

Net Insight Year-end Report January – December 2018

Net Insight AB (publ) org.nr. 556533-4397



October – December 2018

- Net sales amounted to SEK 106.4 (116.2)* million, a decrease of -8.4% year-on-year. In comparable currencies, the decrease was -13.5%.
- Operating earnings amounted to SEK -60.4 (0.7)* million, corresponding to an operating margin of -56.7% (0.6).
- Excluding items affecting comparability of SEK -38.6 (-) million, operating earnings was SEK -21.8 (0.7) million.
- Net income was SEK -47.9 (-3.4)* million. Financial net was positively affected by SEK 0.2 (1.7) million for revaluation of synthetic options.
- Earnings per share, diluted and basic, was SEK -0.13 (-0.01).
- Total cash flow was SEK -18.5 (-19.5) million.

January – December 2018

- Net sales amounted to SEK 451.6 (427.0)* million, an increase of 5.8%. In comparable currencies, the increase was 1.9%.
- Operating earnings amounted to SEK -75.1 (-7.5)* million, corresponding to an operating margin of -16.6% (-1.8).
- Excluding items affecting comparability of SEK -48.3 (-0.9) million, operating earnings was SEK -26.8 (-6.6) million.
- Net income was SEK -58.2 (3.5)* million. Financial net was positively affected by SEK 2.6 (14.5) million for revaluation of synthetic options.
- Earnings per share, diluted and basic, was SEK -0.15 (0.01).
- Total cash flow was SEK -85.5 (-36.8) million.

”Reorganization for growth increases efficiencies and strengthens link between development and market”

Henrik Sund, CEO Net Insight

Significant events:

- Nimbra VA record deal
- Reorganization for efficiency and increased customer focus
- Henrik Sund appointed CEO

Significant events after the fourth quarter:

- Cost saving program initiated
- Key Syc agreement for live streaming

FINANCIAL HIGHLIGHTS

MSEK	Oct-Dec 2018	Oct-Dec 2017*	Change	Jan-Dec 2018	Jan-Dec 2017*	Change
Net sales by segment						
Western Europe	59.4	59.7	-0.5%	207.3	194.4	6.6%
Americas	30.0	32.1	-6.4%	147.3	133.8	10.0%
Rest of World	17.1	24.5	-30.3%	97.0	98.8	-1.8%
Net sales	106.4	116.2	-8.4%	451.6	427.0	5.8%
Operating earnings	-60.4	0.7		-75.1	-7.5	
Operating margin	-56.7%	0.6%		-16.6%	-1.8%	
Net income	-47.9	-3.4		-58.2	3.5	
EBITDA	-29.6	-6.9		-49.0	-23.7	
EBITDA margin	-27.8%	-5.9%		-10.9%	-5.5%	
Total cash flow	-18.5	-19.5		-85.5	-36.8	

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

CEO's statement

Major changes in weak quarter

Net sales were SEK 106.4 million in the fourth quarter, compared to SEK 116.2 million in the corresponding period of the previous year. Full year net sales were SEK 451.6 million, an increase of some 6% year-on-year. We are not satisfied with underlying profit, and are focusing on achieving profitable growth.

” Reorganization for growth increases efficiencies and strengthens link between development and market

Net Insight hasn't returned strong results in recent quarters, and as a newly appointed CEO it's my task to change this. We have decided to implement a range of measures to improve profitability, increase efficiency and create scope for future investments. We have completed a reorganization that has increased our business focus and clarified product responsibility. We followed this up with a savings program and some minor organizational changes in the middle of January 2019. To be successful, we need to become more responsive to customer needs, and a key part of achieving this is to allocate sales responsibility within the respective product areas.

In the quarter, we recognized impairment losses of some SEK 35 million relating to the Nimbra product Media Gateway. This product hasn't reached its expected sales targets and further investment would be required to produce a competitive solution. We believe that other areas of the Nimbra platform harbor more potential, and have recognized impairment losses for capitalized development expenditures related to Media Gateway in full.

Although sales didn't match our expectations in the quarter, there are a number of positive signs. Demand for transport solutions for media over the internet remains high, and we won a record Nimbra VA order for a national distribution network in the quarter. Our customers have shown considerable interest in the Nimbra 1060 media platform, which satisfies future demands on capacity and flexibility, such as live sporting events during the transition to IP-based production flows. Other positive events included a media network contract for the 2019 Handball World Championship in Germany and Denmark, which illustrates the importance of building relationships with content owners, and a Nimbra order from a new service provider. Overall, we have retained our good market position for the Nimbra portfolio, which has further scope for development.

For ScheduALL, we perceive considerable potential for intelligent resource optimization. Media industry operators are increasingly required to manage and optimize resources in an ever more complex environment, with the associated demands on increased efficiency. We strengthened the product area management during the quarter, and initiated the process of updating and modernizing the ScheduALL solution to meet future customer needs. The new solution will be launched at the NAB show in April.

For Sye, activity remained high with several important



business discussions underway. Growth in user numbers for the live quiz Primetime, which is based on Sye, remains very high. More than 900,000 Swedes have downloaded the app since its launch in March 2018, and the quiz now engages over 100,000 daily competitors in Sweden. Primetime also started its international expansion in the quarter.

At the end of January, we signed an important license agreement with a US Fortune 500 company relating to their live video streaming service, which was pleasing and confirms Sye's attractiveness. This is a major opportunity for Net Insight and we take a positive view of future revenue, even if the short-term financial effect is limited.

Net Insight is in a very strong position, which I've confirmed in a number of customer meetings during the quarter. Given the measures we have implemented, I'm convinced that we're heading in the right direction, towards increased growth and profitability.

