

Net Insight Interim Report January – June 2019

Net Insight AB (publ) corp.id.no. 556533-4397



April – June 2019

- Net sales amounted to SEK 128.5 (119.6) million, an increase of 7.5% year-on-year. In comparable currencies net sales increased by 2.1%.
- Operating earnings amounted to SEK 3.3 (-12.9) million, corresponding to an operating margin of 2.6% (-10.8%).
- Net income was SEK 2.2 (-9.4) million for the period. Net financial items were positively affected by SEK 0.2 (0.6) million for revaluation of synthetic options.
- Earnings per share, basic and diluted, was SEK 0.01 (-0.02).
- Total cash flow was SEK -12.3 (-15.1) million.

January – June 2019

- Net sales amounted to SEK 239.8 (230.0) million, an increase of 4.3% year-on-year. In comparable currencies net sales decreased by -2.4%.
- Operating earnings amounted to SEK -8.6 (-10.5) million, corresponding to an operating margin of -3.6% (-4.5%).
- Net income was SEK -6.4 (-6.4) million for the period. Net financial items were positively affected by SEK 0.4 (1.7) million for revaluation of synthetic options.
- Earnings per share, basic and diluted, was SEK -0.02 (-0.02).
- Total cash flow was SEK -44.2 (-28.6) million.

Restructuring shows result, increased efforts in Sye

Henrik Sund, CEO Net Insight

Significant events:

- Positive results from efficiency improvements
- Success for Nimbra 1060
- Strategic review per product area:
 - High profitability for Nimbra, and growth potential
 - Technology advantage for Sye creates opportunities through increased efforts, capital injection required
 - Modernization of ScheduALL presents interesting opportunities, strategic alternatives under evaluation
- Agreement for 50 MSEK liquidity reserve guaranteed by the largest owner

FINANCIAL HIGHLIGHTS

SEK millions	Apr-Jun			Jan-Jun			Jul 2018- Jun 2019	Jan-Dec 2018	Change
	2019	2018	Change	2019	2018	Change			
Net sales	128.5	119.6	7.5%	239.8	230.0	4.3%	461.4	451.6	2.2%
Operating earnings	3.3	-12.9		-8.6	-10.5		-73.2	-75.1	
Operating margin	2.6%	-10.8%		-3.6%	-4.5%		-15.9%	-16.6%	
Net income	2.2	-9.4		-6.4	-6.4		-58.1	-58.2	
EBITDA	1.9	-16.1		-7.4	-17.1		-39.3	-49.0	
EBITDA margin	1.5%	-13.5%		-3.1%	-7.5%		-8.5%	-10.9%	
Total cash flow	-12.3	-15.1		-44.2	-28.6		-101.1	-85.5	

Previous years was not restated at the transition to IFRS 16. To make the comparison easier, the current earnings and EBITDA have been recalculated in accordance to last year's accounting policies on page 12.

CEO's Statement



” Restructuring shows result, increased efforts in Sye

Positive operating earnings and increased initiatives

Revenues and earnings made positive progress, and streamlining initiatives are taking effect. We see considerable potential looking ahead and intend to increase efforts in Sye through a capital contribution.

Sales totaled SEK 129 million in the second quarter, up 7% year-on-year. Operating earnings were SEK 3 million. The positive earnings figure shows that the savings program implemented in the first quarter has yielded results. Operating expenses adjusted for restructuring costs and exchange rate effects decreased by SEK 10 million, or 13% year-on-year. In general, the quarter was good business wise. We signed several promising agreements, including a remote production solution for the FIFA World Cup in France, two deals with NEP and one ScheduALL transaction with the EU Commission. Sales of Nimbra 1060 were very good.

For Sye, we're continuing our important partnership with our Fortune 500-customer according to expectation, i.e. Sye is used for smaller events. As previously communicated, a more extensive launch is not expected until the end of the year at the earliest. We've also signed another agreement with a CDN (Content Distribution Network) provider, which means that Sye now has the support of three CDN providers. The Primetime live quiz app continues to grow, and the concept is being licensed to six countries.

Towards the end of last year, we started the process of modernizing the ScheduALL solution. The new solution was launched in connection with the NAB Show in April, and responses from new and existing customers have been positive. We anticipate a large-scale roll-out and the first deals towards the end of the year.

Over the past 12 months, we've implemented several positive actions: new management, new organization with increased customer focus and clarified operational responsibilities, and an extensive savings program. The savings program, which involved personnel cutbacks in sales, management and administration, has now been completed and we expect the full effect to be reached in the second half-year.

To improve the understanding of the company's results of operations, we've estimated each product area's contribution to operating earnings, based on estimates of common group costs. In the second quarter, Nimbra returned strong positive earnings, while ScheduALL and Sye made a negative contribution in line with expectation. For more information, see our commentary under Earnings below.

During the spring, we carried out a strategic analysis of our three product areas Nimbra, Sye and ScheduALL. We concluded that Nimbra, our core business, is a stable and profitable area that has generated positive earnings and cash flow which have financed development and acquisitions in other areas in recent years. Nimbra is a very strong brand amongst service providers and broadcasters around the world and is known for its leading and high-quality solutions. Nimbra has a very strong customer base, a modern technology platform and a clear product plan. Given the

changes made over the last year in the form of rationalizations and an improved customer intimacy, we're starting from a position of strength and we see a potential for increased growth and improved margins looking ahead.

Sye is our solution for internet-based live streaming. Sye is unique because it combines four key characteristics: high picture quality, low latency, perfect synchronization and massive scalability. This has attracted considerable market interest, and we had a breakthrough in the form of a license agreement with a Fortune 500 customer at the beginning of the year. This, together with the support from so far three CDN providers, confirms the strength of the Sye solution.

The market for live internet-based streaming services expands rapidly and is expected to grow by close to 50% annually over the next few years.

The strategic analysis indicates a strong potential for Sye based on the unique combination of characteristics, the market growth and the support from major global operators.

We assess that Sye has a technology advantage that will create a window in the market in 1-2 years' time, when we'll be able to establish Sye as the industry standard and gain significant market share, with solid profitability in the long term. To do this, we need to approach and onboard major customers to a significantly greater extent than today, which necessitates increased commercial and development resources. We therefore intend to increase our focus on Sye, which will require a capital contribution in the fall. We are currently evaluating the size and potential forms of the capital contribution.

