-on-year.

Net sales in Americas were SEK 48.7 (40.1) million, up 21.7%. Here, it's worth drawing attention to a larger deal including both Nimbra and ScheduALL.

Net sales in Rest of World were SEK 20.4 (17.8) million, up 14.6%. The increase was mainly attributable to increased activity from existing customers.

Net sales from hardware were SEK 41.9 (42.4) million, and net sales from software licenses totaled SEK 30.4 (21.8) million. The increase in software licenses is mainly attributable to the Americas. Net sales of support and services amounted to SEK 42.7 (40.5) million.

### January – September

Net sales in the first nine months of the year were SEK 345.1 (310.8) million, corresponding to an increase of 11.0%. In comparable currencies, net sales increased by 7.8%.

In Western Europe net sales were SEK 147.9 (134.8), up 9.8%.

Net sales in Americas were SEK 117.3 (101.8) million, up 15.2%.

Net sales in Rest of World were SEK 79.9 (74.3) million for the first nine months, corresponding to an increase of 7.6%.

## EARNINGS

### July – September

Gross profit was SEK 71.2 (57.3) million, up significantly on the third quarter of 2017, mainly due to increased sales but also as a result of an increased gross margin of 61.9% (54.7%). Gross profit included amortization of capitalized development expenditure of SEK -13.0 (-15.8) million. Gross margin excluding amortization of capitalized development expenditure was 73.2% (69.8%), due to product mix variations.

Operating expenses in the third quarter were SEK -75.8 (-51.9) million, up SEK 23.9 million year-on-year. This was due to increased sales resources, increased resources allocated to the commercialization of Sye and a lower capitalization level, mainly attributable to the ramp down of the development project for Nimbra 1060 that will be finalized during October. Total development expenditures have gradually decreased, amounting to SEK 30.0 (30.9) million.

Operating earnings were SEK -4.2 (6.6) million, equating to an operating margin of -3.7% (6.3%). The change is mainly attributable to increased operating expenses, partially offset by the increased gross profit. Operating earnings for the third quarter were charged with SEK -3 (-) million in non-recurring costs related to staff terminations.

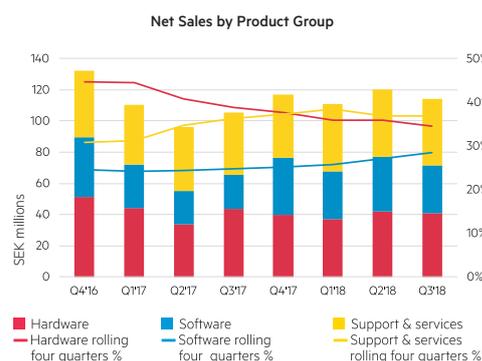
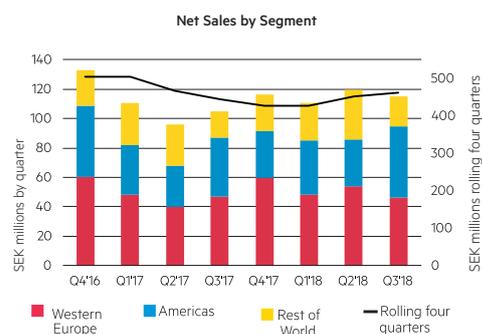
EBITDA was SEK -2.3 (3.0) million, corresponding to an EBITDA margin of -2.0% (2.9%). Activities in development, sales and marketing of the company's live OTT solution Sye affected operating earnings and EBITDA by SEK -8.5 (-8.9) million and SEK -12.5 (-14.5) million respectively.

In the third quarter, net financial items were positively affected by SEK 0.8 (4.5) million for the revaluation of synthetic options programs due to a lower share price at the end of the quarter. Net financial items amounted to SEK -0.6 (3.9) million.

Profit before tax was SEK -4.8 (10.5) million, and net income for the period was SEK -3.8 (8.9) million, corresponding to a net margin of -3.3% (8.5%).

### January – September

Gross profit was SEK 207.9 (179.0) for the first nine months. The increase was mainly due to the higher net sales, but also as a result of an increased gross margin of 60.2% (57.6%). Gross profit included amortization of capitalized development expenditures of SEK -42.0 (-45.3) million. The increase in gross margin is attributable to slightly lower amortizations of capitalized development expenditures. Gross margin excluding amortization of capitalized development expenditures was in line with the previous year and amounted to 72.4% (72.2%).



| Key Ratios              | Jul-Sep 2018 | Jul-Sep 2017 | Jan-Sep 2018 | Jan-Sep 2017 | Oct 2017-Sep 2018 | Jan-Dec 2017 |
|-------------------------|--------------|--------------|--------------|--------------|-------------------|--------------|
| Net sales, SEK millions | 115.1        | 104.7        | 345.1        | 310.8        | 461.3             | 427.0        |
| Gross margin            | 61.9%        | 54.7%        | 60.2%        | 57.6%        | 59.9%             | 58.0%        |
| Operating margin        | -3.7%        | 6.3%         | -4.3%        | -2.7%        | -3.0%             | -1.8%        |
| EBITDA margin           | -2.0%        | 2.9%         | -5.6%        | -5.4%        | -5.7%             | -5.5%        |

Operating expenses in the first nine months were SEK –222.8 (-187.6) million. Sales and marketing expenses increased by SEK –29.5 million to SEK –137.7 (-105.2) million, mainly driven by the increased resources in sales and marketing. Development expenses totaled SEK –471 (-46.2) million. Total development expenditures were SEK –98.4 (-109.3) million. The decrease is mainly due to lower development expenditures for Nimbra. The company will retain a high rate of investments in order to ensure future competitiveness.

Operating earnings for the first nine months were SEK –14.7 (-8.3) million, corresponding to an operating margin of -4.3% (-2.7%). The loss is mainly due to the initiatives in Live OTT, but also to non-recurring cost of SEK -10 (-) million. SEK -8 million of these were related to staff terminations, including compensation to outgoing CEO, and SEK -2 million was related to provision for remaining lease for the former head office after the move.

Net financial items were SEK 1.7 (11.1) million, of which SEK 2.5 (12.8) million is attributable to the revaluation of synthetic options.

Profit before tax was SEK –13.0 (2.8) million, and net income for the period was SEK –10.2 (6.9) million, corresponding to a net margin of –3.0% (2.2%). For more information, see the section on Tax on page 13.

## INVESTMENTS

Third quarter investments were SEK 24.6 (21.5) million, of which SEK 12.9 (20.7) million related to capitalization of development expenditure. Depreciation and amortization in the period was SEK 14.8 (17.1) million, of which SEK 13.0 (15.8) million related to amortization of capitalized development expenditure.

Investments in the first nine months were SEK 75.7 (66.9) million, of which SEK 51.3 (63.0) million related to capitalized development expenditure. Depreciation and amortization in the period was SEK 46.5 (54.5) million, of which SEK 42.0 (45.3) million related to capitalized development expenditure.

At the end of the period, net value of capitalized development expenditure was SEK 260.9 million, against SEK 251.6 million as of 31 December, 2017.

## CASH FLOW AND FINANCIAL POSITION

Cashflow from operating activities in the third quarter was SEK 10.8 (22.1) million. Total cashflow for the period was SEK –38.4 (-4.0) million. The negative cashflow is due to investments in development projects, equipment, fixtures and fittings for the new offices in Stockholm and Florida, and a working capital increase related to increased accounts receivables.

Cashflow for the nine-month period was SEK –67.0 (-17.2) million. Adjusted for repurchases of own shares, with a total value of SEK 0.7 (7.2) million, cashflow was SEK -66.2 (-10.0) million.

Cash and cash equivalents were SEK 111.2 million at the end of the quarter, against SEK 177.7 million as of 31 December, 2017.