Solna, Sweden, February 15, 2019
Henrik Sund, CEO

REVENUES

October – December

Net sales in the fourth quarter of 2018 were relatively weak, primarily for region Rest of World, and was SEK 106.4 (116.2) million, down 8.4% versus the corresponding quarter in the previous year. In comparable currencies, the decrease was 13.5% as a result of a weaker SEK against the USD and EUR.

In Western Europe net sales were SEK 59.4 (59.7) million, down -0.5% year-on-year. A record order for Nimbra VA was received during the quarter. Hardware revenue decreased by -30.7%, offset by an increase in software revenue by 69.3% and support and services revenues by 4.5%.

Net sales in Americas at SEK 30.0 (32.1) million were down -6.4% versus the corresponding quarter in the previous year. Hardware revenue decreased by -51.8%, partly offset by an increase in support and services revenues by 9.9%. Software revenue was in line with previous year.

Net sales in Rest of World were SEK 17.1 (24.5) million, down -30.3%. Hardware and software revenues were down -46.7% and -44.5% respectively, while support and services revenues increased with 11.3%.

Net sales from hardware were SEK 27.5 (43.4) million, and net sales from software licenses totaled SEK 34.5 (31.5) million. The increase in software licenses for Western Europe is partially offset by a decrease for Rest of World. Net sales of support and services increased for all regions and amounted to SEK 44.5 (41.2) million.

January – December

Net sales in 2018 were SEK 456.1 (427.0) million, corresponding to an increase of 5.8%. In comparable currencies, net sales increased by 1.9%.

In Western Europe net sales were SEK 207.3 (194.4), up 6.6%. Software revenue increased by 44.6%, support and services revenues by 4.7%, while hardware revenue decreased by -10.0%.

Net sales in Americas were SEK 147.3 (133.8) million, up 15.2%. Software revenue increased by 33.9%, support and services revenues by 10.5, while hardware revenue decreased by -8.0%.

Net sales in Rest of World were SEK 97.0 (98.8) for 2018, corresponding to a decrease of -1.8%. Support and services revenues increased by 8.6%, offset by decreased hardware revenue of -7.0% and software revenue by -4.0%

Net sales from hardware were SEK 148.2 (162.5) million, and net sales from software licenses totaled SEK 130.0 (103.5) million. Hardware revenue has decreased for all regions. The increase in software licenses for Western Europe and the Americas is partially offset by a decrease for Rest of World. Net sales of support and services increased for all regions and amounted to SEK 173.4 (161.1) million

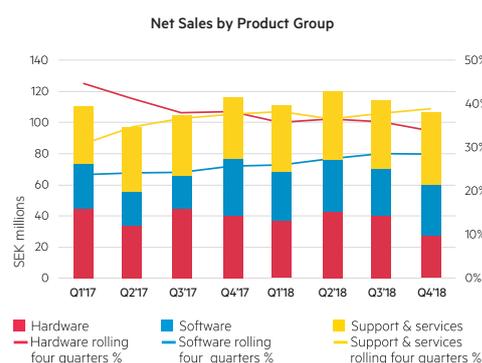
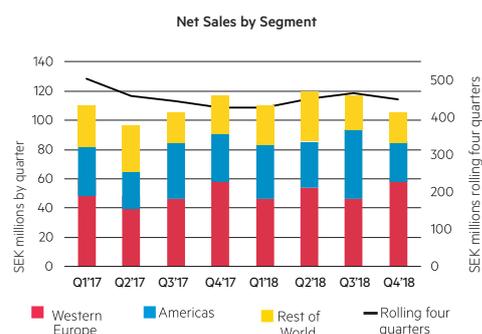
EARNINGS

October – December

Gross profit was SEK 54.5 (68.6) million, a significant decrease versus the fourth quarter of 2017, mainly due to weaker sales. Gross profit included amortization of capitalized development expenditure of SEK -16.5 (-15.3) million. Gross margin excluding amortization of capitalized development expenditure was 66.6% (72.3), due to product mix variations and increased inventory in obsolescence related to end of life components (-3.1 MSEK, versus -2.1 MSEK for the corresponding quarter in 2017).

Operating expenses in the fourth quarter were SEK -78.1 (-69.2) million, up SEK 9.0 million year-on-year, of which staff termination costs amounted to SEK 2.7 (-) million. The relocations in Stockholm and Florida during the second and third quarter has resulted in increased depreciation of SEK 1.2 million versus previous year. In addition, increase in sales resources and somewhat higher development costs explain the increased operating expenses.

Other operating income and expenses were SEK -36.7 (1.3) million, mainly due to impairment losses on capitalized development expenditures of SEK 34.6 (-) million for Nimbra Media Gateway. Sales for this product has not met expectations, and further investments would be required for a competitive solution. We prioritize other areas with larger future potential for the Nimbra platform and will not make such investments. Hence, we have recognized impairment losses for capitalized development expenditures related to Nimbra Media Gateway in full. We also recognized impairment losses on other intangible assets of SEK -1.3 (-) million in connection with reprioritizations of the Nimbra portfolio.



Key Ratios	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales, SEK millions	106.4	116.2	451.6	427.0
Gross margin	51.2%	59.1%	58.1%	58.0%
Operating margin	-56.7%	0.6%	-16.6%	-1.8%
EBITDA margin	-27.8%	-5.9%	-10.9%	-5.5%

Operating earnings were SEK -60.4 (0.7) million, equating to an operating margin of -56.7% (0.6). Operating earnings was charged with items affecting comparability (impairment losses on intangible assets and staff termination cost) of SEK -38.6 (-) million, and increased depreciation of tangible assets and inventory obsolescence versus previous year of totaling SEK -3.4 million. EBITDA was SEK -29.6 (-6.9) million, corresponding to an EBITDA margin of -27.8% (-5.9). Activities in development, sales and marketing of the company's live OTT solution Sye affected operating earnings and EBITDA by SEK -9.8 (-12.4) million and SEK -15.8 (-17.7) million respectively.