ScheduALL is our software solution for resource optimization, which was acquired in 2015. We appointed a new management in fall 2018, who was given the task of producing a clear plan for ScheduALL's operations. The plan includes modernization of the solution, with a focus on major customers. The new solution was launched at the NAB Show in April and was very well received by new and existing customers. We see interesting opportunities and are therefore evaluating different strategic alternatives for how to optimize the potential in the ScheduALL business.

Overall, the quarter demonstrates that we're on the right track. We foresee considerable potential for all product areas looking ahead.

Solna, July 19, 2019
Henrik Sund, CEO

REVENUES

April-June

Net sales in the second quarter of 2019 were SEK 128.5 (119.6) million, an increase of 7.5%. In comparable currencies, sales increased by 2.1%.

Revenues by nature of income

Hardware revenues only refer to the Nimbra product area. Nimbra solutions normally consist of hardware, software and support. In some cases, customers with existing software licenses purchase hardware as a standalone solution.

Software revenues refer to all product areas: Nimbra, ScheduALL and Sye. For Nimbra and ScheduALL, software revenues are normally derived from license sales, and for Sye also from SaaS (Software as a Service).

Support and services refer to all product areas and include and includes support, maintenance, training and professional services.

Hardware revenues increased by 26%, mainly derived from Nimbra 600 and Nimbra 1060.

Software revenues decreased by -11%, mainly relating to Nimbra, which was offset by increased hardware sales. Software revenues increased for ScheduALL. Revenues from Sye increased significantly in relevant terms.

Revenues from support and services increased by 5%.

Revenues per product area

Revenues per product area includes all types of revenues derived from products and services for the respective product area: Nimbra, ScheduALL and Sye.

Revenues from Nimbra increased slightly, up 2%. The product mix differs from the comparative period, with some increase in more recent product lines. License sales for ScheduALL were good in the quarter, and revenues increased by 26% (11% in local currency). Sye revenues were SEK 3.4 million (0.7).

Revenues by region

Revenues by region are defined by the location of the recipient of the product/services. Nimbra revenues are largely driven by events and can therefore vary significantly by region over time. ScheduALL revenues have a significantly higher proportion of repeat sales in the form of support, and therefore vary less by region over time.

The largest changes by region in the second quarter related to Nimbra and a 64% increase for Americas, mainly related to some larger partner deals. Revenues for Rest of World decreased by -29%, mainly related to a major event in the previous period, and for Europe by -3%.

January-June

Net sales for the period were SEK 239.8 (230.0) million, an increase of 4.3%. In comparable currencies, sales decreased by -2.4%.

Revenues by nature of income

Hardware revenues increased by 20%, mainly derived from Nimbra 600 and Nimbra 1060.

Software revenues decreased by -20%, mainly relating to Nimbra, which was offset by increased hardware sales. For ScheduALL, software revenues decreased slightly and were offset by increased service revenues. Revenues from Sye increased significantly in relevant terms.

Revenues from support and services increased by 8%.

Revenues per product area

Revenues from Nimbra increased slightly, up 2%. The product mix differs from the comparative period, with some increase in more recent product lines. ScheduALL revenues were in line with the previous period. Sye revenues were SEK 6.0 million (0.7).

Revenues by region

The largest changes by region in the period related to Nimbra and some larger partner deals, resulting in a 50% increase for Americas. Revenues for Rest of World decreased by -32%, mainly related to two major events during the previous period, and for Europe by -5%.

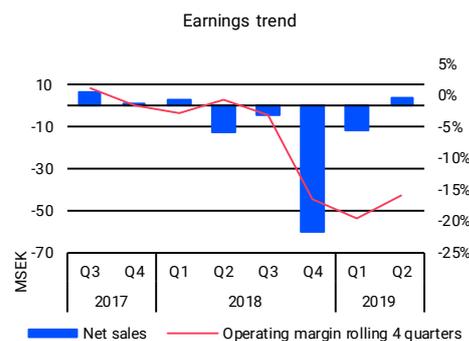
EARNINGS

April-June

Gross profit was SEK 76.0 (70.8) million, an increase by 7.2%. Gross margin of 59.1% (59.2) was in line with the previous period.

Gross profit included amortization of capitalized development expenditure of SEK -14.1 (-13.7) million. Gross margin excluding amortization of capitalized development expenditure was 70.0% (70.7).

Operating expenses in the second quarter of SEK 71,9 (82,6) million were SEK 10.7 million lower compared to the corresponding period of the previous year. Operating expenses include non-recurring costs relating to staff restructuring of SEK 0.9 (4.1) million. The decrease is explained by lower sales and marketing expenses because of cost saving program and other measures. Sales and marketing expenses were SEK 36.0 (49.7) million, including cost for restructuring of SEK 0.9 (2.8) million. Administration expenses were somewhat lower than for the previous period. Development expenses were SEK 19.9 (16.6) million and increased due to higher R&D expenditure, lower capitalization rate and currency effects Total development expenditure, i.e. before capitalization, increased by some 16%, mainly due to investments in modernization of the ScheduALL solution. Total development expenditure was SEK 40.4 (34.9) million. In total, operating expenses were affected by SEK 0.9 million in costs for restructuring and by SEK 2.6 million in exchange rate effects when translating foreign subsidiaries,



compared with using last year's exchange rates. Excluding restructuring cost and currency effects, operating expenses decreased by some 13%, corresponding to SEK 10 million.

Operating earnings were SEK 3.3 (-12.9) million, corresponding to an operating margin of 2.6% (-10.8). Excluding items affecting comparability of SEK -1.0 (-6.3) million, operating earnings were SEK 4.3 (-6.6) million. The higher operating earnings year-on-year were mainly due to increased revenues and lower costs in accordance with the above.

EBITDA was SEK 1.9 (-16.1) million, corresponding to an EBITDA margin of 1.5% (-13.5). EBITDA was affected by SEK 2,7 million due to the implementation of IFRS16, since office lease as an operating expense is replaced with interest and depreciation. Previous years was not restated at the transition to IFRS 16.

