

Net Insight Year-end Report January – December 2019



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

October – December 2019

- Net sales for continuing operations, i.e. excluding Streaming Solutions, amounted to SEK 105.2 (106.0) million, a decrease of -0.7% year-on-year. In comparable currencies net sales decreased by -4.9%.
- Operating earnings for continuing operations amounted to SEK -24.1 (-50.6) million, corresponding to an operating margin of -22.9% (-47.8%).
- Excluding items affecting comparability of SEK -20.1 (-37.1) million, operating earnings for continuing operations amounted to SEK -4.0 (-13.5) million.
- Net income for the period for the Group, including Streaming Solutions, was SEK -27.6 (-47.9) million.
- Earnings per share, basic and diluted, for the Group including Streaming Solutions, was SEK 0.07 (-0.13).
- Total cash flow, for the Group including Streaming Solutions, was SEK -14.3 (-18.5) million.

January – December 2019

- Net sales for continuing operations, i.e. excluding Streaming Solutions, amounted to SEK 448.6 (449.5) million, a decrease of -0.2% year-on-year. In comparable currencies net sales decreased by -5.6%.
- Operating earnings for continuing operations amounted to SEK -3.6 (-34.1) million, corresponding to an operating margin of -0.8% (-7.6%).
- Excluding items affecting comparability of SEK -24.9 (-44.0) million, operating earnings for continuing operations amounted to SEK 21.3 (9.9) million.
- Net income for the period for the Group, including Streaming Solutions, was SEK -32.2 (-58.2) million.
- Earnings per share, basic and diluted, for the Group, including Streaming, Solutions, was SEK -0.08 (-0.15).
- Total cash flow for the Group, including Streaming Solutions, was SEK -41.2 (-85.5) million.

Eventful quarter with divestment of Sye

Anders Harrysson
Interim CEO, Net Insight

Significant events:

- Crister Fritzson appointed CEO, to assume position no later than April 14 2020
- Agreement regarding divestment of Sye
 - Streaming Solutions to be disclosed separately as Discontinued operations

Significant events after the period:

- Divestment of Sye completed on January 3, 2020

FINANCIAL HIGHLIGHTS

SEK millions	Oct-Dec			Jan-Dec		
	2019	2018	Change	2019	2018	Change
Continuing operations						
<i>Netsales per business area</i>						
Media Networks	88.0	83.1	5.9%	377.8	375.1	0.7%
Resource Optimization	17.2	22.9	-24.9%	70.8	74.4	-4.9%
Net sales	105.2	106.0	-0.7%	448.6	449.5	-0.2%
Operating earnings	-24.1	-50.6		-3.6	-34.1	
<i>Operating margin</i>	-22.9%	-47.8%		-0.8%	-7.6%	
Net income	-20.6	-40.3		-4.6	-25.9	
EBITDA	-31.9	-13.9		-6.6	13.5	
EBITDA margin	-30.3%	-13.1%		-1.5%	3.0%	
Total group including discontinued operations						
Net Income	-27.6	-47.9		-32.2	-58.2	
Total cash flow	-14.3	-18.5		-41.2	-85.5	

Streaming Solutions was divested in 2020 and is reported separately as discontinuing operations in this report. Previous years was not restated at the transition to IFRS 16. The impact of IFRS 16 is presented on page 15.

CEO's Statement



” Eventful quarter with divestment of Sye

Eventful quarter concludes the year

Key events were the divestment of Sye and the appointment of a new CEO. Revenue was SEK 105 million, in line with the previous period. Operating earnings was SEK -4 million excluding items affecting comparability totaling SEK -20 million, mainly from the planned but not completed capital raising.

In the fourth quarter, we continued the change process for Net Insight, including the divestment of Sye and the appointment of a new CEO. During the year, we executed cost savings, increased transparency by introducing segment reporting and completed a strategic review. Several major decisions have provided the foundation for a new phase for Net Insight.

Results of the strategic review

The Media Networks (Nimbra) business area has stable profitability and a strong customer base, but net sales remained unchanged over the past year. Through complementing our product offering, we see growth opportunities for new and existing customers. We also want to grow in attractive segments such as remote production and internet and cloud-based transport.

During the spring, the Resource Optimization business area will be launching a new cloud-based solution, sold with a SaaS model (Software as a Service), which we presented last year. There are several concrete business opportunities for the new solution. Since the primary potential is not in areas with meaningful synergies with the Nimbra operations, the business will be run as a separate operation. In the longer term, we anticipate that this business will benefit from further development under a different owner.

In the quarter, we decided to divest Sye to Amazon for approximately SEK 350 million. The Sye technology has demonstrated its ability to solve fundamental problems in live streaming for consumers. The fact that one of the world's most successful companies wants to acquire a technology that we've developed internally is very strong evidence of Net Insight's innovation capability. The culture, competencies and expertise that drove the development of Sye remain in Net Insight. For example, competencies relating to virtualized software solutions and cloud-based technology will continue to benefit the Media Networks business area. The divestment implies that the previously announced capital raising will not be required, and the preparations for this have been aborted.

Fourth quarter

In the quarter, we increased the focus on our traditional core business Media Networks by accelerating product development and customer communication about coming products and solutions. In the quarter, we also received a first order for Nimbra 1060 from Tata Communications for the extension of their core network.

For Resource Optimization, the work to complete the development of the new solution continues as planned. We're participating in several ongoing positive customer dialogs, and commercial launch is scheduled for the beginning of the second quarter 2020.

In accordance with applicable regulations, Sye's operations will be recognized net as "discontinued operations" on a separate line in the Income Statement. Therefore, the following comments refer to continuing operations, i.e. excluding Sye.

Net sales in the fourth quarter totaled SEK 105 million, in line with the corresponding quarter last year. Earnings were charged with items affecting comparability of SEK -20 million relating to the planned but not completed capital contribution, and severance pay to the CEO. Excluding these costs, operating earnings amounted to SEK -4 million. The Media Networks business area contributed with SEK 4 million. The divestment of Sye is expected to generate capital gains of approximately SEK 245 million. Because the transaction was completed at the beginning of January 2020, these gains will be recognized to earnings in the first quarter 2020.

To conclude, in the quarter we've taken important steps towards laying the foundation for the Net Insight of the future. A clearer focus and increased investments will drive growth in our profitable core business Media Networks. The divestment of Sye generated surplus liquidity, and we intend to propose a capital redistribution. Together with management, incoming CEO Crister Fritzson will report further on the long-term targets and growth strategies for Net Insight, for presentation later during the year.

