

# Net Insight

## Annual Report 2017

## OPERATIONS

1. This is Net Insight
2. The year in brief
4. CEO's statement
6. Market
8. Strategy
11. Targets and performance
12. Business model
13. Offering
16. Geographical segments
18. Customers
20. Human resources
22. Corporate social responsibility
24. The share
26. Board of Directors
28. Executive management

## ANNUAL REPORT

30. Administration Report
37. Sustainability Report
42. Group
46. Parent company
50. Notes
77. Signatures
78. Auditor's Report
82. Corporate Governance Report
86. Auditor's Report on the  
Corporate Governance Statement

## OTHER INFORMATION

87. Five Year Summary
88. Alternative performance measures
94. Sector-specific terminology
96. Shareholder information

# Innovation in an era of new technology

Net Insight's world-leading technology creates new solutions for the TV-market, for producers and viewers alike. This generates new revenue streams on a market that is undergoing extensive transformation, and where previous viewing patterns are being replaced by new ones. Net Insight works in close partnership with its customers, and leads the market through the new technology. In 2017, Net Insight returned sales of SEK 427 million. The company is listed on Nasdaq Stockholm.

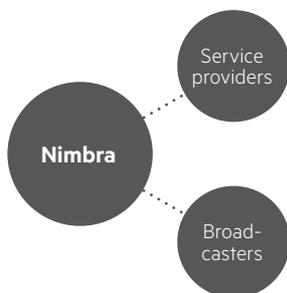
THIS IS NET INSIGHT

# Solutions throughout the value chain

Net Insight’s solutions stretch from the TV camera lens to the studio and right through to the TV viewer. The company develops innovative and market-leading solutions based on customers’ business and needs. Operations focus on three offerings; media transport, resource management and livestreaming over the internet.

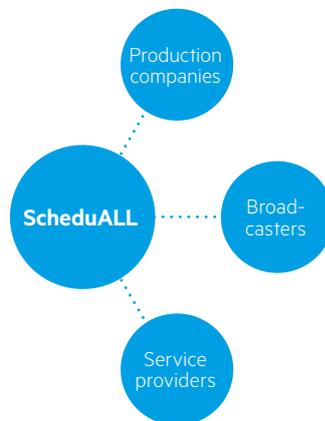
## Media transport

Nimbra is the solution for transport of professional media content over media networks. The Nimbra platform is aimed at network owners and provides a very competitive infrastructure for robust, fast and high-quality transport of media content. The platform reduces the total cost of ownership while also simplifying network management.



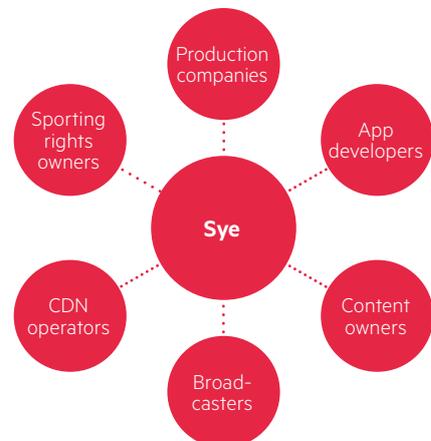
## Resource management

ScheduALL is the solution for automated and intelligent scheduling, management, planning and booking of all types of resources required for production and distribution of TV content. ScheduALL streamlines resource utilization for TV production and increases operational productivity, which reduces costs.



## Live streaming over the internet

Sye is the solution for streaming live and synchronized TV content distributed over the internet, live OTT. Sye is aimed at content and service providers who want to offer TV consumers a better and more interactive TV experience, and generate new revenue streams. Sye enables users to complement their regular TV content with enriching content on other screens.



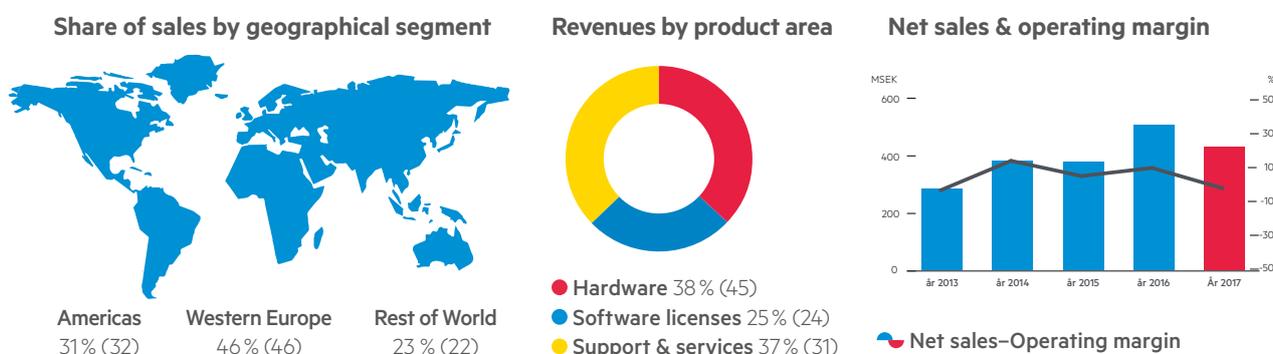
## NET INSIGHT IN NUMBERS



# Challenging year but Net Insight has a strong position for the future

2017 was characterized by a more cautious approach to making new investments by many of Net Insight’s customers. At the same time, the company has a strong market position with a unique offering, a broad-based customer portfolio and a strengthened sales organization. The right foundation is in place for capitalizing on future business opportunities when the time is right, and as more customers catch up with the technology.

## KEY FIGURES



Key figures	2017	2016 <sup>1)</sup>	2015
<b>Net sales by segment, SEK million</b>			
Western Europe	194.6	231.4	193.1
Americas	133.4	163.2	115.1
Rest of World	98.7	108.9	67.6
<b>Net sales, total</b>	<b>426.7</b>	<b>503.5</b>	<b>375.8</b>
Net sales, adjusted, SEK million	428.9	510.1	379.4
Operating earnings, SEK million	-9.5	49.4	19.2
Operating earnings, adjusted, SEK million	-4.6	58.8	27.6
Net income, SEK million	3.7	35.2	1.9
Earnings per share, SEK	0.01	0.09	0.00
Total cash flow, SEK million	-36.8	20.9	-101.1
Equity/assets ratio, percent	79	77	79
Shareholders’ equity per share, SEK	1.43	1.46	1.37
Average number of employees	208	208	155

<sup>1)</sup> The Group has adjusted its calculation model for capitalization of specified development projects. The adjustment has been applied retroactively. This means that 2016 operating earnings were decreased by SEK -2.9 million, and net income by SEK -2.3 million. See also Note 1.1 on page 50.