To increase the understanding of the company's underlying performance we have estimated each product area's contribution to operating earnings, based on an estimated allocation of group common cost. Product Area Nimbra contributed some SEK 25 million, corresponding to an operating margin of circa 23%. The contribution from ScheduALL and Sye was SEK -8 million and SEK -14 million respectively. We are considering a change of operational follow-up which going forward may result in our product areas being reported as segments.

In the second quarter, net financial items were positively affected by SEK 0.2 (0.6) 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 -0.8 (0.7) million.

Profit before tax was SEK 2.5 (-12.2) million, and net income for the period was SEK 2.2 (-9.4) million, corresponding to a net margin of 1.7% (-7.8).

January-June

Gross profit was SEK 140.9 (136.7) million, an increase by 3.1%. Gross margin of 58.7% (59.4) was slightly lower than the previous period.

Gross profit included amortization of capitalized development expenditure of SEK -28.7 (-29.0) million. Gross margin excluding amortization of capitalized development expenditure was 70.7% (72.0).

Operating expenses for the period of SEK 149.2 (147,0) million were SEK 2.2 million higher compared to the corresponding period of the previous year. Operating expenses include restructuring costs of SEK 6.0 (4.7) million, which explains the increase. Sales and marketing expenses were SEK 74.9 (89.7) million, including cost for restructuring of SEK 4.8 (2.8) million. The decrease is primarily a result of efficiency and cost saving measures.

Administration expenses were SEK 34.2 (27.3) million. The increase is primarily a consequence of the reorganization in the fourth quarter 2018, as the cost of product area managers were classed as administration expenses from year end. Development expenses were SEK 40.1 (30.0) million and increased due to higher R&D expenditure and lower capitalization rate. Total development expenditure, i.e. before capitalization, increased by some 14%, mainly due to investments in modernization of the ScheduALL solution. Total development expenditure was SEK 77.8 (68.3) million. In total, operating expenses were affected by SEK 6.0 million in costs for restructuring and by SEK 6.5 million in exchange rate effects when translating foreign subsidiaries, compared with using last year's exchange rates. Excluding restructuring cost and currency effects, operating expenses decreased by some 4%, corresponding to SEK 6 million.

Operating earnings were SEK -8.6 (-10.5) million, corresponding to an operating margin of -3.6% (-4.5). Excluding items affecting comparability of SEK -6.5 (-6.9) million, operating earnings were SEK -2.1 (-3.5) million.

EBITDA was SEK -7.4 (-17.1) million, corresponding to an EBITDA margin of -3.15% (-3.5). EBITDA was affected by SEK 5.3 million due to the implementation of IFRS16, since office lease as an operating expense is replaced with interest and depreciation. Previous years was not restated at the transition to IFRS 16.

To increase the understanding of the company's underlying performance we have estimated each product area's contribution to operating earnings, based on an estimated allocation of group common cost. Product Area Nimbra contributed some SEK 33 million to operating earnings, corresponding to an operating margin of circa 17%. The contribution from ScheduALL and Sye was SEK -18 million and SEK -24 million respectively.

In the first six months, net financial items were positively affected by SEK 0.4 (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 0.5 (2.2) million.

Profit before tax was SEK -8.2 (-8.2) million, and net income for the period was SEK -6.4 (-6.4) million, corresponding to a net margin of -2.7% (-2.8).



Key Ratios	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Net sales, SEK millions	128.5	119.6	239.8	230.0	461.4	451.6
Net sales YoY, change in %	7.5%	25.0%	4.3%	11.6%	2.3%	5.8%
Gross earnings	76.0	70.8	140.9	136.7	266.5	262.4
Gross margin	59.1%	59.2%	58.7%	59.4%	57.8%	58.1%
Operating earnings	3.3	-12.9	-8.6	-10.5	-73.2	-75.1
Operating margin	2.6%	-10.8%	-3.6%	-4.5%	-15.9%	-16.6%
EBITDA	1.9	-16.1	-7.4	-17.1	-39.3	-49.0
EBITDA margin	1.5%	-13.5%	-3.1%	-7.5%	-8.5%	-10.9%

INVESTMENTS

Second quarter investments were SEK 21.0 (29.4) million, of which SEK 20.5 (18.4) million related to capitalization of development expenditure. Depreciation and amortization in the period totaled SEK 19.2 (13.7) million, of which SEK 14.1 (13.7) million related to amortization of capitalized development expenditure. The increase in other depreciation and amortization is due to the implementation of IFRS 16 and the relocation to new offices in Stockholm and Miami in the second half of 2018, which also explains the high investments in other assets for the previous period.

Investments for the first six months were SEK 38.5 (51.2) million, of which SEK 37.7 (38.1) related to capitalization of development expenditure. Depreciation and amortization in the period totaled SEK 38.9 (31.7) million, of which SEK 28.7 (29.0) million related to amortization of capitalized development expenditure.

At transition to IFRS 16 on January 1, 2019, the change of right-of-use assets were an increase of SEK 62 million. This had no effect on liquidity and is excluded from investments above.

At the end of the period, net value of capitalized development expenditure was SEK 243.1 million, against SEK 234.1 million as of 31 December 2018.

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities before changes in working capital in the second quarter was SEK 22.7 (6.1) million. Total cash flow was SEK -12.3 (-15.1) million. The negative cash flow was mainly due to an increase in working capital of SEK 12.1 million for the quarter, primarily due to a decrease in liabilities. Cash flow from operating activities covers investments in development projects.

Cash flow for the six months period was SEK -44.2 (-28.6) million.

Cash and cash equivalents were SEK 48.9 million at the end of the quarter, against SEK 92.9 million as of 31 December 2018.

Remaining tax loss carry-forwards for group companies were SEK 141.0 million at the end of the period, against SEK 145.4 million as of 31 December 2018. For more information, see the section Tax on page 13.

Equity was SEK 488.4 million at the end of the period, against SEK 493.9 million as of 31 December 2018. The equity/assets ratio was 68.9%, against 76.0% as of 31 December 2018. The decrease in the equity/assets ratio was mainly due to effects of new accounting principles for leases (IFRS 16). Excluding the effects of IFRS 16, the equity/assets ratio was 74.9% at the end of the period.

For more information about share repurchases and share structure, see the section Contributed equity on page 13.