Solna, Sweden, February 14, 2020
Anders Harrysson, interim CEO

DISCONTINUED OPERATIONS

The business area Streaming Solutions (the Sye consumer streaming business) is reported as discontinued operations in this report. Net Insight announced on December 17, 2019 that the company had signed an agreement to divest the business area Streaming Solutions. The transaction was conditioned and was completed on January 3, 2020.

The result for Streaming Solutions has been excluded from the individual lines in the consolidated income statement and is reported net as Discontinued operations. Cost for central functions is allocated to the various business areas. For the fourth quarter and for the full year 2019, SEK -3.5 (-4.8) million respectively SEK -14.9 million (-18.3) would have been allocated to the divested business area. The main part of these costs is fixed and does not go with the divested operations. A reallocation has therefore been made to the continuing operations. Business areas Media Networks and Resource Optimization have thus been charged with these costs. For more information on accounting principles, and reporting of income statement, balance sheet and cash flow for discontinued operations, see page 15.

Comments in this report have reference to continuing operations, business areas Media Networks and Resource Optimization, unless otherwise specified. For more information on discontinued operations, see tables on page 12.

REVENUES

Net sales in the fourth quarter of 2019 were SEK 105.2 (106.0) million, a decrease of -0.7%. In comparable currencies, sales decreased by -4.9%.

Net sales for the twelve-month period were SEK 448.6 (449.5) million, a decrease of -0.2%. In comparable currencies, sales decreased by -5.6%.

Net Insight's solutions are sold all over the world and we have customers in around 60 countries. Many customers are global, with central purchasing functions for subsidiaries. Revenue per region for Media Networks, our largest Business Area, varies over time depending on where events take place. Revenue per region is therefore less relevant. We report revenue by region separately (see table on page 11) but without comments.

Revenues by Business Area

Net Insight has the following Business Areas: Media Networks and Resource Optimization. The divested business area Streaming Solutions is reported separately as per the above.

Media Networks

Media Networks encompasses the Nimbra portfolio. A Nimbra solution normally consists of software as well as hardware and support. Customers with existing software licenses sometimes purchases only hardware, which means the mix between software and hardware revenues may vary over time. Revenues are mainly driven by events and specific larger deals can have a significant impact on quarterly revenue. There is no clear seasonality, why revenue on a rolling 12-month basis is a better indicator than a single quarter. Revenue on a rolling 12-month basis has been largely unchanged during the last year.

Revenues for the fourth quarter were SEK 88.0 (83.1) million, an increase of 5.9%. The increase comes from the product groups Nimbra 1000 and Nimbra 600.

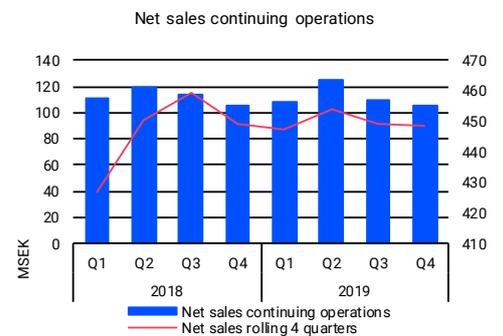
Revenues for the twelve-month period were SEK 377.8 (375.1) million, an increase of 0.7%. Revenues for hardware, support and services increased, while software revenues decreased.

Resource Optimization

Resources Optimization encompasses ScheduALL, a pure software solution. Revenues are derived from software licenses sales, support and professional services. The business model for the coming solution (see below) is SaaS, Software as a Service.

Revenues for the fourth quarter were SEK 17.2 (22.9) million, a decrease of -24.9%. The decrease is attributable to software licenses, which was expected since we have presented a new, modern solution that is not yet commercially launched. The customer response has been very positive, and several customers are investing in certain upgrades of existing systems, in preparation for a future migration to the new solution.

Revenues for the twelve-month period were SEK 70.8 (74.4) million, a decrease of -4.9%.



EARNINGS

Gross profit for the fourth quarter was SEK 66.3 (57.3) million, an increase by 15.7%. The increase is mainly explained by a slightly higher turnover and gross margin for Media Networks in combination with decreased amortization of capitalized development expenditure. Gross profit included amortization of capitalized development expenditure of SEK -9.0 (-14.4) million. Gross margin excluding amortization of capitalized development expenditure was 71.6% (67.6%).

Operating expenses in the fourth quarter of SEK 69.2 (71.2) million were SEK 2.0 million lower compared to the corresponding period of the previous year. Operating expenses include items affecting comparability of SEK 4.3 (1.3) million, related to severance pay for CEO. Excluding these items, operating expenses were SEK 64.9 (69.9) million. Excluding items affecting comparability and exchange rate effects for translation of foreign subsidiaries in comparable rates of SEK 2.3 million, operating expenses decreased by some 10%, corresponding to some 7 MSEK.

Sales and marketing expenses were SEK 34.5 (40.2) million, including cost for bad debt of SEK -8.3 (-2.8) million, mainly related to 2 specific contracts. Administration expenses of SEK -16.5 (-13.9) million were somewhat higher than for the previous period, primarily because of the reorganization in the fourth quarter 2018, as the cost of business area managers were classed as administration expenses from the beginning of the year. Development expenses were SEK 18.2 (17.1) million. Total development expenditure was SEK -40.3 (-42.0) million. Other operating income and expenses were SEK -21.2 (-36.7) million. For the period, this was attributable to cost for strategic advice and the aborted capital raising, totaling SEK -15.8 million, and foreign exchange losses. For the comparison period, the amount is mainly related to a write-down of capitalized development expenditure of SEK -34.9 million.

Operating earnings were SEK -24.1 (-50.6) million, corresponding to an operating margin of -22.9% (-47.8%). Excluding items affecting comparability of SEK -20.1 (-37.5) million, operating earnings were SEK -4.0 (-13.5) million. The higher operating earnings year-on-year were mainly due to lower costs.

EBITDA was SEK -32.0 (-13.9) million, corresponding to an EBITDA margin of -30.4% (-13.1%). EBITDA was affected by SEK 2.9 (-) 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. The EBITDA decrease is attributable to items affecting comparability for the period.

In the fourth quarter, net financial items were negatively affected by SEK -0.3 (0.2) million for the revaluation of synthetic options programs due to a lower share price at the end of the quarter. The fourth quarter has been affected by SEK -1.0 (-) million in costs related to the bank credit line. Net financial items amounted to SEK -2.3 (-0.3) million.

Profit before tax for the fourth quarter was SEK -26.5 (-50.9) million, and net income was SEK -20.6 (-40.3) million, corresponding to a net margin of -19.5% (-38.0). Including discontinued operations, net income was SEK -27.6 (-47.9) million.