## AWARDS THIS YEAR

★ **TVTechGlobal Best of Show Awards 2017**  
 ● **Sye STCC Live App:** winner

★ **Streaming Media European Readers’ Choice Award 2017**  
 ● **Sye:** winner of the category “Best Streaming Innovation”

★ **2017 WTA Teleport Awards for Excellence**  
 ● **ScheduALL Connector:** winner

## SIGNIFICANT EVENTS



### SUCCESSFUL LIVE STREAMING USING SYE FOR STCC MOTOR RACING EVENT

Net Insight developed the STCC Live app based on the company's solution for live OTT, Sye. The app was distributed on a larger scale during the STCC motor racing events in Stockholm, Sweden. The app enabled viewers, on-site or at home, to follow their favorite drivers or other events on the race track in parallel with the regular TV broadcast. The aim was to create a new and more interactive TV experience for the audience. The STCC Live app was awarded "Best of Show" at the IBC media expo.



### REMOTE PRODUCTION GATHERS MOMENTUM

During the year, Net Insight started new collaborations with a number of companies that complement its remote production offering. The market has matured, and there is considerable interest in the solution, which allows customers to streamline and reduce resources. A number of remote production deals and several presentations have transpired at conferences. A new customer case study with TV 2 Denmark was published, describing how they use Net Insight's remote production solution. was published.



### COLLABORATION WITH ERICSSON

Net Insight's solution for live streaming, Sye, is being integrated in Ericsson's UDN offering, and the combined solution creates a highly efficient, global distribution service for live content.



### NEP THE NETHERLANDS STREAMLINES OPERATIONS WITH NET INSIGHT'S SOLUTION

The implementation of Net Insight's solution ScheduALL has helped NEP The Netherlands to replace time-consuming manual resources and streamline its bookings, planning and real time management of services radically. The solution provides valuable real-time overview of available resources.

### CAREER COMPANY 2018

Net Insight was awarded Career Company of the year in Sweden for the third year running, confirming the company's position as a top-100 company in employer branding that offers unique career prospects and personal development opportunities for its employees.

# Stable profitability on a cautious market

2017 was a challenging year for Net Insight, and for a majority of the global media industry. The main drivers are changing viewing patterns, and high expectations on new and creative technology solutions. Media consumption patterns have never changed more rapidly, which increases demands on the sector as a whole. A new generation of media consumers expect to be able to view anything they want, whenever they want and on whatever platform they want, including live events.

Our media industry customers need to think in new ways in order to connect with this new reality. They need to produce more relevant content and build business models adapted to the new technology. At the end of last year, sector analysts such as IABM concluded that the rapid rate of change in the media sector has led to customers taking longer to reach investment decisions relating to technology and innovative business models. For companies such as Net Insight, the ongoing transformation generates new and exciting opportunities, even if some customers were cautious about making new investments in 2017. However, the market started to stabilize towards the end of the year, although it will take some time before our customers catch up with the technology.

Even if we consider that the market is moving in the right direction, we're obviously not satisfied with the results for 2017. At the same time, we're convinced that we have a strong offering that means our market position is better than ever. Explosive developments in terms of network content mean that capacity will have to increase, which is positive for Net Insight. In addition, we're still the only company to offer a synchronized live OTT solution, Sye, which clearly demonstrates our capacity for innovation.

## Increased control of the value chain

Our core operations were adversely affected by the absence of major events in 2017, which also contributed to our record results in 2016. In times when there are fewer major global deals on the market, we need to increase our focus on local markets. At the same time, the sales cycles become longer as more parties are involved in the process. In 2017, we also implemented changes to our sales force, mainly in the US, which had a short-term negative impact on sales. In the longer term, however, we expect more positive progress and to work actively with an integrated product portfolio to create value holistically for our customers.

Despite the challenges over the past year, we're confident about our business strategy. Our products streamline our customers' operations and increase flexibility, which in turn reduces costs. Our CPN (Customer Provisioned Networks) offering attracted a significant number of new customers in the year. The solution means that companies can efficiently book network capacity for high-quality video transmission, which was previously a far more complicated process. The Nimbra series, our original product, ensures more reliable and high-quality broadcasts, which also creates important value for our customers in multiple ways.

## Live OTT reaches the networks

During the year, we successfully launched Sye on a larger scale during the STCC motor racing event, an important milestone. Many Swedish motor sports enthusiasts downloaded the app based on Sye, which provided access to additional content such as commentary, interviews and new camera angles. They could also follow their favorite drivers via driver cams and interact with the broadcast in different ways.

The event wasn't only an important milestone in terms of demonstrating the benefits of Sye, but also showcased the offering, which generated a number of other promising initiatives. Towards the end of the year, TATA finally completed the final piece of the puzzle in its roll-out of Sye, which means that the company can now market and sell its global VDN (Video Delivery Network) streaming service with ultra-low latency in earnest. Ericsson also initiated its UDN (Unified Delivery Networks) integration of Sye, another key event. In both cases, the business model is based on revenues increasing at a pace with roll-out, as end customers start to use the service.

## Continued progress on promising market

In my view, the ongoing transformation will produce a number of winners. Viewers will be able to access a broader offering, advertisers can customize their marketing and broadcasters create entirely new revenue streams. To summarize, we take a positive view of the future, and are maintaining our focus. The commercialization of Sye continues in parallel with the ongoing development of our basic offering. We're also focusing on entering new partnerships, attracting new customers and intensifying collaborations with existing customers. We have a global portfolio of 500 customers that we're developing and continuing to capitalize on.

To conclude, I would like to thank our employees for their support and commitment during the year. I would also like to thank our customers for the confidence they show in Net Insight. The significant support we enjoy is invaluable, especially at a time when we're facing a number of challenges. It's now time to take the next step on this exciting journey, that we're also contributing to shaping.

Stockholm, Sweden, March 2018

**Fredrik Tumegård**  
CEO



” Media consumption patterns have never changed more rapidly, which increases demands on the sector as a whole

Fredrik Tumegård, CEO



# Increasing value of live sporting events

The primary drivers on the rapidly changing media market include accelerating prices for broadcasting rights, new TV viewing patterns, migration to internet TV (OTT) and growing demands for resource efficiency. In order to create new and profitable revenue streams in this changing landscape, operators in the media industry ecosystem need to adapt existing systems, implement innovative solutions and develop new business models.



## Rising prices for TV rights

Prices for broadcasting rights for the Olympics and other major championships, cups and sporting leagues are accelerating. In 2013-2016 and 2016-2019 alone, the cost of Premier League TV rights increased by 70 percent to GBP 5.14 billion for three years.