The volatility in net working capital is high and tied up working capital is at a high level relatively to the cash position. To avoid working capital impact on investments during the second half of the year, the company has for prudence reasons after the reporting date signed a SEK 50 million bank credit arrangement on market terms. The target is not to utilize the credit. The credit term is until year end, and it is secured through guarantee (funds on blocked account) by Briban Invest AB, the company's largest shareholder.

EMPLOYEES

The average number of employees and consultants at Net Insight during the second quarter and the six months period was 215 (241) and 218 (244) respectively of which 137 (150) and 139 (152) respectively in the parent company Net Insight AB (publ).

After the end of the period, Judy Fick has left the company and her role as VP Resource Optimization but remains in an advisory role. Ken Graham is from July 19 interim VP Resource Optimization and replaces Judy Fick in the Executive management team.

PARENT COMPANY

Parent company net sales were SEK 139.9 (125.1 million) in the second quarter, and net income was SEK 1.2 (7.7) million. In the second quarter, intra-group sales totaled SEK 34.0 (33.1) million, and intra-group purchases SEK -45.6 (-44.3) million.

Parent company net sales for the six months period were SEK 269.5 (263.4) million and net income was SEK 7.5 (2.6) million. In the six months period, intra-group sales totaled SEK 63.5 (66.7) million, and intra-group purchases SEK -86.5 (-79.7) million.

Progress in the parent company in the second quarter and the six months period 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, the 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 2018, 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 36–40 and 54–55 of the Annual Report for 2018.

SEASONALITY

In the past three calendar years, average seasonality has been fairly modest. Net sales were 24% of annual sales in the first, second and third quarter respectively, and 28% of annual sales in the fourth quarter.

CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Net sales	128,522	119,566	239,846	230,041	461,390	451,585
Cost of sales	-52,570	-48,728	-98,974	-93,343	-194,843	-189,212
Gross earnings	75,952	70,838	140,872	136,698	266,547	262,373
Sales and marketing expenses	-35,998	-49,682	-74,872	-89,745	-166,239	-181,112
Administration expenses	-15,980	-16,393	-34,202	-27,320	-61,815	-54,933
Development expenses	-19,894	-16,559	-40,083	-29,951	-75,044	-64,912
Other operating income and expenses	-764	-1,107	-315	-138	-36,687	-36,510
Operating earnings	3,316	-12,903	-8,600	-10,456	-73,238	-75,094
Net financial items	-767	716	463	2,241	-391	1,387
Profit/loss before tax	2,549	-12,187	-8,137	-8,215	-73,629	-73,707
Tax	-374	2,830	1,778	1,818	15,480	15,520
Net income	2,175	-9,357	-6,359	-6,397	-58,149	-58,187
Net income for the period attributable to the shareholders of the parent company	2,175	-9,357	-6,359	-6,397	-58,149	-58,187

Earnings per share, based on net income attributable to the parent company's shareholders during the period	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Earnings per share, basic (SEK)	0.01	-0.02	-0.02	-0.02	-0.15	-0.15
Earnings per share, diluted (SEK)	0.01	-0.02	-0.02	-0.02	-0.15	-0.15
Average number of outstanding shares in thousands, basic	382,758	383,458	382,858	383,498	383,135	383,478
Average number of outstanding shares in thousands, diluted	382,758	383,458	382,858	383,498	383,135	383,478

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Net income	2,175	-9,357	-6,359	-6,397	-58,149	-58,187
Other comprehensive income						
<i>Items that may be reclassified subsequently to the income statement</i>						
Translation differences	-71	5,267	2,698	6,598	2,802	6,702
Total other comprehensive income, after tax	-71	5,267	2,698	6,598	2,802	6,702
Total other comprehensive income for the period	2,104	-4,090	-3,661	201	-	55,347
Total comprehensive income for the period attributable to the shareholders of the parent company	2,104	-4,090	-3,661	201	-	55,347

Previous years was not restated at the transition to IFRS 16. To make the comparison easier, the current earnings has been recalculated in accordance to last year's accounting policies on page 12

CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
Capitalized expenditure for development	243,100	236,605	234,064
Goodwill	65,281	65,337	63,307
Other intangible assets	12,210	13,324	14,246
Right-of-use assets	57,332	59,867	-
Equipment	31,536	32,585	33,580
Deferred tax asset	32,636	32,671	30,247
Deposits	5,199	5,230	5,211
Total non-current assets	447,294	445,619	380,655
Current assets			
Inventories	47,629	52,606	46,388
Accounts receivable	147,158	142,294	106,067
Other receivables	18,065	24,801	23,924
Cash and cash equivalents	48,924	61,392	92,893
Total current assets	261,776	281,093	269,272
TOTAL ASSETS	709,070	726,712	649,927
EQUITY AND LIABILITIES			
Equity attributable to parent company's shareholders			
Share capital	15,597	15,597	15,597
Other paid-in capita	1,192,727	1,192,727	1,192,727
Translation reserve	8,267	8,338	5,569
Accumulated deficit	-728,224	-730,399	-720,028
Total shareholders' equity	488,367	486,263	493,865
Non-current liabilities			
Lease liabilities	45,913	48,308	-
Other liabilities	27,777	22,592	17,906
Total non-current liabilities	73,690	70,900	17,906
Current liabilities			
Lease liabilities	10,423	9,985	-
Accounts payable	23,000	27,984	36,009
Other liabilities	113,590	131,580	102,147
Total current liabilities	147,013	169,549	138,156
TOTAL EQUITY AND LIABILITIES	709,070	726,712	649,927

Previous years was not restated at the transition to IFRS 16. Open balances as of Jan 1, 2019, have been restated in accordance to IFRS 16 on page 12.