In the fourth quarter, net financial items were positively affected by SEK 0.2 (1.7) 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 -0.3 (1.8) million.

Profit before tax was SEK -60.7 (2.5) million, and net income for the period was SEK -47.9 (-3.4) million, corresponding to a net margin of -45.0% (-2.9).

January – December

Gross profit was SEK 262.4 (247.6) for the twelve-month period. The increase was mainly due to the higher net sales. Gross profit included amortization of capitalized development expenditure of SEK -58.4 (-60.7) million. Gross margin excluding amortization of capitalized development expenditure was slightly lower than the previous year and amounted to 71.0% (72.2), attributable to product mix variations and end of life components causing increased inventory obsolescence (SEK -6.1 million in 2018 vs SEK -3.4 million for 2017).

Operating expenses for 2018 were SEK -301.0 (-256.8) million, of which SEK -10.2 (-0.8) million for staff termination costs, and SEK -2.2 (-) million for remaining lease cost for the previous head office after the move. Sales and marketing expenses increased by SEK -36.4 million to SEK -181.1 (-144.7) million, mainly driven by the increased resources working in sales and marketing. Development expenses totaled SEK -64.9 (-62.4) million. Total development expenditures were SEK -140.3 (-149.3) 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.

Other income and expenses of SEK -36.5 (1.6) million is mainly related to the impairment losses on capitalized development expenditures for Nimbra Media Gateway (see section October-December above) of SEK -34.6 (-) million. We also recognized impairment losses on other intangible assets of SEK -1.3 (-) million in connection with reprioritizations of the Nimbra portfolio.

Operating earnings for 2018 were SEK -75.1 (-7.5) million, corresponding to an operating margin of -16.6% (-1.8%). The loss is mainly due to items affecting comparability (impairment losses on intangible assets, staff terminations costs and double leases related to office moves) totaling SEK -48.3 (-0.9) million, and the initiatives in Live OTT (see below). EBITDA was SEK -49.0 (-23.7) million, corresponding to an EBITDA margin of -10.9% (5.5%). Development, marketing and sales activities related to the Live OTT solution Sye affected Operating Earnings and EBITDA with SEK -41.0 (-42.4) million and SEK -62.6 (-59.0) million respectively.

Net financial items were SEK 1.4 (12.9) million, of which SEK 2.6 (14.5) million is attributable to the revaluation of synthetic options.

Profit before tax was SEK -73.7 (5.3) million, and net income for the period was SEK -58.2 (3.5) million, corresponding to a net margin of -12.9% (0.8). For more information, see the section on Tax on page 13.

INVESTMENTS

Fourth quarter investments were SEK 31.3 (26.1) million, of which SEK 24.1 (24.2) million related to capitalization of development expenditure. Depreciation and amortization in the period were SEK 54.9 (16.7) million, of which SEK 16.5 (15.3) million related to amortization of capitalized development expenditure and SEK 35.9 (-) million related to impairment losses on intangible assets.

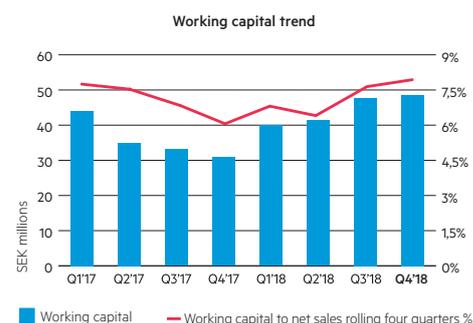
Investments for the full year were SEK 107.1 (93.0) million, of which SEK 75.4 (87.3) million related to capitalized development expenditure. Depreciation and amortization in the period were SEK 101.5 (71.2) million, of which SEK 58.4 (60.7) million related to capitalized development expenditure, and SEK 35.9 (0.9) million related to impairment losses on intangible assets.

At the end of the period, net value of capitalized development expenditure was SEK 234.1 million, against SEK 251.6 million as of 31 December 2017.

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities in the fourth quarter was SEK -1.0 (18.8) million. Total cash flow for the period was SEK -18.5 (-19.5) million. The negative cash flow is explained by the negative result (see above) not covering investments in development projects and equipment, fixtures and fittings for the new Stockholm office.

Cash flow for the twelve-month period was SEK -85.5 (-36.8) million. The negative cash flow is explained by the negative result (see above) not covering investments in development projects and equipment, fixtures and fittings for the new Stockholm and Florida offices. Adjusted for repurchases of own shares, with a total value of SEK 0.7 (11.2) million, cash flow was SEK -84.8 (-25.5) million.



Cash and cash equivalents were SEK 92.9 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 145.4 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 493.9 million at the end of the period, against SEK 546.1 million as of 31 December, 2017. The equity/assets ratio was 76.0%, 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 twelve-month period was 239 (245), of which 146 (156) in the parent company Net Insight AB (publ).

After reorganization during the fourth quarter 2018 and the first quarter 2019, the Executive Team consists as per February 1 2019 of Henrik Sund, CEO, Pelle Bourn, CFO, Filippa Hasselström, VP OTT, Ulrik Rohne, VP Media Networks, Dr Judy Fick, VP Resource Optimization, Marcus Sandberg, VP Marketing & Communication, and Anna-Karin Berry, acting Head of People.

PARENT COMPANY

The parent company's net sales in the fourth quarter were SEK 124.7 (134.4) million, and net income for the period was SEK -50.3 (-15.8) million. Net income was charged with write-down of shares in subsidiaries with SEK -34.9 (-), corresponding to shareholders' contributions to cover for the subsidiary's impairment losses on capitalized development expenditures. In the fourth quarter, intra-group sales totaled SEK 38.1 (39.0) million, and intra-group purchasing SEK -47.0 (-64.9) million.