The main price driver is that more operators are now competing for broadcasting rights. The traditional chain from content owner to TV companies selling broadcasts to operators, who offer them to consumers, has been broken. In today's market, operators also buy broadcasting rights, while TV companies and content owners also target consumers directly. In addition, the giants Facebook, Amazon, Netflix and Google (FANG)

are now also part of the picture.

The rising costs mean that TV companies need to increase broadcasting revenue in order to generate profitability, production processes also need to become more cost efficient. At the same time, the viewing experience needs to be extremely high quality in order to attract and retain viewers, as viewers ultimately generate revenue streams.

Net Insight provides operators throughout the production and distribution chain with innovative technology solutions that minimize costs and create potential for new and increased revenue streams. This means that the company is well-positioned on a changing market.



## Live broadcasts attract growing viewer numbers

Since 2009, the time people spend watching traditional TV has decreased and this trend shows no signs of slowing. Although TV viewing continues to increase, it is increasingly moving towards internet-based TV (OTT). The trend has shifted away from TV viewing as a social activity where family and friends gather around the TV like a modern camp fire (TV 1.0) towards a more isolated activity where series and films are consumed by digital loners (TV 2.0). This also broadens the content offering.

Even if viewing of traditional TV has decreased, live broadcasts of major events attract a growing audience each year. This applies particularly to sporting events, but also other major com-

petitions such as the Eurovision Song Contest. Surveys also show that live broadcasts trigger social media activity and interactivity between programs. The interaction keeps viewers in front of their screens longer, and they become more receptive to advertising. Accordingly, these broadcasts are of higher value to TV companies than conventional films and TV series.

The market for live OTT is growing by 24 percent annually and is predicted to comprise an addressable market of USD 500 million in a few years' time. Sye enables Net Insight to accelerate synchronized live OTT and social viewing, or TV 3.0, which increases the value of broadcasts for content owners and advertisers.



## Media networks in transformation

IP networks are increasingly taking over transport of TV content from traditional TV networks. This means that network owners need to upgrade their networks, which drives business for Nimbra and Sye. Net Insight's Nimbra platform is continuously being developed

to meet increasing demands and to offer network owners reliable and robust media transport. In February, 2018 Net Insight launched its new Terabit switch Nimbra 1060 with 100 Gbps links—upgrading Nimbra from 10 to 100 Gbps.

*\*All market data on pages 6–17 are Net Insight's estimates.*



**Increased demands for efficiency**

In order to be relevant to viewers, and to advertisers and sponsors, the TV companies need to create more live content and locally-based material. This has traditionally required an on-site presence and coverage, with associated high costs. At the same time, the high costs of broadcasting rights, particularly for sporting events, mean that the TV companies need to create more content with the same or less resources.

Net Insight's solution ScheduALL meets this need, providing an efficient tool for orchestration and booking of resources and network capacity. Net Insight has also developed Connector Marketplace, a cloud-based market

place for exchanging media services aimed at streamlining customer workflows and reselling unutilized capacity.

Remote production, sending raw camera feeds through media networks and managing studio production at a distance, also generates considerable savings for the TV companies. This is an area that Net Insight has been working on for some time, but which has only recently gathered momentum. Many of the company's strategic partnerships focus on creating new solutions in the area.



**Net Insight's competitors**

Net Insight's Nimbra platform competes with products from operators such as Cisco, Evertz, Media Links and Nevion. ScheduALL's competitors include Xytech and Farmerswife.

Sye is unique, as there is currently no other live OTT service that offers fully synchronized

TV broadcasts with low latency. However, a number of operators do offer live OTT with low latency, such as Wowza and Phenix. All major CDN companies, such as Akamai, Limelight and Level 3, also offer live OTT services, albeit with increased latency and no synchronization.

STRATEGY

# Strategic progress from innovation to market

Net Insight's strategic initiatives create innovative and cost-efficient solutions for companies in the media industry ecosystem. The objective is to shape the media industry of the future and to always be a true partner to its customers.

## BUSINESS CONCEPT

Net Insight delivers products, software and services for high-quality live streaming and media transport coupled with effective resource management. Net Insight's offering stretches from the TV camera lens to the studio, right through to the TV viewer. Net Insight's solutions offer network operators, TV and production companies improved quality of production at a lower cost. The products also enable Net Insight's customers to launch new media services efficiently, and ultimately improves the viewing experience.

## VISION

To enable live and interactive media experiences for all people.

## STRATEGY

### 1 Develop core business

- **Maintain strong position** and increase market share in sporting events, competitions and other events where Net Insight's total solutions for TV generate more efficient workflows, save time and reduce costs.
- **Operate and develop** new innovative solutions in customer provisioned networks and resource planning that increase customer profitability.
- **Increase brand awareness** on the market.

### 2 Acquisition-driven growth

- **Supplement organic growth** and service offering with acquisitions.

### 3 Take a step up the value chain

- **Market orchestration** (automated coordination) of virtual resources, functions and people.
- **Identify and develop** new business models.
- **Enter into** strategic partnerships.

### 4 Establish leading position in live OTT

- **Capitalize on leadership** in live OTT, focusing on sporting events, betting and other competitions.
- **Create core foundation** of patents, intellectual property rights and technology platform.

### Develop core business

*Maintain and increase Net Insight's position in sporting events and other games*

93 of 100 live events broadcast via TV are sporting events. The cost of sporting rights is increasing, and customers are continuously seeking new revenue streams and methods to streamline production.

Net Insight has a strong market position with solutions optimized for offering cost efficient and high-quality media transport and resource management. Because the TV companies' and network owners' investment appetite increases significantly ahead of major events, it's natural for Net Insight to closely monitor developments in the sporting world.

### Driving and developing innovative solutions

Net Insight invests more than 35 percent of sales in development to secure its position at the leading edge of technology for the TV of the future.

Net Insight continuously upgrades the Nimbra platform for high quality video, sound and data transmission, offering broadcasters and service providers a reliable, robust and cost-efficient media transport solution. In March 2018, Net Insight launched Nimbra 1060 based on the next generation Nimbra technology, which has been developed to meet the changing demands and needs of media transport.

Remote production is an area that clearly illustrates how Net Insight's Nimbra platform allows customers to increase cost efficiency with the same or improved quality. Remote production enables studio production to be managed at a distance, which increases efficiency and reduces the need for a local presence and the associated additional costs in the form of production buses, travel, hotel rooms and other expenses. ScheduALL is an efficient, software-based tool for the orchestration and booking of resources and network capacity. Net Insight continuously develops new, cost-efficient solutions.