For the twelve-months period, Gross profit amounted to SEK 282.3 (273.0) million. Operating expenses of SEK -266.9 (-270.5) million have been charged with SEK -9.1 (-8.1) million for items affecting comparability. Excluding such items and exchange rate effects for translation of foreign subsidiaries in comparable rates of SEK 10.8 million, operating expenses decreased by some 5%, corresponding to some SEK 14 million. Other operating income and expenses was SEK -19.0 (-36.5) million, see comments for the quarter above.

Operating earnings were SEK -3.6 (-34.1) and has been affected with restructuring costs of SEK -24.9 (-44.0) million. Excluding restructuring costs, operating earnings were SEK 21.3 (9.9) million. Profit before tax was SEK -6.6 (-32.7) million, and net income was SEK -4.6 (-25.9) million. Including discontinued operations, net income was SEK -32.2 (-58.2) million.



Key Ratios continuing operations	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net sales, SEK millions	105.2	106.0	448.6	449.5
Net sales YoY, change in %	-0.7%	-9.8%	-0.2%	5.3%
Gross earnings	66.3	57.3	282.3	273.0
Gross margin	63.0%	54.0%	62.9%	60.7%
Operating earnings	-24.1	-50.6	-3.6	-34.1
Operating margin	-22.9%	-47.8%	-0.8%	-7.6%
EBITDA	-31.9	-13.9	-6.6	13.5
EBITDA margin	-30.3%	-13.1%	-1.5%	3.0%

Earnings per Business Area

Media Networks

Operating earnings for Media Networks for the fourth quarter increased and amounted to SEK 3.6 (-45.2) million, corresponding to an operating margin of 4.1% (-54.5%). Operating earnings are charged with items affecting comparability of SEK -3.3 (-35.9) million, and bad debt of SEK -4.0 (-1.5) million. Excluding items affecting comparability, operating earnings amounted to SEK 6.9 (-15.6) million. The increase is explained by reductions of operating expenses. The profitability is stable, but the revenue on rolling 12-month basis is unchanged. We see good growth potential in market segments like production and IP and cloud-based transport solutions. Total development expenditure was largely unchanged and amounted to SEK -26.0 (-26.4) million.

Operating earnings for the twelve-month period were SEK 45.2 (-14.4) million, corresponding to an operating margin of 12.3% (-3.8). Operating earnings for the full year have been charged with items affecting comparability of SEK -6.3 (-42.7) million. Excluding these costs, operating margin was 14.0% (7.6%). Reallocation of costs for central functions as a consequence of the divestment has affected operating earnings for the year with SEK -12.8 (-16.0) million, corresponding to an operating margin effect of -3.4% (-4.3%). Total development expenditure was SEK -85.8 (-85.5) million.

Resource Optimization

For Resource Optimization, operating earnings for the fourth quarter of SEK -6.7 (-4.5) were slightly lower than for the corresponding period. This is due to items affecting comparability of SEK -2.8 (-1.3) million and bad debts of SEK -1.3 (-) million. Total development expenditure increased following investments in the modernization of the ScheduALL solution and amounted to SEK -14.3 (-7.8).

Operating earnings for the twelve-month period were SEK -31.8 (-19.2) million. The decrease is mainly a consequence of lower revenue and higher development expenses. Total development expenditure was SEK -48.2 (-25.8).

INVESTMENTS INCLUDING DISCONTINUED OPERATIONS

Fourth quarter investments were SEK 30.5 (31.3) million, of which SEK 28.9 (24.1) million related to capitalization of development expenditure. Investments for full year were SEK 92.1 (107.1) million, of which SEK 89.4 (75.4) million related to capitalization of development expenditure.

Depreciation, amortization and impairment in the fourth quarter totaled SEK 19.2 (54.9) million, of which SEK 14.0 (52.4) million related to amortization and impairment of capitalized development expenditure. Depreciation, amortization and impairment for the full year totaled SEK 77.8 (101.5) million, of which SEK 57.3 (93.0) million related to amortization and impairment of capitalized development expenditure.

During the fourth quarter of 2018, Media Networks recognized impairment of intangible assets of SEK 35.9 million, of which SEK 34.9 million related to capitalized development expenditures.

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 264.4 million, where of 79,8 MSEK refers to Streaming Solutions and is included in Assets held for sale in the consolidated balance sheet. Net value of capitalized development was 231,1 MSEK as of December 31, 2018.

Investments per Business Area

Investments per Business Area only reflects capitalized development expenditure.

Media Networks

Capitalization of development in the fourth quarter amounted to SEK 13.7 (14.4) million, and for the full year SEK 37.3 (40.7) million.

Amortization and impairment in the fourth quarter totaled SEK 8.0 (47.3) million, and for the full year SEK 34.4 (79.2) million. During the fourth quarter of 2018, impairment of capitalized development expenditures of SEK 34.9 million was recognized.

At the end of the period, net value of capitalized development expenditure was SEK 126.0 million, against SEK 123.1 million as of December 31, 2018.

Resource Optimization

Capitalization of development in the fourth quarter amounted to SEK 8.4 (1.7) million, and for the full year SEK 25.9 (5.0) million. The large increase compared to the previous year follows investments in the modernization of the ScheduALL solution.

Amortization in the fourth quarter totaled SEK 1.1 (1.5) million, and for the full year SEK 5.3 (5.6) million. At the end of the period, net value of capitalized development expenditure was SEK 58.5 million, against SEK 39.7 million as of December 31, 2018.

Discontinuing operations - Streaming Solutions

Capitalization of development in the fourth quarter amounted to SEK 6.8 (8.0) million, and for the full year to SEK 26.1 (29.8) million.

Depreciation and amortization in the fourth quarter totaled SEK 4.9 (2.1) million, and for the full year SEK 17.6 (8.2) million.

At the end of the period, net value of capitalized development expenditure was SEK 79.8 million, against SEK 71.3 million as of December 31, 2018. As of December 31, 2019, capitalized development is included in Assets held for sale in the Group Balance sheet

CASH FLOW AND FINANCIAL POSITION INCLUDING DICONTINUED OPERATIONS

Cash flow from operating activities in the fourth quarter was SEK 18.2 (12.7) million. Total cash flow was SEK -14.3 (-18.5) million. Cash flow for the twelve months period was SEK -41.2 (-85.5) million. The negative relates to that cash flow from operating activities do not cover investments in development projects.