Remaining tax loss carry-forwards for group companies were SEK 78.4 million at the end of the period, against SEK 55.8 million as of 31 December, 2017. For more information, see the section Tax on page 13.

Equity was SEK 540.7 million at the end of the period, against SEK 546.1 million as of 31 December, 2017. The equity/assets ratio was 77.1%, against 78.3% as of 31 December, 2017. For more information see the section Share capital and other contributed equity on page 13.

## EMPLOYEES

The average number of employees and consultants in the nine-month period was 242 (245), of which 150 (156) in the parent company Net Insight AB (publ).

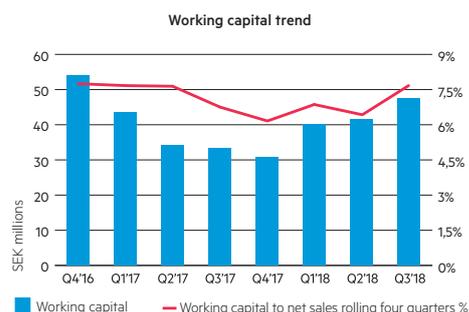
During the quarter, group CTO Martin Karlsson and VP Human Resources Marina Hedman left the company. Dr Judy Fick assumed the position as VP Resource Optimization during the quarter and joined the Executive team.

## PARENT COMPANY

The parent company's net sales in the third quarter were SEK 126.8 (116.2) million, and net income for the period was SEK 3.5 (11.6) million. In the third quarter, intra-group sales totaled SEK 31.0 (28.7) million, and intra-group purchasing SEK –41.8 (-33.0) million.

The parent company's net sales in the first nine months were SEK 390.2 (353.7) million, and net income for the period was SEK 6.1 (22.0) million. In the first nine months, intra-group sales totaled SEK 95.7 (100.3) million, and intra-group purchasing SEK –121.5 (-98.5) million.

Progress in the parent company for the first nine months largely shadowed Group progress as indicated above.



## RISK AND SENSITIVITY ANALYSIS

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

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

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

For a complete review of the company's risk and sensitivity analysis, and its risk management process, see pages 34-35, 37-41 and 55-56 of the Annual Report for 2017.

## 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   | Jul-Sep<br>2018 | Jul-Sep<br>2017* | Jan-Sep<br>2018 | Jan-Sep<br>2017* | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017* |
|---|-----------------|------------------|-----------------|------------------|-----------------------|------------------|
| Net sales   | 115,097         | 104,730          | 345,138         | 310,847          | 461,314               | 427,023          |
| Cost of sales   | -43,892         | -47,416          | -137,235        | -131,865         | -184,785              | -179,415         |
| <b>Gross earnings</b>   | <b>71,205</b>   | <b>57,314</b>    | <b>207,903</b>  | <b>178,982</b>   | <b>276,529</b>        | <b>247,608</b>   |
| Sales and marketing expenses  | -44,938         | -31,158          | -134,683        | -105,194         | -174,174              | -144,685         |
| Administration expenses   | -13,738         | -10,467          | -41,058         | -36,183          | -54,572               | -49,697          |
| Development expenses  | -17,122         | -10,232          | -47,073         | -46,222          | -63,236               | -62,385          |
| Other operating income and expenses   | 358             | 1,144            | 220             | 358              | 1,473                 | 1,611            |
| <b>Operating earnings</b>   | <b>-4,235</b>   | <b>6,601</b>     | <b>-14,691</b>  | <b>-8,259</b>    | <b>-13,980</b>        | <b>-7,548</b>    |
| Net financial items   | -551            | 3,874            | 1,690           | 11,067           | 3,476                 | 12,853           |
| <b>Profit/loss before tax</b>   | <b>-4,786</b>   | <b>10,475</b>    | <b>-13,001</b>  | <b>2,808</b>     | <b>-10,504</b>        | <b>5,305</b>     |
| Tax   | 941             | -1,605           | 2,759           | 4,093            | -3,112                | -1,778           |
| <b>Net income</b>   | <b>-3,845</b>   | <b>8,870</b>     | <b>-10,242</b>  | <b>6,901</b>     | <b>-13,616</b>        | <b>3,527</b>     |
| <b>Net income for the period attributable to the shareholders of the parent company</b> | <b>-3,845</b>   | <b>8,870</b>     | <b>-10,242</b>  | <b>6,901</b>     | <b>-13,616</b>        | <b>3,527</b>     |

| Earnings per share, based on net income attributable to the parent company's shareholders during the period | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Earnings per share, basic (SEK)   | -0.01           | 0.02            | -0.03           | 0.02            | -0.04                 | 0.01            |
| Earnings per share, diluted (SEK)   | -0.01           | 0.02            | -0.03           | 0.02            | -0.04                 | 0.01            |
| Average number of outstanding shares in thousands, basic  | 383,458         | 384,961         | 383,485         | 385,426         | 383,601               | 385,057         |
| Average number of outstanding shares in thousands, diluted  | 383,458         | 384,961         | 383,485         | 385,426         | 383,601               | 385,057         |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEK thousands   | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| <b>Net income</b>   | <b>-3,845</b>   | <b>8,870</b>    | <b>-10,242</b>  | <b>6,901</b>    | <b>-13,616</b>        | <b>3,527</b>    |
| <b>Other comprehensive income</b>   |                 |                 |                 |                 |                       |                 |
| <i>Items that may be reclassified subsequently to the income statement</i>                              |                 |                 |                 |                 |                       |                 |
| Translation differences   | -989            | -2,962          | 5,609           | -8,204          | 6,288                 | -7,525          |
| <b>Total other comprehensive income, after tax</b>  | <b>-989</b>     | <b>-2,962</b>   | <b>5,609</b>    | <b>-8,204</b>   | <b>6,288</b>          | <b>-7,525</b>   |
| <b>Total other comprehensive income for the period</b>  | <b>-4,834</b>   | <b>5,908</b>    | <b>-4,633</b>   | <b>-1,303</b>   | <b>-7,328</b>         | <b>-3,998</b>   |
| <b>Total comprehensive income for the period attributable to the shareholders of the parent company</b> | <b>-4,834</b>   | <b>5,908</b>    | <b>-4,633</b>   | <b>-1,303</b>   | <b>-7,328</b>         | <b>-3,998</b>   |

\*) Recalculated comparable periods, see page 11-12.

## CONSOLIDATED BALANCE SHEET, IN SUMMARY

| SEK thousands   | Sep 30<br>2018 | Jun 30<br>2018 | Dec 31<br>2017* |
|---|----------------|----------------|-----------------|
| <b>ASSETS</b>   |                |                |                 |
| <b>Non-current assets</b>                                   |                |                |                 |
| Capitalized expenditure for development                     | 260,939        | 261,060        | 251,622         |
| Goodwill  | 62,560         | 63,234         | 58,452          |
| Other intangible assets                                     | 16,600         | 17,541         | 19,458          |
| Equipment   | 27,890         | 17,195         | 4,636           |
| Deferred tax asset  | 17,457         | 16,584         | 14,285          |
| Deposits  | 5,209          | 4,798          | 4,911           |
| <b>Total non-current assets</b>                             | <b>390,655</b> | <b>380,412</b> | <b>353,364</b>  |
| <b>Current assets</b>                                       |                |                |                 |
| Inventories   | 42,957         | 42,270         | 43,598          |
| Accounts receivable   | 135,709        | 128,310        | 106,186         |
| Other receivables   | 20,553         | 24,618         | 16,551          |
| Cash and cash equivalents                                   | 111,249        | 149,649        | 177,745         |
| <b>Total current assets</b>                                 | <b>310,468</b> | <b>344,847</b> | <b>344,080</b>  |
| <b>TOTAL ASSETS</b>   | <b>701,123</b> | <b>725,259</b> | <b>697,444</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 reserve   | 4,476          | 5,465          | -1,133          |
| Accumulated deficit   | -672,083       | -668,238       | -661,102        |
| <b>Total shareholders' equity</b>                           | <b>540,717</b> | <b>545,551</b> | <b>546,089</b>  |
| <b>Non-current liabilities</b>                              |                |                |                 |
| Other liabilities   | 19,577         | 21,183         | 19,738          |
| <b>Total non-current liabilities</b>                        | <b>19,577</b>  | <b>21,183</b>  | <b>19,738</b>   |
| <b>Current liabilities</b>                                  |                |                |                 |
| Accounts payable  | 19,049         | 25,827         | 21,841          |
| Other liabilities   | 121,780        | 132,698        | 109,776         |
| <b>Total current liabilities</b>                            | <b>140,829</b> | <b>158,525</b> | <b>131,617</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                         | <b>701,123</b> | <b>725,259</b> | <b>697,444</b>  |

\*) Recalculated comparable periods, see page 11-12.