Connector Marketplace is a cloud-based market place for



growth through acquisitions that complement Net Insight's offering and operations from a strategic and operational perspective.

### **Take a step up the value chain**

#### *Market orchestration of resources, functions and people*

Net Insight's solution ScheduALL allows TV and production companies to book resources such as cameras, studio space and network capacity for their broadcasts as well as providing efficient service orchestration.

#### *Identify and develop new business models*

Net Insight supports customers in the decision-making process relating to technical innovation, adaptations of existing systems and in developing new business models.

Net Insight's offering covers the entire production and value chain from camera lens to the viewer's screen. This means that the company is in a strong position for developing new business models that add value and provide potential for generating more and increased revenue streams.

#### *Enter strategic partnerships*

Net Insight develops new solutions and strengthens its brand through strategic partnerships.

Net Insight's collaboration with Ericsson, where Sye was integrated into Ericsson's UDN (Unified Delivery Network) offering, provides an example from 2017. The collaboration relates to a distribution service that supports live OTT with low latency, and currently encompasses 80 content providers and over 70 operators globally.

Several partnerships also relate to the growing trend for remote production, where Net Insight collaborates alongside Calrec and Grass Valley. This means that Net Insight is taking further steps in the value chain.

#### **Establish leading position in live OTT**

##### *Capitalize on Net Insight's leadership in live OTT, focusing on sporting events and other competitions*

Net Insight's live OTT solution Sye makes the company the world's only operator to offer synchronized live broadcasts with low latency over the internet on multiple screens simultaneously.

The focus on live OTT means that Net Insight has created a total offering that strengthens its market position and drives the market. During the year, Net Insight signed a number of agreements relating to Sye with several customers and the sector continues to show strong interest in the technology.

The collaboration agreement with SIS, a product and service provider for the betting market, and the collaboration with bet365, a world-leading gambling and betting concern, provide examples of this progress. These collaborations create a better, more qualitative and synchronized betting experience for online audiences.

Sye was used at a number of events during this year, such as the STCC motor racing event in Stockholm, where the technology platform worked flawlessly.

##### *Create core foundation of patents, intellectual property rights and technology platform*

Net Insight has a patent portfolio with over 25 patents, and currently has seven new patent applications in the live OTT area. In 2017, the company was awarded two new patents linked to live OTT. With strong intellectual property rights and its technology platform, Net Insight is well positioned ahead of the continued commercialization of Sye for live OTT.

media services developed by Net Insight. This enables media industry operators to connect and utilize each other's services to create smoother and more cost-efficient workflows.

#### **Raise brand awareness on the market**

In order to increase brand awareness and interest in the company's solutions, Net Insight consistently works to engage and train stakeholders in the TV viewing of the future (TV 3.0). Net Insight creates and communicates strong business cases to the market, demonstrating the potential for profitable business on a media market undergoing transformation.

Net Insight's brand awareness in the sector increased from 44 to 52 percent globally in 2017. The largest increase was in the US, where brand awareness increased from 29 to 49 percent.

#### **Acquisition-driven growth**

##### *Supplement organic growth with acquisitions*

Net Insight continually investigates opportunities to increase



” The ongoing transformation has many winners. Viewers gain access to a broader offering, advertisers can customize their marketing, and TV companies can create entirely new revenue streams.

Fredrik Tumegård, CEO

## TARGETS AND PERFORMANCE

# Net Insight has three overall targets



1	Measurable key figures	Outcome 2017	Outcome 2016	Outcome 2015
	Sales increase, %	-15.2	34.0	-0.9
	Sales increase, currency-adjusted, %	-15.1	31.1	-9.7
	Total cash flow, SEK millions	-36.8	20.9	-101.1
	Operating earnings, SEK millions	-9.5	49.4	19.2
	Operating earnings adjusted, SEK millions	-4.6	58.8	27.6

2	Measurable key figures	Outcome 2017	Outcome 2016	Outcome 2015
	Return on equity, %	0.7	6.4	0.4
	Earnings per share, SEK	0.01	0.09	0.00

3	Measurable key figures	Outcome 2017	Outcome 2016	Outcome 2015
	Brand awareness, % <sup>1)</sup>	52	44	39
	Employee satisfaction index EI <sup>2)</sup>	80	78	75
	Loyal customers, cNPS <sup>3)</sup>	38	48	75

<sup>1)</sup> Devoncroft Big Broadcast Survey

<sup>2)</sup> Employee survey, Engagement Index

<sup>3)</sup> Customer Net Promotor Score, benchmark 25

## Performance management

Net Insight's strategy and targets are supported and complemented by internal key performance indicators (KPIs) designed to track progress towards several operational objectives. Examples of these KPIs include: sales increase, profitability, customer satisfaction, new product and services sales, innovation, brand awareness, product quality and employee satisfaction.

## Net Insight not publishing forecast for 2018

As in previous years, Net Insight is not publishing a forecast for 2018. This is because Net Insight conducts business that is highly dependent on internal customer decisions, results of operations and regulatory factors, and because the market is undergoing extensive changes.

## BUSINESS MODEL

# Flexible business model generates long-term revenue

Net Insight is active on a global market, selling software and hardware, and support and consulting services to the professional media industry. Sales are both direct to customers and indirect through partners.

Net Insight's solutions for media transport and live OTT, Nimbra and Sye, are mainly sold to operators who create a service based on these solutions that is then sold on to media companies. Net Insight's resource planning solution ScheduALL is mainly sold directly to broadcasters.

### Nimbra

Nimbra customers frequently extend their networks in several steps. Customers start with a limited number of locations, and gradually extend the network to include other regions, countries or by establishing a presence on new markets.

As customers launch new media services in their networks, more equipment is needed to support technologies such as 4K Ultra HD, compression or audio. Net Insight also offers pay-as-you-grow pricing models to facilitate first time purchases, and software as a service, which means that customers sign up for a subscription service.

Net Insight generates revenue from sales of hardware, software licenses support and consulting services. Support revenue takes the form of recurring quarterly or annual income.

### ScheduALL

ScheduALL customers implement the system with help of Net Insight's professional services. The ScheduALL system consist of modules that can be extended with new functionality or by connecting more users to the system. Net Insight's revenues are derived from sales of software licenses, support and consulting services, where support is provided for one or three years.



### Sye

For Sye, Net Insight has developed a business model with a software license paid monthly. Revenues largely depend on the volume of video content streamed through the platform. Net Insight also charges for additional services, such as integrating targeted advertising in video streams, or enabling replays or pausing the stream from a server. Net Insight also charges for implementation services and support.