Cash flow for continuing operations was SEK -3.4 (-2.8) million in the fourth quarter and SEK -2.3 (-23.9) millions for the full year.

Cash and cash equivalents were SEK 52.3 million at the end of the period, against SEK 92.9 million as of 31 December 2018.

The volatility in net working capital is high and tied up working capital for the first six months were at a high level relatively to the cash position. To avoid working capital impact on investments the company, for prudence reasons, signed in July a SEK 50 million bank credit arrangement. The target is not to utilize the credit. The credit was never utilized and expired on December 31. For more information, see section Loans, pledged assets and transactions with related parties on page 17. With the sale of the Sye business in January 2020, there is no longer any need for any credit.

Remaining tax loss carry-forwards for group companies amounted to SEK 102.8 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. All tax loss carry-forwards relates to companies in continuing operations. For more information, see the section Tax on page 16.

Equity was SEK 463.7 million at the end of the period, against SEK 493.9 million as of 31 December 2018. The equity/assets ratio was 67.6%, 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 73.1% at the end of the period. For more information about share repurchases and share structure, see the section Contributed equity on page 16.

EMPLOYEES

The average number of employees and consultants at Net Insight during the fourth quarter and the twelve months period including discontinued operations was 219 (229) and 217 (239) respectively of which 144 (136) and 139 (146) respectively in the parent company Net Insight AB (publ). The average number of employees and consultants for continuing operations was 190 (195) and 189 (202) respectively.

On October 31, 2019 Henrik Sund left as CEO. The Board of Directors has appointed Crister Fritzson as new CEO. Crister will take up his position as CEO no later than April 14, 2020. The Board has appointed the Board member Anders Harrysson as interim CEO during the transitional period.

Filippa Hasselström, Vice President of Streaming Solutions, left the management team in connection with the divestment of the business area on January 3, 2020.

PARENT COMPANY

Parent company net sales were SEK 98.2 (124.7) million in the fourth quarter, and net income was SEK -97.7 (-50.3) million. An impairment of SEK -81.8 million of impairment in participation in a subsidiary was recognized in the period due to an intra-group restructuring. Among other things, the restructuring meant that the parent company acquired all the Nimbra intellectual property rights from the subsidiary. In the fourth quarter, intra-group sales totaled SEK 9.5 (39.0) million, and intra-group purchases SEK -14.0 (-47.0) million. Intra-group sales and purchases have decreased due to the intra-group restructuring

Parent company net sales for the twelve months period were SEK 487.3 (514.9) million and net income was SEK 88.0 (-44.2) million. See comments above regarding the intra-group restructuring. In the twelve months period, intra-group sales totaled SEK 100.1 (133.8) million, and intra-group purchases SEK -139.3 (-168.5) million. During the first quarter of 2019, the parent company received a dividend from a subsidiary of SEK 1.8 (-) million.

Progress in the parent company in the fourth quarter and the full year largely shadowed Group progress as indicated above for the business area Media Networks.

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 2020.

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	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Continuing operations				
Net sales	105,217	106,001	448,550	449,487
Cost of sales	-38,948	-48,709	-166,251	-176,489
Gross earnings	66,269	57,292	282,299	272,998
Sales and marketing expenses	-34,526	-40,181	-128,816	-153,226
Administration expenses	-16,460	-13,875	-67,355	-54,933
Development expenses	-18,244	-17,144	-70,776	-62,390
Other operating income and expenses	-21,169	-36,730	-18,952	-36,510
Operating earnings	-24,130	-50,638	-3,600	-34,061
Net financial items	-2,346	-303	-3,009	1,387
Profit/loss before tax	-26,476	-50,941	-6,609	-32,674
Tax	5,926	10,671	1,965	6,739
Net income continuing operations	-20,550	-40,270	-4,644	-25,935
Discontinued operations, net after tax	-7,050	-7,675	-27,543	-32,252
Net Income	-27,600	-47,945	-32,187	-58,187
Net income for the period attributable to the shareholders of the parent company	-27,600	-47,945	-32,187	-58,187
Earnings per share, based on net income attributable to the parent company's shareholders during the period	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Earnings per share basic and diluted continuing operations (SEK)	-0.05	-0.11	-0.01	-0.07
Earnings per share basic and diluted including discontinuing operations (SEK)	-0.07	-0.13	-0.10	-0.15
Average number of outstanding shares in thousands, basic	382,758	383,458	328,812	383,478

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net income	-27,600	-47,945	-32,187	-58,187
Other comprehensive income				
<i>Items that may be reclassified subsequently to the income statement</i>				
Translation differences	-3,170	1,093	3,904	6,702
Total other comprehensive income, after tax	-3,170	1,093	3,904	6,702
Total other comprehensive income for the period	-30,770	-46,852	-28,283	-51,485
Total comprehensive income for the period attributable to the shareholders of the parent company	-30,770	-46,852	-28,283	-51,485

Previous years was not restated at the transition to IFRS 16. The impact of IFRS 16 is presented on page 15.

CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Dec 31, 2019	Sep 30, 2019	31 Dec 2018
ASSETS			
Non-current assets			
Capitalized expenditure for development	184,582	252,173	234,064
Goodwill	65,582	68,786	63,307
Other intangible assets	10,560	12,114	14,246
Right-of-use assets	52,394	55,207	-
Equipment	29,531	30,562	33,580
Deferred tax asset	26,997	33,593	30,247
Deposits	5,186	5,212	5,211
Total non-current assets	374,832	457,647	380,655
Current assets			
Inventories	44,584	41,511	46,388
Accounts receivable	103,771	112,052	106,067
Other receivables	17,179	24,609	23,924
Cash and cash equivalents	52,280	66,885	92,893
Assets held for sale	93,840	-	-
Total current assets	311,654	245,057	269,272
TOTAL ASSETS	686,486	702,704	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	9,473	12,643	5,569
Accumulated deficit	-754,052	-726,452	-720,028
Total shareholders' equity	463,745	494,515	493,865
Non-current liabilities			
Lease liabilities	41,518	43,991	-
Other liabilities	20,648	18,658	17,906
Total non-current liabilities	62,166	62,649	17,906
Current liabilities			
Lease liabilities	10,586	10,771	-
Accounts payable	35,821	23,887	36,009
Other liabilities	111,173	110,882	102,147
Liabilities directly associated with assets held for sale	2,995	-	-
Total current liabilities	160,575	145,540	138,156
TOTAL EQUITY AND LIABILITIES	686,486	702,704	649,927

Previous years was not restated at the transition to IFRS 16. The impact of IFRS 16 is presented on page 15.