CHANGES IN CONSOLIDATED EQUITY, IN SUMMARY

SEK thousands	Attributable to parent company's shareholders				Total shareholders' equity
	Share capital	Other paid-in capital	Translation reserve	Accumulated deficit	
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
January 1, 2019	15,597	1,192,727	5,569	-720,028	493,865
Repurchase of own shares	-	-	-	-1,837	-1,837
Total comprehensive income	-	-	2,698	-6,359	-3,661
June 30, 2019	15,597	1,192,727	8,267	-728,224	488,367

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Ongoing activities						
Profit/loss before tax	2,549	-12,187	-8,137	-8,215	-73,629	-73,707
Income tax paid	-	-	-	-	-238	-238
Depreciation, amortization & impairment	19,163	15,146	38,915	31,701	108,693	101,479
Other items not affecting liquidity	1,029	3,149	665	2,697	6,388	8,420
Cash flow from operating activities before changes in working capital	22,741	6,108	31,443	26,183	41,214	35,954
Changes in working capital						
Increase-/decrease+ in inventories	4,912	-2,277	-1,738	705	-11,238	-8,795
Increase-/decrease+ in receivables	1,872	-20,859	-37,586	-32,141	-16,535	-11,090
Increase+/decrease- in liabilities	-18,899	31,473	7,815	28,636	-14,168	6,653
Cash flow from operating activities	10,626	14,445	-66	23,383	-727	22,722
Investment activities						
Investment in intangible assets	-20,553	-18,354	-37,768	-38,057	-75,137	-75,426
Investment in tangible assets	-434	-11,073	-749	-13,094	-19,314	-31,659
Increase-/decrease+ in financial assets, net	32	72	32	113	-381	-300
Cash flow from investment activities	-20,955	-29,355	-38,485	-51,038	-94,832	-107,385
Financing activities						
Amortization leasing	-1,935	-	-3,843	-	-3,843	-
Option premiums paid	-	1,197	-	1,197	184	1,381
Final settlements options	-	-1,415	-	-1,415	-20	-1,435
Repurchase of own shares	-	-	-1,837	-739	-1,837	-739
Cash flow from financing activities	-1,935	-218	-5,680	-957	-5,516	-793
Net change in cash and cash equivalents	-12,264	-15,128	-44,231	-28,612	-101,075	-85,456
Exchange differences in cash and cash equivalents	-204	208	262	516	350	604
Cash and cash equivalents at the beginning of the period	61,392	164,569	92,893	177,745	149,649	177,745
Cash and cash equivalents at the end of the period	48,924	149,649	48,924	149,649	48,924	92,893

DISAGGREGATION OF REVENUE

SEK thousands	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Net sales by nature of income						
Hardware	52,442	41,743	94,739	78,756	164,189	148,207
Software licenses	31,078	34,783	52,350	65,055	117,247	129,952
Support and Services	45,002	43,040	92,757	86,230	179,954	173,426
Total	128,522	119,566	239,846	230,041	461,390	451,585
Net sales by product group						
Nimbra	107,157	104,637	201,173	197,020	379,222	375,069
ScheduALL	18,010	14,271	32,640	32,363	74,696	74,419
Sye	3,355	658	6,033	658	7,473	2,098
Total	128,522	119,566	239,846	230,041	461,390	451,585
Net sales by region						
WE	52,362	53,802	96,492	101,966	201,828	207,302
AM	51,853	31,636	102,694	68,525	181,451	147,282
RoW	24,307	34,128	40,660	59,550	78,111	97,001
Total	128,522	119,566	239,846	230,041	461,390	451,585
Timing of revenue recognition						
Products and services transferred at a point in time	83,533	76,803	147,117	144,426	281,679	278,988
Services transferred over time	44,989	42,763	92,729	85,615	179,711	172,597
Total	128,522	119,566	239,846	230,041	461,390	451,585

FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category - Assets	Jun 30, 2019			Dec 31, 2018		
	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss
SEK thousands						
Assets in Balance Sheet						
Derivative instruments	2	-	48	2	-	181
Accounts receivable and other receivables, excluding non-financial assets		159,907	-		113,406	-
Cash and cash equivalents		48,924	-		92,893	-
Total		208,831	48		289,776	181

Group's financial instruments by category - Liabilities	Jun 30, 2019			Dec 31, 2018		
	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss	Value-tier	Measured at amortized cost	Measured at fair value through profit or loss
SEK thousands						
Liabilities in Balance Sheet						
Synthetic options	2	-	166	2	-	299
Derivative instruments	2	-	-	2	-	-
Accounts payable and other liabilities, excluding non-financial liabilities		89,189	-		42,955	-
Total		89,189	166		42,955	299

Financial instruments in tier 2

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

PARENT COMPANY INCOME STATEMENT, IN SUMMARY

SEK thousands	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Net sales	139,907	138,300	269,450	263,371	520,959	514,880
Cost of sales	-66,435	-60,944	-119,732	-106,802	-228,515	-215,585
Gross earnings	73,472	77,356	149,718	156,569	292,444	299,295
Sales and marketing expenses	-31,498	-39,172	-60,644	-72,852	-40,375	-146,543
Administration expenses	-11,946	-15,266	-26,898	-25,095	-48,673	-46,870
Development expenses	-28,451	-29,455	-57,008	-57,774	-117,042	-117,808
Other income expenses	-439	-989	106	-201	-1,698	-2,005
Operating earnings	1,136	-7,526	5,275	647	84,657	-13,931
Net financial items	588	938	3,740	2,382	-31,965	-33,322
Profit/loss before tax	1,725	-6,588	9,014	3,029	52,692	-47,253
Tax	46	1,489	-1,557	-420	1,900	3,037
Net income	1,771	-5,099	7,457	2,609	54,592	-44,216

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
Other intangible assets	3,305	3,653	3,999
Equipment	27,139	27,940	28,901
Participations in group companies	295,068	295,068	295,068
Deferred tax asset	3,473	3,427	5,031
Deposits	4,665	4,695	4,695
Total non-current assets	333,650	334,783	337,694
Current assets			
Inventories	47,629	52,606	46,388
Accounts receivable	134,298	125,170	95,599
Receivables from group companies	146,582	149,924	135,583
Other receivables	18,014	22,393	17,806
Cash and cash equivalents	35,679	45,258	79,681
Total current assets	382,202	395,351	375,057
TOTAL ASSETS	715,852	730,133	712,751
EQUITY AND LIABILITIES			
Equity			
Restricted equity	128,419	128,419	128,419
Non-restricted equity	488,296	482,167	482,676
Total equity	616,715	610,586	611,095
Non-current liabilities			
Other liabilities	16,161	18,787	9,362
Total non-current liabilities	16,161	18,787	9,362
Current liabilities			
Accounts payable	20,454	22,608	31,806
Other liabilities	62,522	78,152	60,488
Total current liabilities	82,976	100,760	92,294
TOTAL EQUITY AND LIABILITIES	715,852	730,133	712,751

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, 2019, Net Insight applies the following new or amended International Financial Reporting Standards (IFRS):

- IFRS 16 Leases

New accounting policies from 2019

IFRS 16 Leases - transition

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 ser-vice contract. The parent company has chosen not to apply IFRS 16 according to exceptions in RFR 2.