Sye is typically sold to CDN operators who create a streaming service on behalf of major broadcasters and content owners. Net Insight also offers Sye as a service through the platforms of major cloud operators, which suits small and medium-sized customers as they get quick access to a complete solution.

## VALUE DRIVERS

Value drivers affect Net Insight's progress and can be divided into three groups:

### 1 Market transformation

- **Increased** video traffic
- **Increased** live-streaming
- **Need** for more cost-efficient TV production
- **Increased** file-based workflows
- **Centralized** production requires more network capacity

### 2 Innovative technology

- **Reduced** total cost of ownership
- **End-to-end** orchestration
- **Optimizes** broadband usage
- **Enhances** the quality of services over IP networks
- **Patents** relating to QoS, synchronization, scalability

### 3 Global reach

- **500** customers
- **60** countries
- **50** distributors
- **International** professional media brand, brand awareness 52%
- **Loyal** customers—cNPS of 38



OFFERING

# Net Insight's solutions streamline production of live TV for an interactive viewer experience

Net Insight creates value by offering efficient media transport solutions for live production, resource management and streaming. This generates profitability for service providers, content owners and network owners through new business models and smart workflows.

## FROM LENSE TO SCREEN – GLASS TO GLASS

---

Net Insight's offering stretches from the TV camera lens to the studio, right through to the TV viewer.





### **Nimbra offers high-quality media transport**

The Nimbra product line is a hard and software-based platform for the transmission of professional video, audio and data in media networks.

Nimbra provides network owners with a very competitive and high-quality platform with easy service provisioning, service and fault handling, which provides a low total cost of operation and ownership of media networks. Nimbra's unique media service separation makes Nimbra suitable for automation and transport of multiple parallel video, sound and data flows.

The Nimbra platform has become more software-based in alignment with Software Defined Networking (SDN), which makes media networks more flexible and reliable in order to support the media industry's increasing virtualization and customer provisioned networks.

Interest in remote production increased in 2017. Net Insight's solution means that content recorded at live events can be compressed and sent directly to the studio for processing and broadcasting. This saves time and resources that can be used to create more TV content.

In February 2018, Net Insight launched Nimbra 1060. This is the first product built on the next generation Nimbra technology, and has been developed with the aim of meeting the changing needs and requirements of media transport. These needs relate to increased capacity requirements driven by production and consumption of new and improved TV experiences, and a technology shift towards IP-based production and IP-based workflows by broadcasters.

### **ScheduALL offers efficient service orchestration and automated resource management**

ScheduALL is a software-based planning tool for automated scheduling, management, planning and booking of all types of resources required for production and distribution of TV content, such as network capacity, satellite links, studios, cameras and producers.

Intelligent scheduling improves the efficiency of resource utilization for TV production, while network capacity can be booked in a web portal. ScheduALL increases operational productivity and improves project control, particularly in terms of cost. This means that ScheduALL's users are provided with new ways of producing TV where more content can be created at reduced cost.

Combined with Nimbra, ScheduALL gives network operators a powerful tool for automated and efficient service orchestration, which means that more services can be integrated and more processes automated, while users also gain complete control of transmission capacity.

In 2017, Net Insight launched Connector Marketplace, a cloud-based market place where operators can exchange media services with full financial visibility.

## NET INSIGHT'S OFFERING

### For network owners: **Nimbra**

The Nimbra portfolio is aimed at network owners and provides a very competitive infrastructure for robust, fast and high-quality transport of media content. The platform reduces the total cost of ownership while also simplifying media network management.

### For service providers: **Nimbra and ScheduALL**

By combining Nimbra and ScheduALL, network operators access a powerful tool that automates and streamlines service orchestration, and provides an instant overview of media networks, service levels and performance.

### For broadcasters **Nimbra and ScheduALL**

Nimbra and ScheduALL provide TV companies with flexible and efficient workflows, allowing more content to be created at lower cost. Intelligent scheduling increases the efficiency of production resources, while network capacity can be booked in a web portal that shows available capacity and costs in real time.

### For TV viewers: **Sye**

Sye is aimed at content and service providers that want to offer TV viewers a better and more interactive TV experience that generates new business models and revenue streams.

### **Sye offers exciting and interactive viewer experiences for live content and creates new revenue streams**

Net Insight's solution Sye enables streaming of live TV content over the internet with high quality and the same or reduced latency as traditional TV. Sye is the first and, to date, only OTT solution in the world that can be synchronized with regular TV content, thereby creating new TV experiences across multiple platforms.

Sye creates a live OTT service where viewers can see content before those watching traditional TV. This is a very promising area for fields such as betting and content that offers interactivity with viewers, but also for content owners who want to offer their services ahead of their competitors.

Sye's unique synchronization also enables expanded content on mobile screens in parallel with traditional TV broadcasts. This creates an entirely new viewer experience, where a second mobile screen can be used to create more exciting and personal viewer experiences. On the secondary screen, viewers can follow their favorite soccer players, for example, or select different camera angles and replays, as well as more statistics and information about the event and participants.

In 2017, Net Insight announced a collaboration with Ericsson that will integrate Sye in Ericsson's UDN offering to create improved, high-efficiency and global content distribution services. Tata Communications completed the integration of Sye in its Media Eco-system during this year, and now offers live OTT services using Sye to its customers through the Ultra Live VDN solution. In 2017, Net Insight established partnerships with major cloud operators Amazon Web Services and Microsoft Azure to offer Sye streaming as a cloud-based service.

” Net Insight's solutions streamline customer operations, increase flexibility and add value.

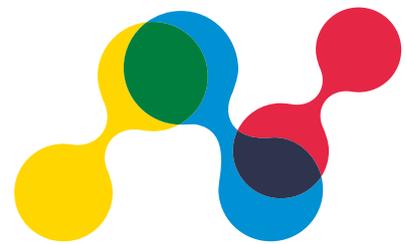
Sye is also available as a complete cloud-based service, Sye Streaming Service, to small and medium-sized TV companies and content providers.

### **Net Insight's offering speeds up new media service launches**

More than a third of Net Insight's revenue comes from the company's service offering, which ranges from support to advanced services. These include implementing systems for customers, assistance with upgrades and optimizing services for existing customers. Net Insight also provides training, in house or at the customer's premises. Net Insight's employees have extensive sector and product expertise, and help customers to choose the right solutions for their specific needs, and improve and streamline infrastructure, production flows and service content.