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	-	-	3,904	-32,187	-28,283
December 31, 2019	15,597	1,192,727	9,473	-754,052	463,745

CONSOLIDATED STATEMENT OF CASH FLOWS INCLUDING DISCONTINUED OPERATIONS

SEK thousands	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Ongoing activities				
Profit/loss before tax	-35,445	-60,706	-41,651	-73,707
Income tax paid	-	-238	-371	-238
Depreciation, amortization & impairment	19,216	54,943	77,848	101,479
Other items not affecting liquidity	12,094	4,984	15,229	8,420
Cash flow from operating activities before changes in working capital	-4,135	-1,017	51,055	35,954
Changes in working capital				
Increase-/decrease+ in inventories	-5,374	-6,440	-2,682	-8,795
Increase-/decrease+ in receivables	10,233	24,427	-1,572	-11,090
Increase+/decrease- in liabilities	17,427	-4,272	14,043	6,653
Cash flow from operating activities	18,151	12,698	60,844	22,722
Investment activities				
Investment in intangible assets	-29,142	-24,139	-90,159	-75,426
Investment in tangible assets	-902	-7,195	-1,930	-31,659
Increase-/decrease+ in financial assets, net	-2	-2	46	-300
Cash flow from investment activities	-30,046	-31,336	-92,043	-107,385
Financing activities				
Amortization leasing	-2,357	-	-8,154	-
Option premiums paid	-	184	-	1,381
Final settlements options	-	-20	-	-1,435
Repurchase of own shares	-	-	-1,837	-739
Cash flow from financing activities	-2,357	164	-9,991	-793
Net change in cash and cash equivalents	-14,252	-18,474	-41,190	-85,456
Exchange differences in cash and cash equivalents	-303	118	627	604
Cash and cash equivalents at the beginning of the period	66,885	111,249	92,893	177,745
Cash and cash equivalents at the end of the period	52,330	92,893	52,330	92,893

SEGMENTS

The company's segments are the business areas Media Networks, Resource Optimization and Streaming Solutions. Streaming Solutions is reported as discontinuing operations and are excluded from the segment reporting. The costs for central functions are allocated to the various business areas. For the fourth quarter and for the full year 2019, SEK -3.5 (-4.8) million respectively SEK -14.9 million (-18.3) would have been allocated to the discontinuing operations. Most of these costs are fixed and do not follow the discontinuing operations. Therefore, a reallocation of these costs has been made to the continuing operations; the business areas Media Networks and Resource Optimization.

SEK thousands	Oct-Dec 2019				Oct-Dec 2018			
	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total
Net Sales	87,988	17,229	-	105,217	83,061	22,940	-	106,001
Gross earnings	55,129	11,116	24	66,269	41,712	15,580	-	57,292
Net margin	62.7%	64.5%		63.0%	50.2%	67.9%		54.0%
Operating earnings	3,622	-6,745	-21,007	-24,130	-45,246	-4,505	-887	-50,638
Whereof reallocated costs	-2,958	-553		-3,511	-4,269	-573		-4,842
Gross margin	4.1%	-39.1%		-22.9%	-54.5%	-19.6%		-47.8%
Net financial items			-2,346	-2,346			-303	-303
Profit/loss before tax continuing operations				-26,476				-50,941

SEK thousands	Jan-Dec 2019				Jan-Dec 2018			
	Media Networks	Resource Optimization	Unallocated items & eliminations	Total	Media Networks	Resource Optimization	Unallocated items & eliminations	Total
Net Sales	377,764	70,786	-	448,550	375,069	74,418	-	449,487
Gross earnings	242,357	39,850	92	282,299	225,248	47,750	-	272,998
Gross margin	64.2%	56.3%		62.9%	60.1%	64.2%		60.7%
Operating earnings	46,479	-31,759	-18,320	-3,600	-14,378	-19,179	-504	-34,061
Whereof reallocated costs	-12,816	-2,091		-14,907	-15,966	-2,351		-18,317
Gross margin	12.3%	-44.9%		-0.8%	-3.8%	-25.8%		-7.6%
Net financial items			-3,009	-3,009			1,387	1,387
Profit/loss before tax continuing operations				-6,609				-32,674

DISAGGREGATION OF REVENUE INCLUDING DISCONTINUED OPERATIONS

SEK thousands	Oct-Dec 2019				Oct-Dec 2018				Jan-Dec 2019				Jan-Dec 2018			
	Media Networks	Resource Optimization	Discontinued operations	Total	Media Networks	Resource Optimization	Discontinued operations	Total	Media Networks	Resource Optimization	Discontinued operations	Total	Media Networks	Resource Optimization	Discontinued operations	Total
Net sales by product group																
Hardware	36,625	-	-	36,625	27,536	-	-	27,536	171,739	-	-	171,739	148,207	-	-	148,207
Software licenses	22,325	1,633	290	24,248	27,680	6,527	250	34,457	87,134	6,282	8,194	101,610	115,130	14,385	436	129,951
Support and Services	29,038	15,596	400	45,034	27,845	16,413	196	44,454	118,891	64,504	1,316	184,711	111,732	60,033	1,662	173,427
Total	87,988	17,229	690	105,907	83,061	22,940	446	106,447	377,764	70,786	9,510	458,060	375,069	74,418	2,098	451,585
Net sales by region																
WE	35,722	4,543	-530	39,735	55,203	4,205	250	59,658	168,300	17,906	4,591	190,797	188,351	18,652	589	207,592
AM	32,375	9,825	1,220	43,420	17,825	11,543	196	29,564	137,551	42,008	4,633	184,192	104,654	40,907	1,277	146,838
RoW	19,891	2,861	-	22,752	10,033	7,192	-	17,225	71,913	10,872	286	83,071	82,064	14,859	232	97,155
Total	87,988	17,229	690	105,907	83,061	22,940	446	106,447	377,764	70,786	9,510	458,060	375,069	74,418	2,098	451,585
Timing of revenue recognition																
Products and services transferred at a point in time	58,952	1,633	290	60,875	55,273	6,527	250	62,050	258,922	6,282	8,194	273,398	264,165	14,385	436	278,986
Services transferred over time	29,036	15,596	400	45,032	27,788	16,413	196	44,397	118,842	64,504	1,316	184,662	110,904	60,033	1,662	172,599
Total	87,988	17,229	690	105,907	83,061	22,940	446	106,447	377,764	70,786	9,510	458,060	375,069	74,418	2,098	451,585