## CHANGES IN CONSOLIDATED EQUITY, IN SUMMARY

| SEK thousands              | Attributable to parent company's shareholders |                       |                     |                     | Total shareholders' equity |
|----------------------------|---|-----------------------|---------------------|---------------------|----------------------------|
|                            | Share capital                                 | Other paid-in capital | Translation reserve | Accumulated deficit |                            |
| <b>January 1, 2017</b>     | <b>15,597</b>                                 | <b>1,192,727</b>      | <b>6,392</b>        | <b>-653,385</b>     | <b>561,331</b>             |
| Repurchase of own shares   | -   | -                     | -                   | -11,244             | -11,244                    |
| Total comprehensive income | -   | -                     | -7,525              | 3,527               | -3,998                     |
| <b>December 31, 2017</b>   | <b>15,597</b>                                 | <b>1,192,727</b>      | <b>-1,133</b>       | <b>-661,102</b>     | <b>546,089</b>             |
| <b>January 1, 2018</b>     | <b>15,597</b>                                 | <b>1,192,727</b>      | <b>-1,133</b>       | <b>-661,102</b>     | <b>546,089</b>             |
| Repurchase of own shares   | -   | -                     | -                   | -739                | -739                       |
| Total comprehensive income | -   | -                     | 5,609               | -10,242             | -4,633                     |
| <b>September 30, 2018</b>  | <b>15,597</b>                                 | <b>1,192,727</b>      | <b>4,476</b>        | <b>-672,083</b>     | <b>540,717</b>             |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| SEK thousands  | Jul-Sep 2018   | Jul-Sep 2017   | Jan-Sep 2018   | Jan-Sep 2017   | Oct 2017-Sep 2018 | Jan-Dec 2017   |
|--|----------------|----------------|----------------|----------------|-------------------|----------------|
| <b>Ongoing activities</b>  |                |                |                |                |                   |                |
| Profit/loss before tax   | -4,786         | 10,475         | -13,001        | 2,808          | -10,504           | 5,305          |
| Income tax paid  | -              | -74            | -              | -74            | -173              | -247           |
| Depreciation, amortization & impairment                                      | 14,835         | 17,074         | 46,536         | 54,502         | 63,188            | 71,154         |
| Other items not affecting liquidity  | 739            | -5,354         | 3,436          | -12,131        | 3,219             | -12,348        |
| <b>Cash flow from operating activities before changes in working capital</b> | <b>10,788</b>  | <b>22,121</b>  | <b>36,971</b>  | <b>45,105</b>  | <b>55,730</b>     | <b>63,864</b>  |
| <b>Changes in working capital</b>  |                |                |                |                |                   |                |
| Increase-/decrease+ in inventories   | -3,060         | 5,713          | -2,355         | -2,557         | 308               | 106            |
| Increase-/decrease+ in receivables   | -3,376         | 17,822         | -35,517        | 24,920         | -50,990           | 9,447          |
| Increase+/-decrease- in liabilities  | -17,711        | -16,362        | 10,925         | -6,817         | 15,591            | -2,151         |
| <b>Cash flow from operating activities</b>                                   | <b>-13,359</b> | <b>29,294</b>  | <b>10,024</b>  | <b>60,651</b>  | <b>20,639</b>     | <b>71,266</b>  |
| <b>Investment activities</b>   |                |                |                |                |                   |                |
| Investment in intangible assets  | -13,230        | -21,106        | -51,287        | -64,738        | -76,618           | -90,069        |
| Investment in tangible assets  | -11,370        | -431           | -24,464        | -2,112         | -25,258           | -2,906         |
| Increase-/decrease+ in financial assets, net                                 | -411           | -4,574         | -298           | -4,598         | -302              | -4,602         |
| <b>Cash flow from investment activities</b>                                  | <b>-25,011</b> | <b>-26,111</b> | <b>-76,049</b> | <b>-71,448</b> | <b>-102,178</b>   | <b>-97,577</b> |
| <b>Financing activities</b>  |                |                |                |                |                   |                |
| Option premiums paid   | -              | -              | 1,197          | 763            | 1,197             | 763            |
| Final settlements options  | -              | -              | -1,415         | -              | -1,415            | -              |
| Repurchase of own shares   | -              | -7,215         | -739           | -7,215         | -4,768            | -11,244        |
| <b>Cash flow from financing activities</b>                                   | <b>0</b>       | <b>-7,215</b>  | <b>-957</b>    | <b>-6,452</b>  | <b>-4,986</b>     | <b>-10,481</b> |
| <b>Net change in cash and cash equivalents</b>                               | <b>-38,370</b> | <b>-4,032</b>  | <b>-66,982</b> | <b>-17,249</b> | <b>-86,525</b>    | <b>-36,792</b> |
| Exchange differences in cash and cash equivalents                            | -30            | -64            | 486            | -383           | 463               | -406           |
| Cash and cash equivalents at the beginning of the period                     | 149,649        | 201,407        | 177,745        | 214,943        | 197,311           | 214,943        |
| <b>Cash and cash equivalents at the end of the period</b>                    | <b>111,249</b> | <b>197,311</b> | <b>111,249</b> | <b>197,311</b> | <b>111,249</b>    | <b>177,745</b> |

## SEGMENT REPORT

| SEK millions                        | Jul-Sep 2018 |      |      |              | Jul-Sep 2017 |      |      |              | Jan-Sep 2018 |       |      |              | Jan-Sep 2017 |       |      |              |
|-------------------------------------|--------------|------|------|--------------|--------------|------|------|--------------|--------------|-------|------|--------------|--------------|-------|------|--------------|
|                                     | WE           | AM   | RoW  | Total        | WE           | AM   | RoW  | Total        | WE           | AM    | RoW  | Total        | WE           | AM    | RoW  | Total        |
| Net sales                           | 46.0         | 48.7 | 20.4 | <b>115.1</b> | 46.9         | 40.1 | 17.8 | <b>104.7</b> | 147.9        | 117.3 | 79.9 | <b>345.1</b> | 134.8        | 101.8 | 74.3 | <b>310.8</b> |
| Regional contribution               | 12.2         | 12.2 | 1.9  | <b>26.3</b>  | 13.6         | 10.6 | 1.9  | <b>26.2</b>  | 41.6         | 24.8  | 6.8  | <b>73.2</b>  | 40.8         | 21.7  | 11.3 | <b>73.8</b>  |
| <i>Regional contribution margin</i> | 26%          | 25%  | 9%   | <b>23%</b>   | 29%          | 26%  | 11%  | <b>25%</b>   | 28%          | 21%   | 9%   | <b>21%</b>   | 30%          | 21%   | 15%  | <b>24%</b>   |
| Administration expenses             |              |      |      | <b>-13.7</b> |              |      |      | <b>-10.5</b> |              |       |      | <b>-41.1</b> |              |       |      | <b>-36.2</b> |
| Development expenses                |              |      |      | <b>-17.1</b> |              |      |      | <b>-10.2</b> |              |       |      | <b>-47.1</b> |              |       |      | <b>-46.2</b> |
| Other operation income & expenses   |              |      |      | <b>0.4</b>   |              |      |      | <b>1.1</b>   |              |       |      | <b>0.2</b>   |              |       |      | <b>0.4</b>   |
| Net financial items                 |              |      |      | <b>-0.6</b>  |              |      |      | <b>3.9</b>   |              |       |      | <b>1.7</b>   |              |       |      | <b>11.1</b>  |
| <b>Loss before tax</b>              |              |      |      | <b>-4.8</b>  |              |      |      | <b>10.5</b>  |              |       |      | <b>-13.0</b> |              |       |      | <b>2.8</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.