# Increased global presence strengthens organization

Net Insight has divided its sales organization into three geographical segments: Americas, Western Europe and Rest of World. The company has two sales strategies where sales are made either directly to broadcasters, operators and service providers, or through local partners. Net Insight has more than 500 customers and the company has a presence in more than 60 countries. The TV sector is undergoing major changes, where live TV is increasing in importance, new methods for content production are being introduced and the transition to internet-based distribution (OTT) is accelerating. In the TV sector, Net Insight's brand awareness increased globally from 44 to 52 percent in 2017.



## AMERICAS

The TV offering in North America largely comprises pay TV, while South America resembles Europe where the content offering, production and distribution are subject to stronger national ties and control.

The US is a mature market, with extensive broadband infrastructure. The TV market is homogenous and is dominated by a number of large and well-established operators. 22 percent of Net Insight's sales are derived from the US, making it the company's single largest market. Sales channels are mainly through operators and service providers.

Sport is a strong driver behind Net Insight's business in all regions, and the US have many national sports that attract major TV audiences. Prices of broadcasting rights for NFL, NBA and MLB are currently USD 4.95 Bn, USD 2.6 Bn and USD 1.55 Bn respectively, which need to be covered by more cost-efficient production and distribution, and increased revenue from more sources. As the need for more streamlined production increases, Net Insight anticipates continued growing interest in remote production. Net Insight's solutions meet these needs, and the company sees good potential for strengthening its position on the US market.

Competition over viewers is pressurizing content owners to improve image quality by introducing 4K or UHD, for example, while more content also needs to be broadcast. This creates the need for more flexible IP-based production and transport technology, which means that many operators are extending their networks.

North America has a broad and mature TV offering over OTT, and the high number of sports channels and extensive sporting rights make the US a prioritized market for Net Insight's focus on live OTT and Sye.

In 2017, Net Insight strengthened its presence with a new sales team in the US, which now offers the company's solutions to more customers in the region. The US initiatives have increased brand awareness amongst sector operators from 29 to 49 percent between 2016 and 2017. Net Insight is well positioned in the region ahead of 2018.

### *Local partners in Canada and South America*

In Canada, most of Net Insight's sales are made through partners. The company made positive progress in Canada, with growth of 19 percent.

In 2017, Net Insight invested in a partner project where a number of Net Insight employees were invited to join Geartech Technologies of Canada, Net Insight's largest distributor in North America. The purpose was to consolidate competences relating to Net Insight's products and services, approach new potential customers and further strengthen the collaboration with Geartech.

In South America, Net Insight's revenues are also mainly derived from local partners. 2017 saw lower investments compared to 2016, which was the year of the summer Olympics in Brazil and which generated a number of orders for Nimbra and ScheduALL.

Net sales of SEK  
**133 million**

**31%**  
share of total sales



## WESTERN EUROPE

Western Europe is a diversified market with regional operators and varying TV market conditions. It is simultaneously a mature market with good broadband infrastructure.

Western Europe is the segment where Net Insight has the broadest coverage. Germany, the UK and Italy are the key markets. In some European countries, such as the UK, Net Insight's customers are mainly operators and service providers, while the company's business on markets such as Italy goes through local partners.

The market is growing slowly, and some 3 percent of Net Insight's revenues come from new customer agreements. Local operators are coming under increased pressure from global media giants establishing regional suppliers for their central units in Asia or the US. This implies a risk that local operator numbers decrease. Although this progress challenges Net Insight, it also creates opportunities.

### Growing interest in remote production

Just as for the rest of the world, 2017 was a quieter year in Europe as there were no major international sporting events driving demand. The year started off at normal levels, and decision-making processes started to take longer to complete and investments slowed down somewhat in the second quarter.

In the third quarter, the market started to rebound and by the end of the year, transactions had reverted to around the same level as at the beginning of 2017. The trend looks set to continue into 2018, with increased investment appetite for new equipment and improved efficiency.

Net Insight completed a number of commercial tests of Sye this year, and the technology platform worked flawlessly. For example, the STCC Live app was launched in connection with STCC's motor racing events in June. Europe is a prioritized market for Sye, as a result of its extensive offering of live sports and specific focus on the betting market.

Net Insight experienced growing interest in remote production, particularly at the International Broadcasting Convention (IBC) in Amsterdam in September. At the expo, Net Insight arranged a demo of remote production alongside Calrec and Grass Valley – two strong brands in audio and video transmission.

## REST OF WORLD

Rest of World has 75 percent of the global population, 45 per cent of the world's GDP and comprises more than 100 countries.

The market is heterogenous and Net Insight's solutions can be found in almost every part of the region through partners and networks. Rest of World continued to return positive sales growth in the year.

Outside Western Europe and Americas, the strongest competition is derived from global operators, and Net Insight's business is almost exclusively carried out through local partners. Infrastructure and the market maturity differ markedly between countries. However, digitalization is advancing strongly on many national markets, and the region as a whole is growing fast with 20-30 percent of Net Insight's revenues generated by new customer agreements.

Net Insight won new customer Telekom Malaysia in the year, who opted for a Net Insight-solution for the production and transport of live media transmission to the international TV center during the Southeast Asian Games.

Net sales of SEK

**195 million**

**46%**

share of total sales

The first deal for Sye in South East Asia was announced in the fourth quarter when Mediatech in Hong Kong launched the live OTT solution for the distribution of live sports.

### Strengthened presence in Australasia and the Middle East

During the year, Net Insight completed a number of major transactions in Australia and India for Nimbra and ScheduALL. As part of its efforts to increase market presence in the region, Net Insight strengthened the sales force in Singapore, Australia, the Middle East and North Africa.

In China, 10,000 live sporting events are broadcast each year, and contracts are often substantial. Net Insight already collaborates with a partner in China, although the market failed to meet expectations in 2017. However, Net Insight perceives good growth potential looking ahead.

Rest of World was Net Insight's fastest growing market region in 2017, including sales growth in service and support.

Net sales of SEK

**99 million**

**23%**

share of total sales



CUSTOMERS

## Sye delivered new viewer experiences at Solvalla

In 2017, STCC (Scandinavian Touring Car Championship) and Lagardère Sports chose Net Insight and Storyfire for the delivery of an innovative streaming format based on Sye, Net Insight's solution for live OTT.

”

The STCC Live app was amazing!

Jonas Lundin,  
CEO of STCC

During the year, Net Insight started a collaboration with production company Storyfire, on assignment by STCC. The objective was to create a new format for racing that changes how audiences view live motor sports, aimed at offering them an entirely new experience. The solution was the STCC Live app, which is based on Sye. The app enables viewers to follow their favorite drivers in real time, switch between drivers and view multiple video flows simultaneously in order to follow parallel events on the track. The app also streamed video content from high profile individuals in motor sports with commentary and analysis of races and content from sponsors. Lagardère Sports, a leading sports and entertainment agency, which collaborates with STCC on sponsor rights, also contributed to investigating new revenue streams in collaboration with sponsors.