The parent company's net sales in 2018 were SEK 514.9 (488.2) million, and net income for the period was SEK -44.2 (6.2) million. Net income was charged with write-down of shares in subsidiaries with SEK -34.9 (-), corresponding to shareholders' contributions to cover for the subsidiary's impairment losses on capitalized development expenditures. In the twelve-month period, intra-group sales totaled SEK 133.8 (133.9) million, and intra-group purchasing SEK -168.5 (-163.3) million.

Progress in the parent company for the year 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 during the year or are anticipated in 2019.

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 quarter, net sales were 24% of yearly sales, 25% in the second and third quarters, and 26% in the fourth quarter.

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Oct–Dec 2018	Oct–Dec 2017*	Jan–Dec 2018	Jan–Dec 2017*
Net sales	106,447	116,176	451,585	427,023
Cost of sales	-51,977	-47,550	-189,212	-179,415
Gross earnings	54,470	68,626	262,373	247,608
Sales and marketing expenses	-46,429	-39,491	-181,112	-144,685
Administration expenses	-13,875	-13,514	-54,933	-49,697
Development expenses	-17,839	-16,163	-64,912	-62,385
Other operating income and expenses	-36,730	1,253	-36,510	1,611
Operating earnings	-60,403	711	-75,094	-7,548
Net financial items	-303	1,786	1,387	12,853
Profit/loss before tax	-60,706	2,497	-73,707	5,305
Tax	12,761	-5,871	15,520	-1,778
Net income	-47,945	-3,374	-58,187	3,527
Net income for the period attributable to the shareholders of the parent company	-47,945	-3,374	-58,187	3,527

Earnings per share, based on net income attributable to the parent company's shareholders during the period	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Earnings per share, basic (SEK)	-0.13	-0.01	-0.15	0.01
Earnings per share, diluted (SEK)	-0.13	-0.01	-0.15	0.01
Average number of outstanding shares in thousands, basic	383,458	383,949	383,478	385,057
Average number of outstanding shares in thousands, diluted	383,458	383,931	383,478	385,057

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Net income	-47,945	-3,374	-58,187	3,527
Other comprehensive income				
<i>Items that may be reclassified subsequently to the income statement</i>				
Translation differences	1,093	679	6,702	-7,525
Total other comprehensive income, after tax	1,093	679	6,702	-7,525
Total other comprehensive income for the period	-46,852	-2,695	-51,485	-3,998
Total comprehensive income for the period attributable to the shareholders of the parent company	-46,852	-2,695	-51,485	-3,998

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

CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Dec 31 2018	Sep 30 2018	Dec 31 2017*
ASSETS			
Non-current assets			
Capitalized expenditure for development	234,064	260,939	251,622
Goodwill	63,307	62,560	58,452
Other intangible assets	14,246	16,600	19,458
Equipment	33,580	27,890	4,636
Deferred tax asset	30,247	17,457	14,285
Deposits	5,211	5,209	4,911
Total non-current assets	380,655	390,655	353,364
Current assets			
Inventories	46,388	42,957	43,598
Accounts receivable	106,067	135,709	106,186
Other receivables	23,924	20,553	16,551
Cash and cash equivalents	92,893	111,249	177,745
Total current assets	269,272	310,468	344,080
TOTAL ASSETS	649,927	701,123	697,444
EQUITY AND LIABILITIES			
Equity attributable to parent company's shareholders			
Share capital	15,597	15,597	15,597
Other paid-in capital	1 192,727	1 192,727	1,192,727
Translation reserve	5,569	4,476	-1,133
Accumulated deficit	-720,028	-672,083	-661,102
Total shareholders' equity	493,865	540,717	546,089
Non-current liabilities			
Other liabilities	17,906	19,577	19,738
Total non-current liabilities	17,906	19,577	19,738
Current liabilities			
Accounts payable	36,009	19,049	21,841
Other liabilities	102,147	121,780	109,776
Total current liabilities	138,156	140,829	131,617
TOTAL EQUITY AND LIABILITIES	649,927	701,123	697,444

*) 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	
January 1, 2017	15,597	1,192,727	6,392	-651,688	563,028
Change in accounting policy				-1,697	-1,697
Restated equity at January 1, 2017	15,597	1,192,727	6,392	-653,385	561,331
Repurchase of own shares	-	-	-	-11,244	-11,244
Total comprehensive income	-	-	-7,525	3,527	-3,998
December 31, 2017	15,597	1,192,727	-1,133	-661,102	546,089
Balance at December 31, 2017 as originally presented	15,597	1,192,727	-1,133	-659,225	547,966
Change in accounting policy				-1,877	-1,877
Restated equity at January 1, 2018	15,597	1,192,727	-1,133	-661,102	546,089
Repurchase of own shares	-	-	-	-739	-739
Total comprehensive income	-	-	6,702	-58,187	-51,485
December 31, 2018	15,597	1,192,727	5,569	-720,028	493,865

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Ongoing activities				
Profit/loss before tax	-60,706	2,497	-73,707	5,305
Income tax paid	-238	-173	-238	-247
Depreciation, amortization & impairment	54,943	16,652	101,479	71,154
Other items not affecting liquidity	4,984	-217	8,420	-12,348
Cash flow from operating activities before changes in working capital	-1,017	18,759	35,954	63,864
Changes in working capital				
Increase-/decrease+ in inventories	-6,440	2,663	-8,795	106
Increase-/decrease+ in receivables	24,427	-15,473	-11,090	9,447
Increase+/decrease- in liabilities	-4,272	4,666	6,653	-2,151
Cash flow from operating activities	12,698	10,615	22,722	71,266
Investment activities				
Investment in intangible assets	-24,139	-25,331	-75,426	-90,069
Investment in tangible assets	-7,195	-794	-31,659	-2,906
Increase-/decrease+ in financial assets, net	-2	-4	-300	-4,602
Cash flow from investment activities	-31,336	-26,129	-107,385	-97,577
Financing activities				
Option premiums paid	184	-	1,381	763
Final settlements options	-20	-	-1,435	-
Repurchase of own shares	0	-4,029	-739	-11,244
Cash flow from financing activities	164	-4,029	-793	-10,481
Net change in cash and cash equivalents	-18,474	-19,543	-85,456	-36,792
Exchange differences in cash and cash equivalents	118	-23	604	-406
Cash and cash equivalents at the beginning of the period	111,249	197,311	177,745	214,943
Cash and cash equivalents at the end of the period	92,893	177,745	92,893	177,745