INCOME FROM DISCONTINUED OPERATIONS

SEK thousands	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Discontinued operations				
Net sales	690	446	9,510	2,098
Cost of sales	-6,648	-3,268	-21,293	-12,723
Gross earnings	-5,958	-2,822	-11,783	-10,625
Sales and marketing expenses	-4,012	-6,248	-19,702	-27,886
Administration expenses	-	-	-	-
Development expenses	1,001	-695	-3,557	-2,522
Other operating income and expenses	-	-	-	-
Operating earnings	-8,969	-9,765	-35,042	-41,033
Net financial items	-	-	-	-
Profit/loss before tax	-8,969	-9,765	-35,042	-41,033
Tax	1,919	2,090	7,499	8,781
Net income discontinuing operations	-7,050	-7,675	-27,543	-32,252

ASSETS HELD FOR SALE

SEK thousands	Dec 31, 2019
ASSETS	
Capitalized expenditure for development	79,756
Equipment	250
Deferred tax asset	13,598
Other receivables	186
Cash and cash equivalents	50
TOTAL ASSETS	93,840
LIABILITIES	
Other liabilities	2,995
TOTAL LIABILITIES	2,995

CASHFLOW FROM DISCONTIUED OPERATIONS

SEK thousands	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Cash flow from discontinued operations, net				
Cash flow from operating activities	-4,037	-7,710	-17,424	-32,811
Cash flow from investment activities	-6,840	-8,000	-26,109	-29,760
Cash flow from financing activities	-	-	-	-
Cash flow from discontinued operations, net	-10,877	-15,710	-43,533	-62,571

FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category - Assets		Dec 31, 2019			31 Dec 2018		
SEK thousands	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	
Assets in Balance Sheet							
Derivative instruments	2	-	-	2	-	181	
Accounts receivable and other receivables, excluding non-financial assets		110,147	-		113,406	-	
Cash and cash equivalents		52,280	-		92,893	-	
Total		162,427	-		206,299	181	

Group's financial instruments by category - Liabilities		Dec 31, 2019			31 Dec 2018		
SEK thousands	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	
Liabilities in Balance Sheet							
Synthetic options	2	-	68	2	-	299	
Derivative instruments	2	-	-	2	-	-	
Accounts payable and other liabilities, excluding non-financial liabilities		46,689	-		42,955	-	
Lease liabilities		52,103	-		-	-	
Total		98,792	68		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	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net sales	98,147	124,726	487,319	514,880
Cost of sales	-36,261	-54,846	-207,349	-215,585
Gross earnings	61,886	69,880	279,970	299,295
Sales and marketing expenses	-32,572	-42,144	-119,586	-146,543
Administration expenses	-29,761	-10,259	-71,223	-46,870
Development expenses	-20,644	-35,458	-104,133	-117,808
Other income expenses	-5,184	-1,743	-2,674	-2,005
Operating earnings	-25,780	-19,724	-17,150	-13,931
Net financial items	-83,731	-35,081	-80,505	-33,322
Profit/loss before tax	-110,006	-54,805	-98,152	-47,253
Tax	12,260	4,508	10,113	3,037
Net income	-97,745	-50,297	-88,039	-44,216

PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Dec 31, 2019	Sep 30, 2019	31 Dec 2018
ASSETS			
Non-current assets			
Capitalized expenditure for development	126,049	-	-
Other intangible assets	3,234	3,629	3,999
Equipment	25,576	26,169	28,901
Participations in group companies	243,777	295,068	295,068
Deferred tax asset	15,144	2,884	5,031
Deposits	4,649	4,694	4,695
Total non-current assets	418,429	332,399	337,694
Current assets			
Inventories	44,584	41,511	46,388
Accounts receivable	98,100	102,633	95,599
Receivables from group companies	20,826	154,558	135,583
Other receivables	15,055	25,777	17,806
Cash and cash equivalents	40,849	51,089	79,681
Total current assets	219,414	375,508	375,057
TOTAL ASSETS	637,843	707,907	712,751
EQUITY AND LIABILITIES			
Equity			
Restricted equity	142,093	128,419	128,419
Non-restricted equity	379,125	490,545	482,676
Total equity	521,218	618,964	611,095
Non-current liabilities			
Other liabilities	12,611	7,792	9,362
Total non-current liabilities	12,611	7,792	9,362
Current liabilities			
Accounts payable	32,381	17,529	31,806
Other liabilities	71,633	63,622	60,488
Total current liabilities	104,014	81,151	92,294
TOTAL EQUITY AND LIABILITIES	637,843	707,907	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 service 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 October-December, 2019, and January-December, 2019, IFRS 16 affected Gross earnings by SEK 0.0 million and SEK 0.1

million, respectively, Operating earnings by SEK 0.2 million and SEK 0.6 million, respectively, Profit/loss before tax by SEK -0.3 million and SEK -1.3 million, respectively, and Net income by SEK -0.2 million and SEK -1.0 million, respectively. For EBITA the effect of IFRS 16 was SEK 2.9 million for the period October-December, 2019, and SEK 11.2 million for the period January-December, 2019.

The timing of the cash flows is not impacted. Operating cash flows are 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 September 1, 2019, the company has changed the performance evaluation and reporting of its operations, hence the company reports segments according to the principles below from this date. Previous periods 2019 and comparison periods 2018 have been restated according to the same principles.

Identification of reporting segment is based on internal reporting to the chief operating decision-maker, the CEO of the parent company and the Group. The Group assess financial performance based on the earnings measures net sales, gross and operating profit by the identified segments below.

Items not allocated are exchange rate differences, financial items and tax. Lease fees in the segments are reported as operating lease fees and the difference between this principle and the Group's accounting principle, IFRS 16 Leases, is reported as Unallocated items and eliminations. Sales between segments have not occurred. For assets, liabilities and investments, only the item Capitalized expenditure for development is evaluated by segment.

Reporting segments are the business areas:

Media Networks encompasses the Nimbra portfolio. A Nimbra solution normally consists of software as well as hardware and support. Customers with existing software licenses sometimes purchases only hardware, which means the mix between software and hardware revenues may vary over time. Revenues are mainly driven by events and specific larger deals can have a significant impact on quarterly revenue. There is no clear seasonality, why revenue on a rolling 12-month basis is a better indicator than a single quarter.

Resources Optimization encompasses ScheduALL, a pure software solution. Revenues are derived from software licenses sales, support and professional services. The business model for the coming solution is SaaS, Software as a Service.

Streaming Solutions encompasses Sye, which also is a pure software solution. Sye can be delivered as a software license, or as SaaS. Revenues can also be derived from support and professional services.