## DISAGGREGATION OF REVENUE

| SEK Millions   | Jul-Sep 2018 |             |             |              | Jul-Sep 2017 |             |             |              | Jan-Sep 2018 |              |             |              | Jan-Sep 2017 |              |             |              |
|--|--------------|-------------|-------------|--------------|--------------|-------------|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|-------------|--------------|
|  | WE           | AM          | RoW         | Total        | WE           | AM          | RoW         | Total        | WE           | AM           | RoW         | Total        | WE           | AM           | RoW         | Total        |
| <b>Net sales by product group</b>                    |              |             |             |              |              |             |             |              |              |              |             |              |              |              |             |              |
| Hardware   | 16.8         | 16.1        | 9.0         | <b>41.9</b>  | 18.0         | 15.8        | 8.6         | <b>42.4</b>  | 54.7         | 33.7         | 32.2        | <b>120.7</b> | 53.8         | 33.2         | 32.0        | <b>119.1</b> |
| Software licenses                                    | 12.2         | 13.1        | 5.2         | <b>30.4</b>  | 11.2         | 7.3         | 3.3         | <b>21.8</b>  | 38.2         | 31.2         | 26.1        | <b>95.5</b>  | 28.4         | 21.2         | 22.3        | <b>71.9</b>  |
| Support and services                                 | 17.0         | 19.6        | 6.2         | <b>42.7</b>  | 17.7         | 17.0        | 5.8         | <b>40.5</b>  | 55.1         | 52.3         | 21.5        | <b>129.0</b> | 52.6         | 47.3         | 20.0        | <b>119.9</b> |
| <b>Total</b>   | <b>46.0</b>  | <b>48.7</b> | <b>20.4</b> | <b>115.1</b> | <b>46.9</b>  | <b>40.1</b> | <b>17.8</b> | <b>104.7</b> | <b>147.9</b> | <b>117.3</b> | <b>79.9</b> | <b>345.1</b> | <b>134.8</b> | <b>101.8</b> | <b>74.3</b> | <b>310.8</b> |
| <b>Timing of revenue recognition</b>                 |              |             |             |              |              |             |             |              |              |              |             |              |              |              |             |              |
| Products and services transferred at a point in time | 29.2         | 29.1        | 14.2        | <b>72.5</b>  | 29.2         | 23.1        | 11.9        | <b>64.2</b>  | 93.3         | 65.1         | 58.5        | <b>216.9</b> | 82.2         | 54.9         | 54.4        | <b>191.5</b> |
| Services transferred over time                       | 16.8         | 19.6        | 6.2         | <b>42.6</b>  | 17.7         | 17.0        | 5.8         | <b>40.5</b>  | 54.6         | 52.2         | 21.4        | <b>128.2</b> | 52.5         | 46.9         | 19.9        | <b>119.4</b> |
| <b>Total</b>   | <b>46.0</b>  | <b>48.7</b> | <b>20.4</b> | <b>115.1</b> | <b>46.9</b>  | <b>40.1</b> | <b>17.8</b> | <b>104.7</b> | <b>147.9</b> | <b>117.3</b> | <b>79.9</b> | <b>345.1</b> | <b>134.8</b> | <b>101.8</b> | <b>74.3</b> | <b>310.8</b> |

## FINANCIAL ASSETS AND LIABILITIES

| Group's financial instruments by category                                 | Sep 30, 2018 |   |  | Dec 31, 2017 |   |  |
|---|--------------|---|--|--------------|---|--|
|   | Value-tier   | Loan receivables and accounts receivables | Assets measured at fair value through profit or loss | Value-tier   | Loan receivables and accounts receivables | Assets measured at fair value through profit or loss |
| SEK thousands   |              |   |  |              |   |  |
| <b>Assets in Balance Sheet</b>  |              |   |  |              |   |  |
| Derivative instruments  | 2            | -   | 339  | 2            | -   | 556  |
| Accounts receivable and other receivables, excluding non-financial assets |              | 144,613                                   | -  |              | 112,031                                   | -  |
| Cash and cash equivalents   |              | 111,249                                   | -  |              | 177,745                                   | -  |
| <b>Total</b>  |              | <b>255,862</b>                            | <b>339</b>   |              | <b>289,776</b>                            | <b>556</b>   |

| Group's financial instruments by category                                   | Sep 30, 2018 |   |  | Dec 31, 2017 |   |  |
|---|--------------|---|--|--------------|---|--|
|   | Value-tier   | Loan receivables and accounts receivables | Assets measured at fair value through profit or loss | Value-tier   | Loan receivables and accounts receivables | Assets measured at fair value through profit or loss |
| SEK thousands   |              |   |  |              |   |  |
| <b>Liabilities in Balance Sheet</b>   |              |   |  |              |   |  |
| Synthetic options   | 2            | -   | 331  | 2            | -   | 3,003  |
| Derivative instruments  | 2            | -   | -  | 2            | -   | -  |
| Accounts payable and other liabilities, excluding non-financial liabilities |              | 30,562                                    | -  |              | 29,169                                    | -  |
| <b>Total</b>  |              | <b>30,562</b>                             | <b>331</b>   |              | <b>29,169</b>                             | <b>3,003</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                 | Jul-Sep 2018  | Jul-Sep 2017  | Jan-Sep 2018   | Jan-Sep 2017   | Oct 2017-Sep 2018 | Jan-Dec 2017   |
|-------------------------------|---------------|---------------|----------------|----------------|-------------------|----------------|
| Net sales                     | 126,783       | 116,173       | 390,154        | 353,738        | 524,595           | 488,179        |
| Cost of sales                 | -53,937       | -45,526       | -160,739       | -139,128       | -222,988          | -201,377       |
| <b>Gross earnings</b>         | <b>72,846</b> | <b>70,647</b> | <b>229,415</b> | <b>214,610</b> | <b>301,607</b>    | <b>286,802</b> |
| Sales and marketing expenses  | -31,547       | -27,177       | -104,399       | -80,888        | -153,555          | -130,044       |
| Administration expenses       | -11,516       | -9,603        | -36,611        | -31,378        | -48,681           | -43,448        |
| Development expenses          | -24,576       | -24,589       | -82,350        | -87,768        | -117,090          | -122,508       |
| Other income and expenses     | -61           | 712           | -262           | -547           | 1,176             | 891            |
| <b>Operating earnings</b>     | <b>5,146</b>  | <b>9,990</b>  | <b>5,793</b>   | <b>14,029</b>  | <b>-16,543</b>    | <b>-8,307</b>  |
| Net financial items           | -623          | 3,840         | 1,759          | 10,924         | 3,563             | 12,728         |
| <b>Profit/loss before tax</b> | <b>4,523</b>  | <b>13,830</b> | <b>7,552</b>   | <b>24,953</b>  | <b>-12,980</b>    | <b>4,421</b>   |
| Tax                           | -1,051        | -2,187        | -1,471         | -2,912         | 3,250             | 1,809          |
| <b>Net income</b>             | <b>3,472</b>  | <b>11,643</b> | <b>6,081</b>   | <b>22,041</b>  | <b>-9,730</b>     | <b>6,230</b>   |