SEGMENT REPORT

SEK millions	Oct–Dec 2018				Oct–Dec 2017				Jan–Dec 2018				Jan–Dec 2017			
	WE	AM	RoW	Total	WE	AM	RoW	Total	WE	AM	RoW	Total	WE	AM	RoW	Total
Net sales	59.4	30.0	17.1	106.4	59.7	32.1	24.5	116.2	207.3	147.3	97.0	451.6	194.4	133.8	98.8	427.0
Regional contribution	7.1	2.8	-1.9	8.0	17.5	7.5	4.1	29.1	48.7	27.7	4.9	81.3	58.4	29.1	15.4	102.9
<i>Regional contribution margin</i>	12%	9%	-11%	8%	29%	23%	17%	25%	23%	19%	5%	18%	30%	22%	16%	24%
Administration expenses				-13.9				-13.5				-54.9				-49.7
Development expenses				-17.8				-16.2				-64.9				-62.4
Other operation income & expenses				-36.7				1.3				-36.5				1.6
Net financial items				-0.3				1.8				1.4				12.9
Loss before tax				-60.7				2.5				-73.7				5.3

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	Oct–Dec 2018				Oct–Dec 2017				Jan–Dec 2018				Jan–Dec 2017			
	WE	AM	RoW	Total	WE	AM	RoW	Total	WE	AM	RoW	Total	WE	AM	RoW	Total
Net sales by product group																
Hardware	20.7	3.5	3.3	27.5	30.0	7.2	6.2	43.4	75.4	37.2	35.6	148.2	83.7	40.4	38.3	162.5
Software licenses	19.9	8.1	6.5	34.5	11.7	8.1	11.7	31.5	58.0	39.3	32.6	130.0	40.1	29.3	34.0	103.5
Support and services	18.8	18.5	7.2	44.5	18.0	16.8	6.5	41.2	73.9	70.8	28.7	173.4	70.6	64.1	26.5	161.1
Total	59.4	30.0	17.1	106.4	59.7	32.1	24.5	116.2	207.3	147.3	97.0	451.6	194.4	133.8	98.8	427.0
Timing of revenue recognition																
Products and services transferred at a point in time	40.6	11.6	9.9	62.1	41.7	15.3	18.0	74.9	133.9	76.7	68.4	279.0	123.9	70.1	72.4	266.4
Services transferred over time	18.7	18.4	7.2	44.4	18.0	16.8	6.5	41.2	73.4	70.6	28.6	172.6	70.5	63.7	26.4	160.6
Total	59.4	30.0	17.1	106.4	59.7	32.1	24.5	116.2	207.3	147.3	97.0	451.6	194.4	133.8	98.8	427.0

FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category	Dec 31, 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						
Assets in Balance Sheet						
Derivative instruments	2	-	181	2	-	556
Accounts receivable and other receivables, excluding non-financial assets		113,406	-		112,031	-
Cash and cash equivalents		92,893	-		177,745	-
Total		206,299	181		289,776	556

Group's financial instruments by category	Dec 31, 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						
Liabilities in Balance Sheet						
Synthetic options	2	-	-	2	-	3,003
Derivative instruments	2	-	-	2	-	-
Accounts payable and other liabilities, excluding non-financial liabilities		42,955	-		29,169	-
Total		42,955	0		29,169	3,003

Financial instruments in tier 2

The fair value of derivative instruments is measured using exchange rates of currency forwards on the reporting date. The closing balance for synthetic options represents the total assessed value of a number of outstanding options, which has been measured on the basis of accepted market principles and are based on Net Insight's share price.

PARENT COMPANY INCOME STATEMENT, IN SUMMARY

SEK thousands	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	124,726	134,441	514,880	488,179
Cost of sales	-54,846	-62,249	-215,585	-201,377
Gross earnings	69,880	72,192	299,295	286,802
Sales and marketing expenses	-42,144	-49,156	-146,543	-130,044
Administration expenses	-10,259	-12,070	-46,870	-43,448
Development expenses	-35,458	-34,740	-117,808	-122,508
Other income and expenses	-1,743	1,438	-2,005	891
Operating earnings	-19,724	-22,336	-13,931	-8,307
Net financial items	-35,081	1,804	-33,322	12,728
Profit/loss before tax	-54,805	-20,532	-47,253	4,421
Tax	4,508	4,721	3,037	1,809
Net income	-50,297	-15,811	-44,216	6,230

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Dec 31 2018	Sep 30 2018	Dec 31 2017
ASSETS			
Non-current assets			
Other intangible assets	3,999	5,677	6,875
Equipment	28,901	23,128	4,414
Participations in group companies	295,068	295,068	295,068
Deferred tax asset	5,031	522	1,994
Deposits	4,695	4,695	4,736
Total non-current assets	337,694	329,090	313,087
Current assets			
Inventories	46,388	42,957	43,598
Accounts receivable	95,599	121,046	86,438
Receivables from group companies	135,583	151,875	132,978
Other receivables	17,806	17,142	13,809
Cash and cash equivalents	79,681	102,059	166,200
Total current assets	375,057	435,079	443,023
TOTAL ASSETS	712,751	764,169	756,110
EQUITY AND LIABILITIES			
Equity			
Restricted equity	128,419	128,419	128,419
Non-restricted equity	482,676	532,973	527,631
Total equity	611,095	661,392	656,050
Non-current liabilities			
Other liabilities	9,362	9,900	9,246
Total non-current liabilities	9,362	9,900	9,246
Current liabilities			
Accounts payable	31,806	16,268	20,284
Other liabilities	60,488	76,609	70,530
Total current liabilities	92,294	92,877	90,814
TOTAL EQUITY AND LIABILITIES	712,751	764,169	756,110

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 – December, 2017, are presented in the restated income statements and balance sheets below. 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 for the period January – December, 2017, are presented in the restated income statements below.