The business area Streaming Solutions was divested in January 2020 and is reported as discontinued operations in this report. Segment reporting has changed from December 2019 to exclude Streaming Solutions, which is followed up and reported separately as discontinued operations.

Cost for central functions is allocated to the various business areas. For the fourth quarter and for the full year 2019, SEK -3.5 (-4.8) million respectively SEK -14.9 million (-18.3) would have been allocated to the divested business area. The main part of these costs is fixed and does not go with the divested operations. A reallocation has therefore been made to the continuing operations. Business areas Media Networks and Resource Optimization have thus been charged with these costs.

Discontinuing operations

In December 2019, Net Insight announced that the divestment of Streaming Solutions, which was closed in January 2020. The business area Streaming Solutions is reported as discontinuing operations in the consolidated income statement for 2019. The consolidated income statement for 2018 has been recalculated according to the same principles. The net income for Streaming Solutions has been excluded from individual items in the consolidated income statement and instead the net income is reported as discontinuing operations, net after tax, which is entirely attributable to the parent company's owners. See also above section Segment reporting above regarding allocation of costs for central functions.

The Group's cash flow statement includes discontinuing operations. Further details on cash flow regarding discontinuing operations is presented in the table on page 11.

In the balance sheet as of December 31, 2019, assets and liabilities attributable to discontinuing operations were reclassified as Assets held for sale and Liabilities directly associated to assets held for sale. According to IFRS, the balance sheet for previous periods is not translated and is therefore unchanged. The income statement and balance sheet for discontinuing operations are presented on page 12.

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 total SEK 9.6 (15.5) million for the period January–December 2019, of which SEK 2.0 (6.7) million relates to continuing operations. Reported tax corresponds to an effective tax rate of 26 (21) percent and 30 (21) percent respectively. Profit before tax for continuing operations of SEK -6.6 (-32.7) million includes value changes on synthetic options of SEK 0.2 (2.6) 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 of profit/loss before tax can have 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. The latter has had mot impact on the effective tax rate during 2019.

Remaining tax loss carry-forwards for group companies amounted to SEK 102.8 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. All tax loss carry-forwards relates to companies in continuing operations.

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	31 Dec, 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

LOANS, PLEDGED ASSETS AND TRANSACTIONS WITH RELATED PARTIES

In July, the Parent company, Net Insight AB, signed a SEK 50 million bank credit arrangement, which run until year-end. The fees for the bank credit are a combination of a fixed contract rate and a variable interest rate when utilizing the credit. The credit was never utilized.

The bank credit was secured through a combination of guarantee (blocked account) from Briban Invest AB, the company's largest shareholders, as well as shares in the subsidiary Net Insight Intellectual Property AB and a corporate mortgage in the parent company of SEK 50 million.

The fees to Briban Invest AB for the guarantee (blocked account) are a combination of a fixed contract rate and a variable interest rate when utilizing the credit. During the third and fourth quarter, SEK -2.0 (-) million was expensed as fees to Briban Invest AB.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On January 3, 2020, the divestment of the Sye business was completed. The purchase price amounted to approximately SEK 350 million, of which 90 per cent was paid in cash on the closing day. The remaining 10 percent is held as collateral for customary guarantees over a period of 18 months. The divestment is expected to generate capital gains of approximately SEK 245 million.

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 two business areas Media Networks and Resource Optimization, 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 – March	April 29, 2020
Annual General Meeting	May 8, 2020
Interim report January – June	July 21, 2020
Interim report January – September	November 4, 2020

Solna, February 14, 2020

Anders Harrysson
Interim CEO

This interim report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish interim report and the English translation the former shall have precedence.

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This information is information that Net Insight AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 13.00 pm CET on February 14, 2020.

FINANCIAL INFORMATION

SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Earnings continuing operations				
<i>Netsales per business area</i>				
Media Networks	88.0	83.1	377.8	375.1
Resource Optimization	17.2	22.9	70.8	74.4
Net sales	105.2	106.0	448.6	449.5
Gross earnings	66.3	57.3	282.3	273.0
Operating expenses	69.2	71.2	266.9	270.5
Total development expenditure	40.3	42.0	134.0	140.3
EBITDA	-31.9	-13.9	-6.6	-49.0
Operating earnings	-24.1	-50.6	-3.6	-34.1
Profit/loss before tax	-26.5	-50.9	-6.6	-32.7
Net income	-20.6	-40.3	-4.6	-25.9
Balance sheet and cash flow including discontinued operations				
Cash and cash equivalents	52.3	92.9	52.3	92.9
Working capital	29.6	48.3	46.8	42.8
Total cash flow	-14.3	-18.5	-41.2	-85.5
The share				
Dividend per share, SEK	-	-	-	-
Earnings per share basic and diluted continuing operations, SEK	-0.05	-0.13	-0.01	-0.15
Earnings per share basic and diluted discontinuing operations, SEK	-0.07	-0.13	-0.10	-0.15
Earnings per share basic and diluted total, SEK	-0.13	-0.25	-0.11	-0.30
Cash flow per share, SEK	-0.04	-0.05	-0.13	-0.22
Equity per share basic and diluted, SEK	1.21	1.29	1.41	1.29
Average number of outstanding shares basic and diluted, thousands	382,758	383,458	328,812	383,478
Number of outstanding shares at the end of the period basic and diluted, thousands	382,758	383,458	382,758	383,458
Share price at end of period, SEK	2.30	2.68	2.30	2.68
Employees and consultants discontinued operations				
Average number of employees and consultants	190	195	189	202
KPI continuing operations				
Net sales YoY, change in %	-0.7%	-9.8%	-0.2%	5.3%
Gross margin	63.0%	54.0%	62.9%	60.7%
Total development expenditure/Net sales	38.3%	39.6%	29.9%	31.1%
Operating margin	-22.9%	-47.8%	-0.8%	-7.6%
EBITDA margin	-30.3%	-13.1%	-1.5%	3.0%
Net margin	-19.5%	-38.0%	-1.0%	-5.8%
KPI Group including discontinued operations				
Return on capital employed	-7.4%	-14.6%	-7.4%	-14.1%
Equity/asset ratio	67.6%	76.0%	67.6%	76.0%
Return on equity	-8.0%	-14.4%	-8.0%	-14.4%

Previous years was not restated at the transition to IFRS 16. The impact of IFRS 16 is presented on page 15.

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. APMs regarding to the income statement are calculated on continuing operations unless otherwise stated. APMs regarding the balance sheet are calculated on the whole group including discontinuing operations, unless otherwise stated.