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 applied the new standard as from January 1, 2019. The Company elected 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. Previous years was not restated.

At transition, the Company, as a lessee, recognized lease liabilities for leases previously classified as operating leases. The weighted average incremental borrowing rate applied to lease liabilities recognized in the balance sheet at the transition date was 3.4%. Right-of-use assets were recognized based on the amount equal to the related lease liability. At transition the change of right-of-use assets were 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 9 million and that equity has changed with SEK 0 million.

The income statement is affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense is replaced with interest and depreciation, so key metrics like EBITDA are changed. For the periods April-June, 2019, and January-June, 2019, IFRS 16 affected Gross earnings by 0.0 MSEK and 0.0 MSEK, respectively, Operating earnings by 0.1 MSEK and 0.3 MSEK, respectively, Profit/loss before tax by -0.3 and -0.7 MSEK, respectively, and Net income by -0.3 MSEK and -0.5 MSEK, respectively. For EBITA the effect of IFRS 16 was SEK 2.7 million for the period April-June, 2019, and SEK 5.3 million for the period January-June, 2019.

The timing of the cash flows is not 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 had no material impact on lessor accounting at transition.

IFRS 16 Leases - Accounting policy

Leasing when the Company is the lessee

The main types of assets leased by the Company are, in the order of materiality, real estate, IT- and office equipment.

The Company recognizes right-of-use assets and lease liabilities arising from all leases in the balance sheet, with some exceptions. 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.

In the assessment of a lease contract the lease components are separated from non-lease components and the lease term is defined considering any extension or termination options.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate.

Lease payments included in the liability are fixed payments, variable payments depending on an index or rate, residual values and penalties for termination of contracts.

The right-of-use asset is initially measured at cost, which equals the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received plus any initial direct costs, and restoration costs.

The Company applies the recognition exemption for short-term leases and leases for which the underlying asset is of low-value recognizing the lease payments for those leases as an expense on a straight-line basis over the lease term.

Leasing when the Company is the lessor

Leasing contracts with the Company as lessor are classified as finance leases when the majority of risks and rewards are transferred to the lessee, and otherwise as operating leases. Under a finance lease, a receivable is recognized at an amount equal to the net investment in the lease and revenue is recognized in accordance with the revenue recognition principles.

Under operating leases the equipment is recorded as property, plant and equipment and revenue as well as depreciation is recognized on a straight-line basis over the lease term.

The Company's lease arrangements are normally short in time, related to specific events.

Segment information

As of January 1, 2019, the CEO no longer follows the business by geographical regions, hence the segment information from January 1, 2019 is presented as one segment. The company are considering a change of operational follow-up which going forward may result in our product areas being reported as segments.

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 2018.

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. The transition to IFRS 16 has led to new estimates and judgements, such as criteria for assessing which agreements meet the definition of a lease agreement, and determining lease periods and discount rates.

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.

TAX

The group reported tax of SEK 1.8 (1.8) million for the period January–June, 2019. Reported tax corresponds to an effective tax rate of 22 (22) percent. Profit before tax of SEK –8.1 (-8.2) million includes value changes on synthetic options of SEK 0.4 (1.7) 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 14.0 million at the end of the period, compared to SEK 145.4 million as of December 31, 2018. Deferred tax assets has been recognized for the tax loss carry-forwards.

CONTRIBUTED EQUITY

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 are reported as repurchased shares in 2019. During 2019, the parent company acquired another 230,000 of its own class B shares through purchases on Nasdaq Stockholm for SEK 0.6 million. In total, the Company has purchased 700,000 of its own shares and the total amount paid to acquire the shares, net of income tax, was SEK 1.8 million.

At the end of the reporting period, the parent company had a total of 7,175,000 of its own class B shares, at an average cost of SEK 4.44 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	30 Jun, 2019			31 Dec, 2018		
	A-shares	B-shares	Total	A-shares	B-shares	Total
Outstanding shares	1,000,000	381,758,009	382,758,009	1,000,000	382,458,009	383,458,009
Repurchased own shares	-	7,175,000	7,175,000	-	6,475,000	6,475,000
Issued shares	1,000,000	388,933,009	389,933,009	1,000,000	388,933,009	389,933,009

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The company has after the reporting date signed a bank credit agreement of SEK 50 million. The credit term is until year end, and it is secured through guarantee from Brihan Invest AB, the largest shareholder in Net Insight. See description of background and purpose under Cash and financial position above.

AUDITORS' REVIEW

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

THIS IS NET INSIGHT

Business concept and model

With its deep market knowledge and insight, genuine customer focus and world-leading innovative technology, Net Insight makes it easier to create and deliver better content in a simpler and more effective way.

With the three product areas Media Networks, Resource Optimization and Streaming Solutions, Net Insight offers solutions that enable network operators and media companies the benefit of lower costs and the potential for effective new media service launches. Revenues are generated through sales of hardware and software solutions and services.

Strategy

Net Insight is driven by the idea that everything can always be done smarter, for both its customers and their customers. Net Insight's long-term view of the media market of tomorrow is a global, fully connected world where new technology enables direct, intelligent and seamless exchange of content between producers, distributors and consumers. The strategy is to offer competitive and future-proof solutions that meet these customer demands, by continuously develop solutions that make customers even more relevant and competitive in the media landscape of tomorrow.

Value creators

The value-creating factors affect Net Insight's development and are divided into three groups: market transformation, innovative technology and global scope. Net Insight benefits from the general increase in video traffic, live streaming and file-based transfers, the use of remote production, increased distribution over the internet and broader coverage of live events.