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.

Restated consolidated income statement		Oct–Dec 2017			
SEK thousands	Previously reported	Impact of IFRS 15	Reclassification Income statement	Restated Income statement	
Net sales	117,460	-317	-967	116,176	
Cost of sales	-47,464		-86	-47,550	
Gross earnings	69,996	-317	-1,053	68,626	
Sales and marketing expenses	-39,332		-159	-39,491	
Administration expenses	-13,680		166	-13,514	
Development expenses	-16,332		169	-16,163	
Other operating income and expenses			1,253	1,253	
Operating earnings	652	-317	377	711	
Net financial items	2,163		-377	1,786	
Profit before tax	2,815	-317	0	2,497	
Tax	-5,941	70		-5,871	
Net income	-3,126	-247	0	-3,374	

Restated consolidated income statement		Jan–Dec 2017			
SEK thousands	Previously reported	Impact of IFRS 15	Reclassification Income statement	Restated Income statement	
Net sales	426,746	-231	508	427,023	
Cost of sales	-178,707		-708	-179,415	
Gross earnings	248,039	-231	-200	247,608	
Sales and marketing expenses	-144,741		56	-144,685	
Administration expenses	-49,680		-17	-49,697	
Development expenses	-63,100		715	-62,385	
Other operating income and expenses			1,611	1,611	
Operating earnings	-9,482	-231	2,165	-7,548	
Net financial items	15,018		-2,165	12,853	
Profit before tax	5,536	-231	0	5,305	
Tax	-1,829	51		-1,778	
Net income	3,707	-180	0	3,527	

Restated consolidated balance sheet		Dec 31, 2017		
SEK thousands	Earlier reported	Impact of IFRS 15	Restated balance sheet	
ASSETS				
Non-current assets				
Capitalized expenditure for development		251,622		251,622
Goodwill		58,452		58,452
Other intangible assets		19,458		19,458
Equipment		4,636		4,636
Deferred tax asset		13,756	529	14,285
Deposits		4,911		4,911
Total non-current assets		352,835	529	353,364
Current assets		344,080		344,080
TOTAL ASSETS		696,915	529	697,444
EQUITY AND LIABILITIES				
Shareholders' equity		547,966	-1,877	546,089
Non-current liabilities		19,738		19,738
Current liabilities		129,211	2,406	131,617
TOTAL EQUITY AND LIABILITIES		696,915	529	697,444

New accounting standards to be applied after 2017

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The definition of a lease is amended which impacts the accounting both from a lessee and lessor perspective. The new standard includes more specific guidance on if and when leasing is embedded in a service contract.

Accounting for lessees

The standard requires assets and liabilities arising from all leases, with some exceptions for short agreements and agreements of low value, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee always obtains the right to use an asset for a period of time and has an obligation to pay for that right. The main types of assets leased by the Company are real estate.

Accounting for lessors

The accounting for lessors will be based on the same classification as of an operating or finance lease under IAS 17. This means that if the Company, as a lessor, substantially retains the ownership rights and obligations of the asset, then the lease is classified as an operating lease. On the contrary, the lease is classified as a finance lease if the ownership rights and obligations of the asset are transferred to the lessee. The Company's lease arrangements are normally short in time, related to specific events.

Impact at transition

The standard is effective for annual periods beginning on or after January 1, 2019. The Company will apply the new standard as from January 1, 2019. The Company will elect to implement the standard using the modified retrospective method, meaning that the agreements are recalculated as of January 1, 2019, with the cumulative effect being adjusted to the opening retained earnings balance at transition date. There will be no restated information presented for previous years.

At transition, the Company, as a lessee, will recognize lease liabilities for leases previously classified as operating leases. Right-of-use assets will be re-

cognized based on the amount equal to the related lease liability. At transition the estimated change of right-of-use assets is an increase of SEK 62 million and for current assets a decrease of SEK -2 million, and for non-current lease liabilities an increase of SEK 50 million, current lease liabilities an increase of SEK 10 million and that equity will change with SEK 0 million.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

The timing of the cash flows will not be impacted. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The Company does not expect material impact on lessor accounting at transition.

As of January 1, 2019, the CEO no longer follows the business by geographical regions, hence the segment information from January 1, 2019 will be presented as one segment.

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. During the period December 21-28, the parent company repurchased an additional 470,000 B shares on Nasdaq Stockholm for a total of SEK 1.2 million. Since the company was registered as the owner of these shares in 2019, these will be reported as repurchased shares in 2019.

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	Dec 31, 2018			Dec 31, 2017		
	A-shares	B-shares	Total	A-shares	B-shares	Total
Outstanding shares	1,000,000	382,458,009	383,458,009	1,000,000	382,618,009	383,618,009
Repurchased own shares		6,475,000	6,475,000		6,315,000	6,315,000
Issued shares	1,000,000	388,933,009	389,933,009	1,000,000	388,933,009	389,933,009

TAX

The group reported tax of SEK15.5 (-1.8) million for the period January – December, 2018. Reported tax corresponds to an effective tax rate of 21% (34%). Profit before tax of SEK -73.7 (7.5) million includes value changes on synthetic options of SEK 2.6 (14.5) 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. Revaluation of deferred taxes due to the change in Sweden corporate income tax rate from January 1, 2019, (U.S from January 1, 2018) effected income with net SEK -1.4 (-1.7) million. The effective tax rate is also affected by the relative effects of foreign tax rates and temporary differences.