## PARENT COMPANY BALANCE SHEET, IN SUMMARY

| SEK thousands                        | Sep 30<br>2018 | Jun 30<br>2018 | Dec 31<br>2017 |
|--------------------------------------|----------------|----------------|----------------|
| <b>ASSETS</b>                        |                |                |                |
| <b>Non-current assets</b>            |                |                |                |
| Other intangible assets              | 5,677          | 5,788          | 6,875          |
| Equipment                            | 23,128         | 16,478         | 4,414          |
| Participations in group companies    | 295,068        | 295,068        | 295,068        |
| Deferred tax asset                   | 522            | 1,574          | 1,994          |
| Deposits                             | 4,695          | 4,695          | 4,736          |
| <b>Total non-current assets</b>      | <b>329,090</b> | <b>323,603</b> | <b>313,087</b> |
| <b>Current assets</b>                |                |                |                |
| Inventories                          | 42,957         | 42,270         | 43,598         |
| Accounts receivable                  | 121,046        | 119,574        | 86,438         |
| Receivables from group companies     | 151,875        | 141,011        | 132,978        |
| Other receivables                    | 17,142         | 17,577         | 13,809         |
| Cash and cash equivalents            | 102,059        | 140,020        | 166,200        |
| <b>Total current assets</b>          | <b>435,079</b> | <b>460,452</b> | <b>443,023</b> |
| <b>TOTAL ASSETS</b>                  | <b>764,169</b> | <b>784,055</b> | <b>756,110</b> |
| <b>EQUITY AND LIABILITIES</b>        |                |                |                |
| <b>Equity</b>                        |                |                |                |
| Restricted equity                    | 128,419        | 128,419        | 128,419        |
| Non-restricted equity                | 532,973        | 529,501        | 527,631        |
| <b>Total equity</b>                  | <b>661,392</b> | <b>657,920</b> | <b>656,050</b> |
| <b>Non-current liabilities</b>       |                |                |                |
| Other liabilities                    | 9,900          | 11,009         | 9,246          |
| <b>Total non-current liabilities</b> | <b>9,900</b>   | <b>11,009</b>  | <b>9,246</b>   |
| <b>Current liabilities</b>           |                |                |                |
| Accounts payable                     | 16,268         | 23,454         | 20,284         |
| Other liabilities                    | 76,609         | 91,672         | 70,530         |
| <b>Total current liabilities</b>     | <b>92,877</b>  | <b>115,126</b> | <b>90,814</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>764,169</b> | <b>784,055</b> | <b>756,110</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, 2018, Net Insight applies the following new or amended International Financial Reporting Standards (IFRS):

- IFRS 9 Financial Instrument
- IFRS 15 Revenue from Contracts

*IFRS 9 Financial Instruments* addresses the classification, measurement, recognition, impairment and de-recognition of financial instruments as well as hedge accounting. The effect from applying IFRS 9 does not have any material impact on the group's or parent company's results or financial position and there was no opening balance adjustment in 2018.

*IFRS 15 Revenue from Contracts* replaces IAS 18 and IAS 11 and establishes a new mindset for revenue recognition. 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. Net Insight adopted IFRS 15 with full retrospective application. The impact on the group's earnings and financial position for the period January – September, 2017, are presented in the restated income statements and balance sheets below. The net reduction of at January 1, 2017 was SEK -1.7 million. Applying IFRS 15 also includes extended disclosure requirements, hence the table Disaggregation of revenue on page 9.

Effective January 1, 2018, Net Insight presents exchange gains and losses from operating receivables and liabilities in the Income Statement as Other operating income and expenses. Exchange gains and losses from Cash and cash equivalents are, as before, presented as Net financial items. For a description of previous accounting principles, please refer to the note 1.4B in the Annual Report for 2017. The impact on the group's earnings for the period January – September, 2017, are presented in the restated income statements below.

The Company adjusted in the last quarter of 2017 its calculation method for capitalized development expenditure in certain development projects. The adjustments have been applied retroactively. The impact on the group's earnings for the period for the period January – September, 2017, are presented in the restated income statements below.

| Restated consolidated income statement | Jul-Sep 2017        |                   |                        |                                   |                           |
|--|---------------------|-------------------|------------------------|-----------------------------------|---------------------------|
|  | Previously reported | Impact of IFRS 15 | Adjustment development | Reclassification Income statement | Restated Income statement |
| SEK thousands                          |                     |                   |                        |                                   |                           |
| Net sales                              | 105,372             | -243              |                        | -399                              | 104,730                   |
| Cost of sales                          | -47,595             |                   | 231                    | -52                               | -47,416                   |
| <b>Gross earnings</b>                  | <b>57,777</b>       | <b>-243</b>       | <b>231</b>             | <b>-451</b>                       | <b>57,314</b>             |
| Sales and marketing expenses           | -31,373             |                   |                        | 215                               | -31,158                   |
| Administration expenses                | -10,284             |                   |                        | -183                              | -10,467                   |
| Development expenses                   | -9,883              |                   | -823                   | 474                               | -10,232                   |
| Other operating income and expenses    |                     |                   |                        | 1,144                             | 1,144                     |
| <b>Operating earnings</b>              | <b>6,237</b>        | <b>-243</b>       | <b>-592</b>            | <b>1,199</b>                      | <b>6,601</b>              |
| Net financial items                    | 5,073               |                   |                        | -1,199                            | 3,874                     |
| <b>Profit before tax</b>               | <b>11,310</b>       | <b>-243</b>       | <b>-592</b>            | <b>0</b>                          | <b>10,475</b>             |
| Tax                                    | -1,789              | 53                | 131                    |                                   | -1,605                    |
| <b>Net income</b>                      | <b>9,521</b>        | <b>-190</b>       | <b>-461</b>            | <b>0</b>                          | <b>8,870</b>              |

| Restated consolidated income statement | Jan-Sep 2017        |                   |                        |                                   |                           |
|--|---------------------|-------------------|------------------------|-----------------------------------|---------------------------|
|  | Previously reported | Impact of IFRS 15 | Adjustment development | Reclassification Income statement | Restated Income statement |
| SEK thousands                          |                     |                   |                        |                                   |                           |
| Net sales                              | 309,286             | 86                |                        | 1,475                             | 310,847                   |
| Cost of sales                          | -131,807            |                   | 564                    | -622                              | -131,865                  |
| <b>Gross earnings</b>                  | <b>177,479</b>      | <b>86</b>         | <b>564</b>             | <b>853</b>                        | <b>178,982</b>            |
| Sales and marketing expenses           | -105,409            |                   |                        | 215                               | -105,194                  |
| Administration expenses                | -36,000             |                   |                        | -183                              | -36,183                   |
| Development expenses                   | -43,911             |                   | -2,857                 | 546                               | -46,222                   |
| Other operating income and expenses    |                     |                   |                        | 358                               | 358                       |
| <b>Operating earnings</b>              | <b>-7,841</b>       | <b>86</b>         | <b>-2,293</b>          | <b>1,788</b>                      | <b>-8,259</b>             |
| Net financial items                    | 12,855              |                   |                        | -1,788                            | 11,067                    |
| <b>Profit before tax</b>               | <b>5,014</b>        | <b>86</b>         | <b>-2,293</b>          | <b>0</b>                          | <b>2,808</b>              |
| Tax                                    | 3,608               | -19               | 504                    |                                   | 4,093                     |
| <b>Net income</b>                      | <b>8,622</b>        | <b>67</b>         | <b>-1,789</b>          | <b>0</b>                          | <b>6,901</b>              |