REPORTING DATES

Interim report January - September October 29, 2019

For more information, please contact:

Henrik Sund, CEO, Net Insight AB (publ)
Phone: +46 (0)8-685 04 00
Email: henrik.sund@netinsight.net

Pelle Bourn, CFO, Net Insight AB (publ)
Phone: +46 (0)73 037 10 57
Email: pelle.bourn@netinsight.net

Net Insight AB (publ), corp.id.no. 556533-4397
Box 1200 171 23 Solna Sweden
Tel. +46 (0)8 – 685 04 00 netinsight.net

CERTIFICATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and the CEO certify that the Interim report for the period January – June 2019 gives a true and fair overview of the Parent Company Net Insight AB (publ) and the Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Solna, July 19, 2019

Gunilla Fransson
Chairman

Jan Barchan
Board member

Mathias Berg
Board member

Crister Fritzon
Board member

Anders Harrysson
Board member

Charlotta Falvin
Board member

Henrik Sund
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 July 19, 2019.

FINANCIAL INFORMATION

SEK millions (if not defined differently)	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Income						
Net sales	128.5	119.6	239.8	230.0	461.4	451.6
Gross earnings	76.0	70.8	140.9	136.7	266.5	262.4
Operating expenses	71.9	82.6	149.2	147.0	303.1	301.0
Total development expenditure	40.4	34.9	77.8	68.3	149.8	140.3
EBITDA	1.9	-16.1	-7.4	-17.1	-39.3	-49.0
Operating earnings	3.3	-12.9	-8.6	-10.5	-73.2	-75.1
Profit/loss after financial items	2.5	-12.2	-8.1	-8.2	-73.6	-73.7
Net income	2.2	-9.4	-6.4	-6.4	-58.1	-58.2
Balance sheet and cash flow						
Cash and cash equivalents	48.9	149.6	48.9	149.6	48.9	92.9
Working capital	68.2	41.3	58.2	39.1	53.9	42.8
Total cash flow	-12.3	-15.1	-44.2	-28.6	-101.1	-85.5
The share						
Dividend per share, SEK	-	-	-	-	-	-
Earnings per share basic and diluted, SEK	0.01	-0.02	-0.02	-0.02	-0.15	-0.15
Cash flow per share, SEK	-0.03	-0.04	-0.12	-0.07	-0.26	-0.22
Equity per share basic and diluted, SEK	1.28	1.42	1.28	1.42	1.28	1.29
Average number of outstanding shares basic and diluted, thousands	382,758	383,458	382,858	383,498	383,135	383,478
Number of outstanding shares basic and diluted, thousands	389,933	383,458	389,933	383,458	389,933	383,458
Share price at end of period, SEK	1.77	4.20	1.77	4.20	1.77	2.68
Employees and consultants						
Average number of employees and consultants	215	241	218	244	228	239
KPI						
Net sales YoY, change in %	7.5%	25.0%	4.3%	11.6%	2.3%	5.8%
Gross margin	59.1%	59.2%	58.7%	32.5%	57.8%	58.1%
Total development expenditure/Net sales	31.5%	29.2%	32.5%	29.7%	32.5%	31.1%
Operating margin	2.6%	-10.8%	-3.6%	-4.5%	-15.9%	-16.6%
EBITDA margin	1.5%	-13.5%	-3.1%	-7.5%	-8.5%	-10.9%
Net margin	1.7%	-7.8%	-2.7%	-2.8%	-12.6%	-12.9%
Return on capital employed	0.5%	-0.6%	-1.7%	-0.6%	-13.7%	-14.1%
Equity/asset ratio	68.9%	75.2%	68.9%	75.2%	68.9%	76.0%
Return on equity	-11.4%	-0.2%	-11.4%	-0.2%	-11.4%	-10.9%

Previous years was not restated at the transition to IFRS 16. Open balances as of Jan 1, 2019, have been restated in accordance to IFRS 16 on page 12. To make the comparison easier, the current earnings and EBITDA have been recalculated in accordance to last year's accounting policies on page 12.

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.
Gross margin excl. amortization of capitalized development	Gross earnings excl. amortization of capitalized development as a percentage of net sales.	
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.
Capitalization rate	Capitalized development expenditures as a percentage of total development expenditures.	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.
Total development (R&D) expenditure/net sales	Total development expenditure as percentage of net sales.	
EBITDA	Operating earnings before depreciation and amortization and capitalization of development expenditure.	The measures are good complements to operating earnings and margin as it, simplified, shows the earnings-generated cash flow in the operation and it shows operating earnings without influence of variations in the level of capitalized development expenditures in the company's development projects.
EBITDA margin	EBITDA as a percentage of net sales.	
Region	Region. <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. 	

Change in net sales in comparable currencies SEK millions (if not defined differently)	Apr-Jun		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
Net sales	128.5	119.6	239.8	230.0	451.6
Net currency effect of comparable currencies	-6.5	-3.4	-15.4	-0.9	-16.5
Net sales in comparable currencies	122.0	116.2	224.5	229.2	435.1
Change in net sales in comparable currencies	2.1%	21.5%	-2.4%	11.2%	1.9%

KPI Income Statement	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
SEK millions (if not defined differently)	2019	2018	2019	2018	Jun 2019	2018
Net sales	128.5	119.6	239.8	230.0	461.4	451.6
Net sales YoY, change in %	7.5%	25.0%	4.3%	11.6%	2.3%	5.8%
Cost of sales ex. amortization of capitalized development	-38.5	-35.0	-70.3	-64.4	-136.7	-130.8
Gross earnings ex. amortization of capitalized development	90.0	84.6	169.6	165.7	324.7	320.8
Gross margin ex. amortization of capitalized development	70.0%	70.7%	70.7%	72.0%	70.4%	71.0%
Cost of sales amortization of capitalized development	-14.1	-13.7	-28.7	-29.0	-58.2	-58.4
Gross earnings	76.0	70.8	140.9	136.7	266.5	262.4
Gross margin	59.1%	59.2%	58.7%	59.4%	57.8%	58.1%
Sales and marketing expenses	-36.0	-49.7	-74.9	-89.7	-166.2	-181.1
Administration expenses	-16.0	-16.4	-34.2	-27.3	-61.8	-54.9
Development expenses	-19.9	-16.6	-40.1	-30.0	-75.0	-64.9
Operating expenses	-71.9	-82.6	-149.2	-147.0	-303.1	-301.0
Operating expenses/net sales	55.9%	69.1%	62.2%	63.9%	-65.7%	-66.6%
Other operating income and expenses	-0.8	-1.1	-0.3	-0.1	-36.7	-36.5
Operating earnings	3.3	-12.9	-8.6	-10.5	-73.2	-75.1
Operating margin	2.6%	-10.8%	-3.6%	-4.5%	-15.9%	-16.6%
Net financial items	-0.8	0.7	0.5	2.2	-0.4	1.4
Profit/loss before tax	2.5	-12.2	-8.1	-8.2	-73.6	-73.7
Tax	-0.4	2.8	1.8	1.8	15.5	15.5
Net income	2.2	-9.4	-6.4	-6.4	-58.1	-58.2
Net margin	1.7%	-7.8%	-2.7%	-2.8%	-12.6%	-12.9%