Remaining tax loss carry-forwards for group companies amounted to

SEK 145.4 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.

SHARE-BASED INCENTIVE PROGRAMS

During the second and fourth quarters of 2018, after decisions at the AGM, Net Insight introduced a synthetic option programs, 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, June 2018	Sweden, November 2018
Averaged volume-weighted price paid for the Net Insight B shares, SEK	4.36	2.71
Strike price, SEK	5.20	3.30
Assumed volatility ¹	36%	36%
Term	3 år	3 år
Risk-free interest	-0.39%	-0.26%
Adjustment of fair value due to CAP, SEK	-0.02	-0.01
Fair value, SEK	0.76	0.46
Number of options issued, thousands	1,575	400

¹ The assumed volatility was based on future forecasts based on the historical volatility of Net Insight B shares and other public shares, which are considered comparable with Net Insight.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

January 16, 2019, Net Insight announced that sales and operating profit for the fourth quarter are estimated at SEK 106 million and SEK -58 million respectively, charged with approximately SEK -43 million for provisions and impairment losses, primarily relating to capitalized development expenditures due to a review of the product range. At the same time, it was announced that the company will reduce costs and make a minor organizational change in order to create improved provability, increased efficiency and provide scope for continued investments. The costs are estimated to be reduced by approximately SEK 25 million on an annual basis and also entail certain changes in the management (see section employees on page 4). Costs for staff reductions are expected to affect operating earnings for the first quarter of 2019 by SEK 3-5 million.

February 1, 2019, Net Insight announced that it has signed a Syc agreement with a US based Fortune 500 company for their consumer live video streaming service.

AUDITORS' REVIEW

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

DIVIDEND

The Board of Directors proposes to the AGM that no dividend is paid for the financial year 2018.

NOMINATION COMMITTEE, ANNUAL GENERAL MEETING AND ANNUAL REPORT

Nomination committee

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.

Annual General Meeting

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 General 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".

Annual Report

The Annual report will be available on Net Insight's website, investors.netinsight.net/reports/ on April 17, 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

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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Solna, February 15, 2019

Henrik Sund
CEO

Denna information är sådan information som Net Insight AB (publ) är skyldigt att offentliggöra enligt EU:s marknadsmissbruksförordning. Informationen lämnades, genom ovanstående kontaktpersoners försorg, för offentliggörande den 15 februari 2019, kl 08.45 CET.

FINANCIAL INFORMATION

SEK millions (if not defined differently)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Income				
<i>Net sales by segment</i>				
Western Europe	59.4	59.7	207.3	194.4
Americas	30.0	32.1	147.3	133.8
Rest of World	17.1	24.5	97.0	98.8
Net sales	106.4	116.2	451.6	427.0
Gross earnings	54.5	68.6	262.4	247.6
Operating expenses	78.1	69.2	301.0	256.8
Total development expenditure	42.0	40.4	140.3	149.7
EBITDA	-29.6	-6.9	-49.0	-23.7
Operating earnings	-60.4	0.7	-75.1	-7.5
Profit/loss before tax	-60.7	2.5	-73.7	5.3
Net income	-47.9	-3.4	-58.2	3.5
Balance sheet and cashflow				
Working capital	48.3	31.3	42.8	37.4
Cash and cash equivalents	92.9	177.7	92.9	177.7
Total cash flow	-18.5	-19.5	-85.5	-36.8
The share				
Dividend per share, SEK	-	-	-	-
Earnings per share diluted and basic, SEK	-0.13	-0.01	-0.15	0.01
Cash flow per share, SEK	-0.05	-0.05	-0.22	-0.10
Equity per share basic and diluted, SEK	1.29	1.42	1.29	1.42
Average number of outstanding shares, basic and diluted, thousands	383,458	383,931	383,478	385,057
Number of outstanding shares at the end of the period, basic and diluted, thousands	383,458	383,618	383,458	383,618
Share price at end of period, SEK	2.68	4.73	2.68	4.73
Employees and consultants				
Employees and consultants during the period	229	247	239	245
KPI				
Net sales YoY, change in %	-8.4%	-12.7%	5.8%	-15.2%
Gross margin	51.2%	59.1%	58.1%	58.0%
Total development expenditure/Net sales	39.4%	34.8%	31.1%	35.0%
Operating margin	-56.7%	0.6%	-16.6%	-1.8%
EBITDA margin	-27.8%	-5.9%	-10.9%	-5.5%
Net margin	-45.0%	-2.9%	-12.9%	0.8%
Return on capital employed	-14.4%	1.3%	-14.0%	-1.3%
Equity/asset ratio	76.0%	78.3%	76.0%	78.3%
Return on equity	-10.9%	0.6%	-10.9%	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"> • Western Europe (WE). • Americas (AM), North and South America. • Rest of World (RoW), countries outside of Western Europe and Americas. 	