| Restated consolidated balance sheet     | Sep 30, 2017     |                   |               |                        | Dec 31, 2017     |                   |                        |
|---|------------------|-------------------|---------------|------------------------|------------------|-------------------|------------------------|
|   | Earlier reported | Impact of IFRS 15 | Adj Dev       | Restated balance sheet | Earlier reported | Impact of IFRS 15 | Restated balance sheet |
| SEK thousands                           |                  |                   |               |                        |                  |                   |                        |
| <b>ASSETS</b>                           |                  |                   |               |                        |                  |                   |                        |
| <b>Non-current assets</b>               |                  |                   |               |                        |                  |                   |                        |
| Capitalized expenditure for development | 250,969          |                   | -5,210        | 245,759                | 251,622          |                   | 251,622                |
| Goodwill                                | 57,640           |                   |               | 57,640                 | 58,452           |                   | 58,452                 |
| Other intangible assets                 | 16,263           |                   |               | 16,263                 | 19,458           |                   | 19,458                 |
| Equipment                               | 4,124            |                   |               | 4,124                  | 4,636            |                   | 4,636                  |
| Deferred tax asset                      | 17,704           | 459               | 1,146         | 19,309                 | 13,756           | 529               | 14,285                 |
| Deposits                                | 4,907            |                   |               | 4,907                  | 4,911            |                   | 4,911                  |
| <b>Total non-current assets</b>         | <b>351,607</b>   | <b>459</b>        | <b>-4,064</b> | <b>348,002</b>         | <b>352,835</b>   | <b>529</b>        | <b>353,364</b>         |
| Current assets                          | 352,228          |                   |               | 352,228                | 344,080          |                   | 344,080                |
| <b>TOTAL ASSETS</b>                     | <b>703,835</b>   | <b>459</b>        | <b>-4,064</b> | <b>700,230</b>         | <b>696,915</b>   | <b>529</b>        | <b>697,444</b>         |
| <b>EQUITY AND LIABILITIES</b>           |                  |                   |               |                        |                  |                   |                        |
| Shareholders' equity                    | 558,507          | -1,629            | -4,064        | 552,814                | 547,966          | -1,877            | 546,089                |
| Non-current liabilities                 | 20,413           |                   |               | 20,413                 | 19,738           |                   | 19,738                 |
| Current liabilities                     | 124,915          | 2,088             |               | 127,003                | 129,211          | 2,406             | 131,617                |
| <b>TOTAL EQUITY AND LIABILITIES</b>     | <b>703,835</b>   | <b>459</b>        | <b>-4,064</b> | <b>700,230</b>         | <b>696,915</b>   | <b>529</b>        | <b>697,444</b>         |

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 2017.

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 February 16-23, the parent company acquired 160,000 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 0.7 million. This corresponds to the total number of shares that the parent company has repurchased during the year.

At the end of the reporting period, the parent company had a total of 6,475,000 of its own class B shares, at an average cost of SEK 4.64 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.

All shares issued by the parent company were fully paid.

| The division of shares | Sep 30, 2018     |                    |                    | Dec 31, 2017     |                    |                    |
|------------------------|------------------|--------------------|--------------------|------------------|--------------------|--------------------|
|                        | A-shares         | B-shares           | Total              | A-shares         | B-shares           | Total              |
| Outstanding shares     | 1,000,000        | 382,458,009        | <b>383,458,009</b> | 1,000,000        | 382,618,009        | <b>383,618,009</b> |
| Repurchased own shares | -                | 6,475,000          | <b>6,475,000</b>   | -                | 6,315,000          | <b>6,315,000</b>   |
| <b>Issued shares</b>   | <b>1,000,000</b> | <b>388,933,009</b> | <b>389,933,009</b> | <b>1,000,000</b> | <b>388,933,009</b> | <b>389,933,009</b> |

## TAX

The group reported tax of SEK 2.8 (4.1) million for the period January – September, 2018. Reported tax corresponds to an effective tax rate of 22% (-146%). Profit before tax of SEK -13.0 (2.8) million includes value changes on synthetic options of SEK 2.4 (12.8) million. The value change on synthetic options is not taxable if an income, or tax deductible if a cost. Hence, the relative share the value change on synthetic options is of profit/loss before tax has a significant effect on the differences in the effective tax

rates between periods. 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 78.4 million at the end of the period, compared to SEK 55.8 million as of December 31, 2017. Deferred tax assets has been recognized for the tax loss carry-forwards and the new tax rates in Sweden from January 2019 have been taken into account in the valuation.

## SHARE-BASED INCENTIVE PROGRAMS

During the second quarter of 2018, 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 years 2015 & 2017 program, see pages 61–62 of the

Annual Report for 2017. The calculation of the fair value on the grant date was based on the conditions stated in the table below.

During the second quarter of 2018, the 2015 program was settled.

| Synthetic options, the calculation of the fair value on the grant date was based on the following conditions: | Sweden |
|---|--------|
| Averaged volume-weighted price paid for the Net Insight B shares, SEK   | 4.36   |
| Strike price, SEK   | 5.20   |
| Assumed volatility <sup>1</sup>   | 36%    |
| Term  | 3 år   |
| Risk-free interest  | -0.39% |
| Adjustment of fair value due to CAP, SEK  | -0.02  |
| Fair value, SEK   | 0.76   |
| Number of options issued, thousands   | 1,575  |

<sup>1</sup> 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.

## NOMINATION COMMITTEE AND ANNUAL GENERAL MEETING

Net Insight's nomination committee for the 2019 Annual General Meeting consists of the following representatives together with Chairman of the Board, Gunilla Fransson; Ramsay Brufer (Alecta), Jan Barchan (Briban Invest), Martin Wallin (Lannebo Fonder) and Christian Brunlid (Handelsbanken Fonder). 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 13, 2019, to the Chairman of the Nomination Committee Ramsay Brufer, e-mail: ramsay.brufer@alecta.com.

The Annual Shareholders' Meeting of Net Insight AB (publ) will be held on May 8, 2019, at 10 am by the company's offices, Smidesvägen 7 in Solna.

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, 2019 by email: agm@netinsight.net or by post:

Net Insight AB (publ)

Box 1200

171 23 Solna

Sweden

Mark the envelope or email with "Proposals to AGM 2019".

## 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 mainly generated from software, support and services sales and to a smaller part from hardware products.

### 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 2018

February 15, 2019

Interim report January – March

April 25, 2019

Annual General Meeting

May 8, 2019

Interim report January – June

July 19, 2019

Interim report January – September

October 29, 2019

### For more information, please contact:

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Box 1200

171 23 Solna

Sweden

Tel. +46 (0)8 – 685 04 00

www.netinsight.net

Solna, October 26, 2018

Henrik Sund

Interim CEO

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 CEST on October 26, 2018.