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. 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.			
Capitalization rate	Capitalized development expenditures as a percentage of total 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)	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net sales	105.2	106.0	448.6	449.5
Net currency effect of comparable currencies	-4.4	-6.0	-24.4	-16.5
Net sales in comparable currencies	100.9	100.5	424.2	435.1
Change in net sales in comparable currencies	-4.9%	-13.5%	-5.6%	1.9%
KPI Income Statement SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Continuing operations				
Net sales	105.2	106.0	448.6	449.5
<i>Net sales YoY, change in %</i>	-0.7%	-9.8%	-0.2%	5.3%
Cost of sales ex. amortization of capitalized development	-29.9	-34.3	-126.6	-126.3
Gross earnings ex. amortization of capitalized development	75.3	71.7	321.9	323.2
<i>Gross margin ex. amortization of capitalized development</i>	71.6%	67.6%	71.8%	71.9%
Cost of sales amortization of capitalized development	-9.0	-14.4	-39.6	-50.2
Gross earnings	66.3	57.3	282.3	273.0
<i>Gross margin</i>	63.0%	54.0%	62.9%	60.7%
Sales and marketing expenses	-34.5	-40.2	-128.8	-153.2
Administration expenses	-16.5	-13.9	-67.4	-54.9
Development expenses	-18.2	-17.1	-70.8	-62.4
Operating expenses	-69.2	-71.2	-266.9	-270.5
<i>Operating expenses/net sales</i>	65.8%	67.2%	59.5%	60.2%
Other operating income and expenses	-21.2	-36.7	-19.0	-36.5
Operating earnings	-24.1	-50.6	-3.6	-34.1
<i>Operating margin</i>	-22.9%	-47.8%	-0.8%	-7.6%
Net financial items	-2.3	-0.3	-3.0	1.4
Profit/loss before tax	-26.5	-50.9	-6.6	-32.7
Tax	5.9	10.7	2.0	6.7
Net income continuing operations	-20.6	-40.3	-4.6	-25.9
Net margin	-19.5%	-38.0%	-1.0%	-5.8%
Discontinued operations, net after tax	-7.0	-7.7	-27.5	-32.3
Net Income	-27.6	-47.9	-32.2	-58.2
EBITDA-marginal kvarvarande verksamhet MSEK (om inte definierat på annat sätt)	Okt-Dec		Jan-Dec	
	2019	2018	2019	2018
Rörelseresultat	-24,1	-50,6	-3,6	-34,1
Avskrivningar på aktiverade utvecklingsutgifter	9,0	14,4	39,6	50,2
Övriga av- och nedskrivningar	5,2	38,5	20,6	43,1
Aktiverade utvecklingsutgifter	-22,1	-16,1	-63,2	-45,7
EBITDA	-31,9	-13,9	-6,6	13,5
Nettoomsättning	105,2	106,0	448,6	449,5
EBITDA-marginal	-30,3%	-13,1%	-1,5%	3,0%
Development expenditure continuing operations SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Development expenses	18.2	17.1	70.8	62.4
Capitalization of development expenditure	22.1	16.1	63.2	45.7
Total development expenditure	40.3	33.3	134.0	108.1
Capitalization rate	54.8%	48.5%	47.2%	42.3%
Net Sales	105.2	106.0	448.6	449.5
Total development expenditure/net sales	38.3%	31.4%	29.9%	24.0%

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, 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	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Current assets	231.6	289.7	255.0	321.5
Cash and cash equivalents	-59.6	-102.1	-64.5	-139.2
No interest-bearing short term liabilities	-142.4	-139.4	-143.8	-139.5
Working capital	29.6	48.3	46.8	42.8

In current assets, assets held for sale are excluded, as they mainly relate to capitalized development expenses.

Return on capital employed including discontinued operations SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
<i>Capital employed</i>				
Total balance	694.6	675.7	695.0	694.3
No interest-bearing liabilities	-162.0	-158.2	-165.3	-159.1
Capital employed	532.6	517.4	529.7	535.2
<i>Operating earnings less interest income R4Q</i>				
Operating earnings R4Q	-38.6	-75.1	-38.6	-75.1
Interest income R4Q	0.7	0.3	0.7	0.3
<i>Operating earnings less interest income R4Q</i>	<i>-39.3</i>	<i>-75.4</i>	<i>-39.3</i>	<i>-75.4</i>
Return on capital employed	-7.4%	-14.6%	-7.4%	-14.1%
Equity/asset ratio SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Equity	463.7	493.9	463.7	493.9
Total equity and liabilities	686.5	649.9	686.5	649.9
Equity/asset ratio	67.6%	76.0%	67.6%	76.0%

Return on equity including discontinued operations SEK millions (if not defined differently)	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net income - R4Q	-38.6	-75.1	-38.6	-75.1
Average equity - R4Q	485.4	523.2	485.4	523.2
Return on equity	-8.0%	-14.4%	-8.0%	-14.4%

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		Jan-Dec	
	2019	2018	2019	2018
Average number of employees	178	199	183	205
Average number of consultants	41	30	34	34
Total average number of employees and consultants	219	229	217	239
Average number of employees and consultants continuing operations	-29	-34	-28	-38
Net Average number of employees and consultants continuing operations	190	195	189	202

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		Oct-Dec		Jan-Dec	
SEK millions	Note	2019	2018	2019	2018
Effects of the Net Insight share price development during the period					
Share-based benefits	(a)	-0.1	-0.0	0.0	0.3
Synthetic options, change in value	(b)	-0.3	0.2	0.2	2.6
Total		-0.4	0.2	0.3	3.0
Items affecting comparability					
Restructuring	(c)	-4.3	-2.7	-12.0	-10.2
Impairment of intangible assets	(d)	-	-35.9	-	-35.9
Empty office lease	(e)	-	-	-	-2.2
Strategic advisory services and preparation for capital injection	(f)	-15.8	-	-15.8	-
Total		-20.1	-38.6	-27.8	-48.3
Operating earnings excluding items affecting comparability continuing operations					
Operating earnings		-24.1	-50.6	-3.6	-34.1
Items affecting comparability, as per above		20.1	38.6	27.8	48.3
Items affecting comparability discontinuing operations		-	-1.5	-2.9	-4.3
Operating earnings excluding items affecting comparability		-4.0	-13.5	21.3	9.9

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 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 and 2019, Net Insight has initiated structural changes.
- (d) Impairment losses on intangible fixed assets, recognized as a result of re-prioritization in the Nimbra portfolio.
- (e) Lease for empty office refers to costs for remaining lease for the former head office after the move.
- (f) Costs for strategic advisory services and preparation for capital injection, which were interrupted as a result of the divestment of the Sye business.

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