In June, Net Insight demonstrated and tested the OTT solution Sye on a commercial scale. This occurred during the STCC motor sport races at Solvalla in Stockholm. The app was used by the audience on site, and by viewers following the event from home, as a complement to the regular TV broadcast.

The event at Solvalla was a successful showcase for sponsors and partners. It demonstrated Sye's potential, which includes low latency, synchronized

content, rapid channel changes and scalability.

Net Insight's solution increased interactivity for viewers, and created the feeling of sitting in with the STCC drivers during the races.

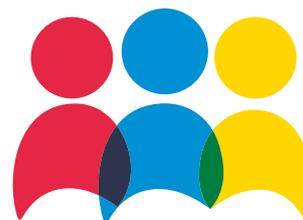
”

The format creates considerable potential for content and rights owners to monetize content without cannibalizing existing rights. We're pleased to be part of this groundbreaking project and see extensive potential for using the service for other sports and international events.

Martin Håkansson, CEO of Lagardère Sports Scandinavia

## CUSTOMERS

# Customers and deals in 2017



## ★ Q1

- Net Insight's solution streamlines BBC Sport's resource planning**  
**January 18, 2017** UK national broadcaster BBC Sport simplifies its planning through a new platform with an intuitive user interface based on Net Insight's solution ScheduALL for planning of broadcast program schedules.
- STC and Net Insight rollout of live HDTV network**  
**March 20, 2017** Net Insight's partner Advanced Communication and Electronics Systems (ACES), develops a nationwide future-proof media network with high capacity for Saudi Telecommunications Company (STC). The network covers TV and radio broadcasts for the Saudi Broadcasting Corporation (SBC).

## ★ Q2

- Net Insight, bet365 and SIS collaborate to solve live video delay and sync for OTT betting platforms**  
**April 3, 2017** SIS implements Net Insight's Sye platform in its streaming service for betting platforms, which, alongside bet365's mobile app, creates an improved betting experience and predictable betting windows for mobile audiences.
- STCC and Lagardère Sports selects Net Insight and Storyfire to deliver innovative live OTT streaming format for STCC based on Sye**  
**June 1, 2017** Collaboration showcases Sye for the first time, and delivers a new experience to racing fans at the premier of the STCC motor sport event.
- Net Insight wins order for regional sports event in Southeast Asia**  
**June 12, 2017** National telecom provider in Southeast Asia selects Net Insight's media transport solution for new media network to support sporting event.
- Net Insight launches the STCC Live app**  
**June 13, 2017** The STCC Live app, based on Sye, was made available for download ahead of and during STCC racing events to offer users a taste of the TV of the future.

## ★ Q3

- Chinese Television System selects Net Insight for host broadcast of World Universiade 2017 Games**  
**August 17, 2017** Net Insight's media transport solution improves the quality of TV transmissions during the World Universiade 2017 Games in Taiwan, broadcast to global audiences.
- IP-Only selects Net Insight to offer live remote production over IP**  
**September 15, 2017** Fiber network provider IP-Only selects Net Insight's solutions for remote production and contribution over IP infrastructure. Net Insight delivers Nimbra Media Gateway, an IP-based media transport solution for transmission of professional media content.
- Ericsson and Net Insight synchronize live streaming**  
**September 15, 2017** Ericsson and Net Insight initiate a collaboration relating to Ericsson's UDN network for distribution of live content with low latency, which means that Sye will be integrated into Ericsson's UDN offering. The combined solution creates an improved, highly efficient, global distribution service for content.

## ★ Q4

- Net Insight delivers live OTT solution to Mediatech in Hong Kong**  
**October 9, 2017** Mediatech, a leading solution provider in professional video, implements Net Insight's solution Sye for delivery of sports content in Hong Kong.
- NEP The Netherlands streamlines operations with Net Insight**  
**November 2, 2017** Leading provider of solutions for TV and media production for public and private TV companies integrates ScheduALL to streamline and automate the booking process for customers, eliminating manual processes and facilitating expansion.
- Net Insight wins major order in remote production**  
**November 22, 2017** A global media services provider selects Net Insight's remote production offering as a service to support distribution of sporting content for a TV company in Asia.

# Our employees – the key to success

Net Insight is a company with Swedish head offices, international operations and a global presence. The company employs close to 250 people at its offices in Stockholm, London, Hollywood (Florida) and Singapore, or simply travelling the globe. Over the past three years, the company has undergone a major transformation—from being a Swedish company with a single product to becoming a global operator with three solution areas for the TV market. Committed and driven employees are crucial to the company’s success.

In order to succeed, our organization needs to be ready for change, and our corporate culture plays a key role in this. Since the acquisition of Florida-based ScheduALL and the start of the product line Sye in live OTT, our focus has been on strengthening both managers and staff to enable them to contribute optimally to a company and a sector in constant transformation.

### Attracting the top talent

Net Insight is a relatively small company with a large global footprint. The small and nimble organization allows the company to act responsively and flexibly, a pre-requisite for adapting to a global market undergoing continuous change. The company’s key values Expert, Visionary and True Partner allow Net Insight to create a corporate culture characterized by openness and transparency.

The employees – our most important resource. The overall competences we possess are the key competitive advantage in the global TV and media sector. This means that it’s particularly pleasing that the company was awarded Career Company 2018 for the third year running. This makes Net Insight a top 100

employer in terms of Sweden’s most effective and high-quality employer branding work, offering unique career and development potential for its employees.

Net Insight aims to be the obvious choice as an employer all over the world, and with consistent values for all employees. At the same time, it’s also important to satisfy local demands. For Net Insight, it’s important that we create the right conditions for existing and potential employees in terms of their professional and personal development.

### Diversity in an inclusive workplace

Diversity is a natural part of Net Insight’s operations. For a global company, it’s crucial that its organization reflects its customers and that it has an understanding of local markets and cultures. Diversity provides a range of perspectives and contributes to creativity, which forms the foundation for innovation and is a key pre-requisite for success. Net Insight continuously seeks to create an attractive workplace for both genders and has the ambition of attracting more women, mainly in tech development.

## SWEDEN

---



### Muyesar Malahmat: Support Engineer

“I’m constantly learning new things by working alongside the best people in the company. In the support department, we use our expertise and experience to deliver optimum service to our customers. I love the fact that my job challenges me in different ways every day. I love working with our customers. It gives me a deep sense of satisfaction to solve a customer’s problem or help them in some other way.”