EBITDA margin SEK millions (if not defined differently)	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Operating earnings	-60,4	0,7	-75,1	-7,5
Amortization of capitalized development expenditure	16,5	15,3	58,4	60,7
Other depreciation, amortization & impairment	38,5	1,3	43,1	10,5
Capitalization of development expenditure	-24,1	-24,2	-75,4	-87,3
EBITDA	-29,6	-6,9	-49,0	-23,7
Net sales	106,4	116,2	451,6	427,0
EBITDA margin	-27,8%	-5,9%	-10,9%	-5,5%

KPI Income Statement SEK millions (if not defined differently)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	106.4	116.2	451.6	427.0
<i>Net sales YoY, change in %</i>	-8.4%	-12.7%	5.8%	-15.2%
Cost of sales excl. amortization of capitalized development	-35.5	-32.2	-130.8	-118.8
Gross earnings ex. amortization of capitalized development	70.9	83.9	320.8	308.3
<i>Gross margin ex. amortization of capitalized development</i>	66.6%	72.3%	71.0%	72.2%
Cost of sales amortization of capitalized development	-16.5	-15.3	-58.4	-60.7
Gross earnings	54.5	68.6	262.4	247.6
<i>Gross margin</i>	51.2%	59.1%	58.1%	58.0%
Sales and marketing expenses	-46.4	-39.5	-181.1	-144.7
Administration expenses	-13.9	-13.5	-54.9	-49.7
Development expenses	-17.8	-16.2	-64.9	-62.4
Operating expenses	-78.1	-69.2	-301.0	-256.8
<i>Operating expenses/net sales</i>	73.4%	59.5%	66.6%	60.1%
Other operating income & expenses	-36.7	1.3	-36.5	1.6
Operating earnings	-60.4	0.7	-75.1	-7.5
<i>Operating margin</i>	-56.7%	0.6%	-16.6%	-1.8%
Net financial items	-0.3	1.8	1.4	12.9
Profit/loss before tax	-60.7	2.5	-73.7	5.3
Tax	12.8	-5.9	15.5	-1.8
Net income	-47.9	-3.4	-58.2	3.5
<i>Net margin</i>	-45.0%	-2.9%	-12.9%	0.8%

Change in net sales in comparable currencies SEK millions (if not defined differently)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Current assets	106.4	116.2	451.6	427.0
Cash and cash equivalents	-6.0	5.0	-16.5	-2.1
Short term liabilities	100.5	121.1	435.1	425.0
Working capital	-13.5%	-9.4%	1.9%	-16.0%

Total development expenditure/ net Sales SEK millions (if not defined differently)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Development expenses	17.8	16.2	64.9	62.4
Capitalization of development expenditure*	24.1	24.2	75.4	87.3
Total development expenditure	42.0	40.4	140.3	149.7
Net Sales	106.4	116.2	451.6	427.0
Total development expenditure/net sales	39.4%	34.8%	31.1%	35.0%

*) 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. Changes in working capital in the cash flow statement also includes adjustments for items not affecting liquidity and changes in non-current operating assets and liabilities.	This measure shows how much working capital that is tied up in the operations and can be put in relation to sales to understand how effectively tied-up working capital is used.
Capital employed	The Company capital employed is calculated as an average of total assets, less total liabilities, excluding interest-bearing liabilities. The Company has no interest-bearing liabilities.	Return on capital employed is the central ratio for measuring the return on the capital tied up in operations.
Return on capital employed	Operating earnings plus interest income, in relation to average capital employed, rolling four quarters.	
Equity/asset ratio	Shareholders' equity divided by the balance sheet total.	A traditional measure for showing financial risk, expressing the ratio of the assets that is financed by the owners.
Return on equity	Net income as a percentage of average shareholders' equity, rolling four quarters. .	Return on equity shows the total return on shareholders' capital and reflects the effect of the company's profitability as well as the financial leverage. The measure is primarily used to analyze shareholder profitability over time.
Investments	Investments in intangible and tangible assets.	
Total cash flow	Change in cash and cash equivalents during the period, excluding exchange differences in cash and cash equivalents.	

Working capital SEK millions	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Current assets	289.7	348.1	321.5	371.2
Cash and cash equivalents	-102.1	-187.5	-139.2	-204.3
Short term liabilities	-139.4	-129.3	-139.5	-129.4
Working capital	48.3	31.3	42.8	37.4

Return on capital employed SEK millions (if not defined differently)	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
<i>Capital employed</i>				
Total balance	676.3	698.8	694.3	716.5
Non-interest liabilities	-158.2	-149.4	-159.1	-159.1
Capital employed	518.0	549.5	535.2	557.4
<i>Operating earnings less interest income - RQ4</i>				
Operating earnings - RQ4	-75.1	-7.5	-75.1	-7.5
Interest income - RQ4	0.3	0.2	0.3	0.2
<i>Operating earnings less interest income - RQ4</i>	<i>-75.7</i>	<i>-7.3</i>	<i>-74.7</i>	<i>-7.3</i>
Return on capital employed	-14.4%	-1.3%	-14.0%	-1.3%

Equity/asset ratio SEK millions (if not defined differently)	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Equity	493.9	546.1	493.9	546.1
Total equity and liabilities	649.9	697.4	649.9	697.4
Equity/asset ratio	76.0%	78.3%	76.0%	78.3%

Return on equity SEK millions (if not defined differently)	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Net income - RQ4	-58.2	3.5	-58.2	3.5
Average equity - RQ4	535.2	557.4	535.2	557.4
Return on equity	-10.9%	0.6%	-10.9%	0.6%

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	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Average number of employees	199	210	205	208
Average number of consultants	30	37	34	36
Average number of employees and consultants	229	247	239	245

MATERIAL PROFIT AND LOSS ITEMS

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

SEK millions	Not	Oct–Dec 2018	Oct–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Effects of the Net Insight share price development during the period					
Share-based benefits	(a)	-0.0	0.5	0.3	3.4
Synthetic options, change in value	(b)	0.2	1.7	2.6	14.5
Total		0.2	2.2	3.0	18.0
Items affecting comparability					
Restructuring	(c)	-2.7	-	-10.2	-
Impairment losses on intangible assets	(d)	-35.9	-	-35.9	-0.9
Lease for empty office	(e)	-	-	-2.2	-
Total		-38.6	0.0	-48.3	-0.9

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.

(c) During 2018, Net Insight has initiated structural changes, which is expected to be completed during the first quarter of 2019.

(d) Impairment losses on intangible fixed assets has been recognized as a result of re-prioritization in the Nimbra portfolio, see also section Earnings.

(e) Lease for empty office refers to costs for remaining lease for the former head office after the move.

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