EBITDA margin	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
SEK millions (if not defined differently)	2019	2018	2019	2018	Jun 2019	2018
Operating earnings	3.3	-12.9	-8.6	-10.5	-73.2	-75.1
Amortization of capitalized development expenditure	14.1	13.7	28.7	29.0	58.2	58.4
Other depreciation, amortization & impairment	5.1	1.4	10.2	2.7	50.5	43.1
Capitalization of development expenditure	-20.5	-18.4	-37.7	-38.4	-74.8	-75.4
EBITDA	1.9	-16.1	-7.4	-17.1	-39.3	-49.0
Net sales	128.5	119.6	239.8	230.0	461.4	451.6
EBITDA margin	1.5%	-13.5%	-3.1%	-7.5%	-8.5%	-10.9%

Development expenditure	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
SEK millions (if not defined differently)	2019	2018	2019	2018	Jun 2019	2018
Development expenses	19.9	16.6	40.1	30.0	75.0	64.9
Capitalization of development expenditure	20.5	18.4	37.7	38.4	74.8	75.4
Total development expenditure	40.4	34.9	77.8	68.3	149.8	140.3
Capitalization rate	50.8%	52.6%	48.5%	56.2%	49.9%	53.7%
Net Sales	128.5	119.6	239.8	230.0	461.4	451.6
Total development expenditure/net sales	31.5%	29.2%	32.5%	29.7%	32.5%	31.1%

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, excluding lease 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, excluding lease 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	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Current assets	271.4	341.8	270.7	342.6	293.5	321.5
Cash and cash equivalents	-55.2	-157.1	-67.7	-164.0	-92.8	-139.2
No interest-bearing short term liabilities	-148.1	-143.4	-144.8	-139.5	-146.7	-139.5
Working capital	68.2	41.3	58.2	39.1	53.9	42.8

Return on capital employed SEK millions (if not defined differently)	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
<i>Capital employed</i>						
Total balance	717.9	711.3	695.3	706.7	702.5	694.3
No interest-bearing liabilities	-173.3	-163.7	-167.5	-159.6	-168.5	-159.1
Capital employed	544.6	547.6	527.7	547.1	527.7	535.2
<i>Operating earnings less interest income R4Q</i>						
Operating earnings R4Q	3.3	-3.1	-8.6	-3.1	-73.2	-75.1
Interest income R4Q	0.4	0.2	0.4	0.2	1.2	0.3
Operating earnings less interest income R4Q	2.9	-3.3	-9.0	-3.3	-72.1	-75.4
Return on capital employed	0.5%	-0.6%	-1.7%	-0.6%	-13.7%	-14.1%

Equity/asset ratio SEK millions (if not defined differently)	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Equity	488.4	545.6	488.4	545.6	488.4	493.9
Total equity and liabilities	709.1	725.3	709.1	725.3	709.1	649.9
Equity/asset ratio	68.9%	75.2%	68.9%	75.2%	68.9%	76.0%

Return on equity SEK millions (if not defined differently)	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Net income - R4Q	-58.1	-0.9	-58.1	-0.9	-58.1	-58.2
Average equity - R4Q	511.0	549.6	511.0	549.6	511.0	535.2
Return on equity	-11.4%	-0.2%	-11.4%	-0.2%	-11.4%	-10.9%

Shareholders' information		
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 out-standing 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		
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	Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
	2019	2018	2019	2018	Jun 2019	2018
Average number of employees	183	206	187	209	196	205
Average number of consultants	32	35	31	36	32	34
Average number of employees and consultants	215	241	218	244	228	239

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:

Return on capital employed		Apr-Jun		Jan-Jun		Jul 2018-	Jan-Dec
SEK millions	Note	2019	2018	2019	2018	Jun 2019	2018
Effects of the Net Insight share price development during the period							
Share-based benefits	(a)	0.1	-0.1	0.1	0.2	0.2	0.3
Synthetic options, change in value	(b)	0.2	0.6	0.4	1.7	1.4	2.6
Total		0.2	0.5	0.5	1.9	1.6	3.0
Items affecting comparability							
Restructuring	(c)	-1.0	-4.1	-6.5	-4.7	-11.9	-10.2
Impairment of intangible assets	(d)	-	-	-	-	-35.9	-35.9
Empty office lease	(e)	-	-2.2	-	-2.2	-	-2.2
Total		-1.0	-6.3	-6.5	-6.9	-47.8	-48.3
Operating earnings excluding items affecting comparability							
Operating earnings		3.3	-12.9	-8.6	-10.5	-73.2	-75.1
Items affecting comparability, as per above		1.0	6.3	6.5	6.9	47.8	48.3
Operating earnings excluding items affecting comparability		4.3	-6.6	-2.1	-3.5	-25.4	-26.8

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 synthetic option programs. The synthetic options are revaluated on a current basis to fair value by applying an options valuation model. The changes in value during the term of the options are presented as a financial item. To financially hedge future cash flow effects of the company's commitments in the synthetic option programs, if the share price would exceed the strike price, the parent company has repurchased its own shares. The repurchased of own shares is deducted from equity, retained earnings, and are not revaluated to fair value on a current basis.
- (c) During 2018, Net Insight has initiated structural changes, which was completed during the first half 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.

Net Insight AB (publ)

Telefon: +46 (0)8 685 04 00, info@netinsight.net, www.netinsight.net

The information presented in this document may be subject to change without notice.

For further information on product status and availability, please contact info@netinsight.net or visit www.netinsight.net ©Copyright 2019. Net Insight AB (publ), Sweden.

All rights reserved. Net Insight, Nimbra, Sye and ScheduALL are trademarks of Net Insight Intellectual Property AB, Sweden. All other registered trademarks are the property of their respective owners.