## REVIEW REPORT

### Introduction

We have reviewed the interim report for Net Insight AB (publ) for the period January 1 - September 30, 2018. 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 26, 2018

Deloitte AB

Therese Kjellberg  
*Authorized Public Accountant*

## FINANCIAL INFORMATION

| SEK millions (if not defined differently)   | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| <b>Income</b>   |                 |                 |                 |                 |                       |                 |
| <i>Net sales by segment</i>   |                 |                 |                 |                 |                       |                 |
| Western Europe  | 46.0            | 46.9            | 147.9           | 134.8           | 207.6                 | 194.4           |
| Americas  | 48.7            | 40.1            | 117.3           | 101.8           | 149.3                 | 133.8           |
| Rest of World   | 20.4            | 17.8            | 79.9            | 74.3            | 104.4                 | 98.8            |
| <b>Net sales</b>  | <b>115.1</b>    | <b>104.7</b>    | <b>345.1</b>    | <b>310.8</b>    | <b>461.3</b>          | <b>427.0</b>    |
| Gross earnings  | 71.2            | 57.3            | 207.9           | 179.0           | 276.5                 | 247.6           |
| Operating expenses  | 75.8            | 51.9            | 222.8           | 187.6           | 292.0                 | 256.8           |
| Total development expenditure   | 30.0            | 30.9            | 98.4            | 109.3           | 138.8                 | 149.7           |
| EBITDA  | -2.3            | 3.0             | -19.4           | -16.8           | -26.3                 | -23.7           |
| Operating earnings  | -4.2            | 6.6             | -14.7           | -8.3            | -14.0                 | -7.5            |
| Profit/loss before tax  | -4.8            | 10.5            | -13.0           | 2.8             | -10.5                 | 5.3             |
| Net income  | -3.8            | 8.9             | -10.2           | 6.9             | -13.6                 | 3.5             |
| <b>Balance sheet and cashflow</b>   |                 |                 |                 |                 |                       |                 |
| Working capital   | 47.5            | 32.8            | 43.9            | 38.1            | 40.7                  | 37.4            |
| Cash and cash equivalents   | 111.2           | 197.3           | 111.2           | 197.3           | 111.2                 | 177.7           |
| Total cash flow   | -38.4           | -4.0            | -67.0           | -17.2           | -86.5                 | -36.8           |
| <b>The share</b>  |                 |                 |                 |                 |                       |                 |
| Dividend per share, SEK   | -               | -               | -               | -               | -                     | -               |
| Earnings per share diluted and basic, SEK   | -0.01           | 0.02            | -0.03           | 0.02            | -0.04                 | 0.01            |
| Cash flow per share, SEK  | -0.10           | -0.01           | -0.17           | -0.04           | -0.23                 | -0.10           |
| Equity per share basic and diluted, SEK   | 1.41            | 1.44            | 1.41            | 1.44            | 1.41                  | 1.42            |
| Average number of outstanding shares, basic and diluted, thousands                  | 383,458         | 384,961         | 383,485         | 385,426         | 383,601               | 385,057         |
| Number of outstanding shares at the end of the period, basic and diluted, thousands | 383,458         | 384,358         | 383,458         | 384,358         | 383,458               | 383,618         |
| Share price at end of period, SEK   | 3.08            | 5.25            | 3.08            | 5.25            | 3.08                  | 4.73            |
| <b>Employees and consultants</b>  |                 |                 |                 |                 |                       |                 |
| Employees and consultants during the period   | 239             | 247             | 242             | 245             | 243                   | 245             |
| <b>KPI</b>  |                 |                 |                 |                 |                       |                 |
| Net sales YoY, change in %  | 9.9%            | -18.3%          | 11.0%           | -16.1%          | 3.9%                  | -15.2%          |
| Gross margin  | 61.9%           | 54.7%           | 60.2%           | 57.6%           | 59.9%                 | 58.0%           |
| Total development expenditure/Net sales   | 26.1%           | 29.5%           | 28.5%           | 35.2%           | 30.1%                 | 35.0%           |
| Operating margin  | -3.7%           | 6.3%            | -4.3%           | -2.7%           | -3.0%                 | -1.8%           |
| EBITDA margin   | -2.0%           | 2.9%            | -5.6%           | -5.4%           | -5.7%                 | -5.5%           |
| Net margin  | -3.3%           | 8.5%            | -3.0%           | 2.2%            | -3.0%                 | 0.8%            |
| Return on capital employed  | -2.6%           | 0.8%            | -2.6%           | 0.8%            | -2.6%                 | -1.4%           |
| Equity/asset ratio  | 77.1%           | 78.9%           | 77.1%           | 78.9%           | 77.1%                 | 78.3%           |
| Return on equity  | -2.5%           | 2.2%            | -2.5%           | 2.2%            | -2.5%                 | 0.6%            |

## 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

| Performance measures                          | Various types of performance measures and margin measures as a percentage of sales.   |   |
|---|---|---|
| Non-IFRS performance measures                 | Description   | Reason for use of the measure   |
| 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, recalculated using the foreign currency rates from the comparative period, and the corresponding sales for the comparative period in previous year. 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.  |
| 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.  |   |
| Segment                                       | 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>  |   |

| EBITDA margin<br>SEK millions (if not defined differently) | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Operating earnings   | -4.2            | 6.6             | -14.7           | -8.3            | -14.0                 | -7.5            |
| Amortization of capitalized development expenditure        | 13.0            | 15.8            | 42.0            | 45.3            | 57.3                  | 60.7            |
| Other depreciation, amortization & impairment              | 1.8             | 1.3             | 4.6             | 9.2             | 5.9                   | 10.5            |
| Capitalization of development expenditure                  | -12.9           | -20.7           | -51.3           | -63.0           | -75.5                 | -87.3           |
| <b>EBITDA</b>  | <b>-2.3</b>     | <b>3.0</b>      | <b>-19.4</b>    | <b>-16.8</b>    | <b>-26.3</b>          | <b>-23.7</b>    |
| Net sales  | 115.1           | 104.7           | 345.1           | 310.8           | 461.3                 | 427.0           |
| <b>EBITDA margin</b>                                       | <b>-2.0%</b>    | <b>2.9%</b>     | <b>-5.6%</b>    | <b>-5.4%</b>    | <b>-5.7%</b>          | <b>-5.5%</b>    |

| KPI Income Statement<br>SEK millions (if not defined differently) | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Net sales   | 115.1           | 104.7           | 345.1           | 310.8           | 461.3                 | 427.0           |
| <i>Net sales YoY, change in %</i>                                 | 9.9%            | -18.3%          | 11.0%           | -16.1%          | 3.9%                  | -15.2%          |
| Cost of sales excl. amortization of capitalized development       | -30.9           | -31.6           | -95.3           | -86.5           | -127.5                | -118.8          |
| <b>Gross earnings ex. amortization of capitalized development</b> | <b>84.2</b>     | <b>73.1</b>     | <b>249.9</b>    | <b>224.3</b>    | <b>333.8</b>          | <b>308.3</b>    |
| <i>Gross margin ex. amortization of capitalized development</i>   | 73.2%           | 69.8%           | 72.4%           | 72.2%           | 72.4%                 | 72.2%           |
| Cost of sales amortization of capitalized development             | -13.0           | -15.8           | -42.0           | -45.3           | -57.3                 | -60.7           |
| <b>Gross earnings</b>   | <b>71.2</b>     | <b>57.3</b>     | <b>207.9</b>    | <b>179.0</b>    | <b>276.5</b>          | <b>247.6</b>    |
| <i>Gross margin</i>   | 61.9%           | 54.7%           | 60.2%           | 57.6%           | 59.9%                 | 58.0%           |
| Sales and marketing expenses                                      | -44.9           | -31.2           | -134.7          | -105.2          | -174.2                | -144.7          |
| Administration expenses   | -13.7           | -10.5           | -41.1           | -36.2           | -54.6                 | -49.7           |
| Development expenses  | -17.1           | -10.2           | -47.1           | -46.2           | -63.2                 | -62.4           |
| <b>Operating expenses</b>   | <b>-75.8</b>    | <b>-51.9</b>    | <b>-222.8</b>   | <b>-187.6</b>   | <b>-292.0</b>         | <b>-256.8</b>   |
| <i>Operating expenses/net sales</i>                               | 65.9%           | 49.5%           | 64.6%           | 60.3%           | 63.3%                 | 60.1%           |
| Other operating income & expenses                                 | 0.4             | 1.1             | 0.2             | 0.4             | 1.5                   | 1.6             |
| <b>Operating earnings</b>   | <b>-4.2</b>     | <b>6.6</b>      | <b>-14.7</b>    | <b>-8.3</b>     | <b>-14.0</b>          | <b>-7.5</b>     |
| <i>Operating margin</i>   | -3.7%           | 6.3%            | -4.3%           | -2.7%           | -3.0%                 | -1.8%           |
| Net financial items   | -0.6            | 3.9             | 1.7             | 11.1            | 3.5                   | 12.9            |
| <b>Profit/loss before tax</b>                                     | <b>-4.8</b>     | <b>10.5</b>     | <b>-13.0</b>    | <b>2.8</b>      | <b>-10.5</b>          | <b>5.3</b>      |
| Tax   | 0.9             | -1.6            | 2.8             | 4.1             | -3.1                  | -1.8            |
| <b>Net income</b>   | <b>-3.8</b>     | <b>8.9</b>      | <b>-10.2</b>    | <b>6.9</b>      | <b>-13.6</b>          | <b>3.5</b>      |
| <i>Net margin</i>   | -3.3%           | 8.5%            | -3.0%           | 2.2%            | 3.0%                  | 0.8%            |

| Change in net sales in comparable currencies SEK millions (if not defined differently) | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Current assets   | 115.1           | 104.7           | 345.1           | 310.8           | 427.0           |
| Cash and cash equivalents  | -8.7            | 2.2             | -10.2           | -6.7            | -2.1            |
| Short term liabilities   | <b>106.4</b>    | <b>106.9</b>    | <b>334.9</b>    | <b>304.1</b>    | <b>425.0</b>    |
| <b>Working capital</b>   | <b>1.5%</b>     | <b>-17.1%</b>   | <b>7.8%</b>     | <b>-18.4%</b>   | <b>31.1%</b>    |

| Total development expenditure/ net Sales SEK millions (if not defined differently) | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Development expenses   | 17.1            | 10.2            | 47.1            | 46.2            | 63.2                  | 62.4            |
| Capitalization of development expenditure*   | 12.9            | 20.7            | 51.3            | 63.0            | 75.5                  | 87.3            |
| <b>Total development expenditure</b>   | <b>30.0</b>     | <b>30.9</b>     | <b>98.4</b>     | <b>109.3</b>    | <b>138.8</b>          | <b>149.7</b>    |
| Net Sales  | 115.1           | 104.7           | 345.1           | 310.8           | 461.3                 | 427.0           |
| <b>Total development expenditure/net sales</b>                                     | <b>26.1%</b>    | <b>29.5%</b>    | <b>28.5%</b>    | <b>35.2%</b>    | <b>30.1%</b>          | <b>35.0%</b>    |

\*) During the period January – March 2018, SEK 0.4 million was reclassified from Other intangible fixed assets to Capitalized expenditure for development, which are included in the item Capitalization of development expenditure but not in Investments.

| 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.<br>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.<br>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<br>SEK millions | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Current assets                  | 327.7           | 365.5           | 334.6           | 377.9           | 338.1                 | 371.2           |
| Cash and cash equivalents       | -130.4          | -199.4          | -150.8          | -210.9          | -160.1                | -204.3          |
| Short term liabilities          | -149.7          | -133.3          | -139.8          | -128.9          | -137.2                | -129.4          |
| <b>Working capital</b>          | <b>47.5</b>     | <b>32.8</b>     | <b>43.9</b>     | <b>38.1</b>     | <b>40.7</b>           | <b>37.4</b>     |

| Return on capital employed<br>SEK millions (if not defined differently) | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| <i>Capital employed</i>   |                 |                 |                 |                 |                       |                 |
| Total balance   | 713.3           | 711.5           | 705.4           | 721.3           | 704.3                 | 716.5           |
| Non-interest liabilities  | -170.1          | -158.0          | -159.8          | -161.0          | -157.3                | -159.1          |
| <b>Capital employed</b>   | <b>543.3</b>    | <b>553.5</b>    | <b>545.6</b>    | <b>560.3</b>    | <b>547.0</b>          | <b>557.4</b>    |
| <i>Operating earnings less interest income - RQ4</i>                    |                 |                 |                 |                 |                       |                 |
| Operating earnings - RQ4  | -14.0           | 4.7             | -14.0           | 4.7             | -14.0                 | -7.5            |
| Interest income - RQ4   | 0.1             | 0.1             | 0.1             | 0.1             | 0.1                   | 0.1             |
| <i>Operating earnings less interest income - RQ4</i>                    | <i>-14.1</i>    | <i>4.6</i>      | <i>-14.1</i>    | <i>4.6</i>      | <i>-14.1</i>          | <i>-7.6</i>     |
| <b>Return on capital employed</b>                                       | <b>-2.6%</b>    | <b>0.8%</b>     | <b>-2.6%</b>    | <b>0.8%</b>     | <b>-2.6%</b>          | <b>-1.4%</b>    |

| Equity/asset ratio<br>SEK millions (if not defined differently) | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Equity  | 540.7           | 552.8           | 540.7           | 552.8           | 540.7                 | 546.1           |
| Total equity and liabilities                                    | 701.1           | 700.2           | 701.1           | 700.2           | 701.1                 | 697.4           |
| <b>Equity/asset ratio</b>                                       | <b>77.1%</b>    | <b>78.9%</b>    | <b>77.1%</b>    | <b>78.9%</b>    | <b>77.1%</b>          | <b>78.3%</b>    |

| Return on equity<br>SEK millions (if not defined differently) | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Net income - RQ4  | -13.6           | 12.6            | -13.6           | 12.6            | -13.6                 | 3.5             |
| Average equity - RQ4  | 547.0           | 558.9           | 547.0           | 558.9           | 547.0                 | 557.4           |
| <b>Return on equity</b>                                       | <b>-2.5%</b>    | <b>2.2%</b>     | <b>-2.5%</b>    | <b>2.2%</b>     | <b>-2.5%</b>          | <b>0.6%</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  |
| Average number of employees and consultants/co-workers | The average number of employees and consultants for non-temporary positions (longer than nine months) and who don't replace absent employees, in FTE (Full-time equivalent). | To supplement the number of employees with consultants gives a better measure of the Company's cost. |

| Average number of employees and consultants        | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| Average number of employees                        | 203             | 209             | 207             | 209             | 207                   | 208             |
| Average number of consultants                      | 36              | 38              | 35              | 36              | 36                    | 36              |
| <b>Average number of employees and consultants</b> | <b>239</b>      | <b>247</b>      | <b>242</b>      | <b>245</b>      | <b>243</b>            | <b>245</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 | Jul-Sep<br>2018 | Jul-Sep<br>2017 | Jan-Sep<br>2018 | Jan-Sep<br>2017 | Oct 2017-<br>Sep 2018 | Jan-Dec<br>2017 |
|---|------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|
| <b>Effects of the Net Insight share price development during the period</b> |      |                 |                 |                 |                 |                       |                 |
| Share-based benefits  | (a)  | 0.0             | 1.1             | 0.2             | 2.9             | 0.7                   | 3.4             |
| Synthetic options, change in value  | (b)  | 0.8             | 4.5             | 2.5             | 12.8            | 4.1                   | 14.5            |
| <b>Total</b>  |      | <b>0.8</b>      | <b>5.6</b>      | <b>2.7</b>      | <b>15.8</b>     | <b>4.8</b>            | <b>18.0</b>     |

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

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

(b) 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.

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