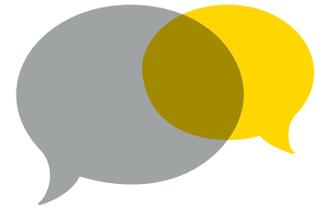
I love the fact that my job challenges me in different ways every day. ”



### Anders Cedronius: Systems Architect

“Working with technology that enables transport of entertainment and news for millions of people every day is incredible. We’ve experienced remarkable changes over the past decade, as we’re moving from analog to digital, from coax cables to IP and from dedicated hardware to software, and there are no signs of progress slowing down. To work in this environment at the leading media tech company is great.”

It’s a great to be working at the leading media tech company. ”



## UNITED ARAB EMIRATES

---



### **Michele Dwayk:** Regional Sales Manager

“I’ve worked with Net Insight for two years, and there are many reasons why I like working for this innovative company. I love being a part of a company that contributes to changing the sector, that is continuously reinventing itself and creating new challenges for me every day. I’m learning new things all the time and continuously need to think outside the box and push myself.”

I continuously need to think outside the box and push myself. ”

## SINGAPORE

---



### **Peter Fong:** Regional Sales Manager

“The people I work with every day and the energy from management make it a pleasure to be part of the Net Insight family.”

It’s a pleasure to be part of the Net Insight family. ”

## UK

---



### **Nathaniel Ho:** Technical Sales Support

“Helping my customers is what I enjoy the most about working at Net Insight. The partnership we have means that solving problems alongside them is a pleasure.”

Helping my customers is what I enjoy the most about working at Net Insight. ”

## USA

---



### **Sheila Meadows:** Administrative Assistant

“I’m happy at Net Insight because the work is always stimulating and challenging. Every day is a chance to grow and make a contribution. At the end of each day I feel I’ve achieved something. It’s an adventure!”

At the end of each day I feel I’ve achieved something. It’s an adventure! ”



### **Theresa Sullivan:** Web Application Developer

“What I enjoy the most about working at Net Insight is my colleagues. Net Insight is full of creative, smart, inspiring and dedicated people who make it a pleasure to go to work every day.”

Net Insight is full of creative, smart, inspiring and dedicated people. ”

# Respect – the foundation of Net Insight’s social responsibility

Net Insight’s operations are founded on respect. By assuming responsibility for the ethical, social and environmental aspects of our business, Net Insight’s operations move in a more long-term and sustainable direction. This year, Net Insight is publishing its first Sustainability Report (see pages 37-41) and as a part of this work, the company has been in discussions with internal and external stakeholders to capture what’s important to them.

## Materiality analysis and stakeholder dialogue

In 2017, Net Insight conducted a stakeholder dialogue and materiality analysis to determine which sustainability aspects are crucial to the company and its stakeholders. Stakeholders include investors, employees, customers, the Board and management.

The surveys and interviews revealed that the environmental factors our stakeholders consider to be most important are linked to product efficiency and energy consumption, product life cycles and materials used.

The highest-ranked social aspects include the ability to attract and retain skilled employees, opportunities for competence development, and health and well-being. Anti-corruption, information and data security, and good business practice were ranked the highest amongst financial aspects linked to corporate governance. The Sustainability Report presented on pages 37-41 includes more detailed information about the company’s sustainability work.

## Code of Conduct

Net Insight’s basic principles for corporate social responsibility are set out in the Code of Conduct. This is based on respect for customers, business partners, employees and society as a whole, and regulates how environmental, ethical and social aspects should be managed to create added value for the company’s stakeholders.

Operations should be conducted in accordance with applicable legislation and accepted principles of good business ethics. As a supplement to regular reporting paths, all Net Insight employees can report serious impropriety anonymously through a whistleblower function.

## Anti-corruption

Net Insight has a zero-tolerance approach to all forms of corruption. There were no cases of corruption in 2017 amongst individuals covered by Net Insight’s anti-corruption policy. The policy applies to all employees in the group, and many of Net Insight’s business partners, resellers, agents and subcontractors, and is consistent with applicable legislation and the Swedish Anti-Corruption Institute’s Code on gifts, rewards and other benefits in business.

## Product responsibility

Net Insight’s offering largely comprises software and support, and to a lesser extent hardware. Manufacture is carried out by

external parties and close collaboration is important to ensure that products are produced sustainably.

Net Insight’s main suppliers and subcontractors are subject to ISO 14001 environmental certification, and compliance with the EU RoHS directive limiting the usage of certain hazardous substances in electrical and electronic products. The company also adopts guidelines for managing conflict minerals such as tin, tungsten, tantalum and gold and completes stringent controls of suppliers regarding the sourcing of such minerals.

Net Insight takes environmental considerations into account when designing its products, and the company has a well-established organization for the return and repair of products and recycling of e-waste.

## Energy consumption

Net Insight complies with all legislative requirements regarding energy consumption and product labelling in accordance with accepted practice and legislation. At present, it is not possible to monitor a product’s energy consumption, but Net Insight started investigating the possibilities of carrying out such measurements in 2017.

A key part of limiting the environmental impact lies in keeping down energy consumption from the company’s offices and server halls. In 2017, Net Insight signed a new rental contract for its Stockholm offices and the company will be relocating to highly energy-efficient premises in 2018. For example, heat from servers will be used to heat the entire office block, including a number of other businesses.

## Equal opportunities and diversity

Net Insight considers that diversity guarantees the creativity and innovation necessary for being a successful global operator. The company presented a policy of equal opportunities and diversity this year which aims to guarantee all employees equal rights and opportunities regardless of gender, transgender identity or expression, ethnic origin, religion or other belief system, disability, sexual orientation or age.

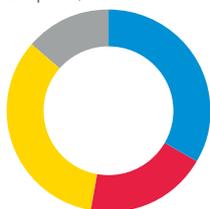
A high proportion of Net Insight’s employees are men, 81 percent in 2017. Net Insight seeks to recruit more women to operations, and require recruitment consultants to present equal numbers of female and male candidates. The shortage of female engineers represents a challenge for the sector as a whole. For more information about our equal opportunities and diversity work, see the Employees section on pages 20-21.



” Net Insight takes responsibility for the ethical, social and environmental aspects of its operations, with the objective of ensuring long-term and sustainable operations.

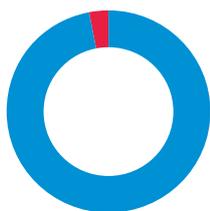
# The share

**Ownership structure, Dec 31, 2017**  
(capital, %)



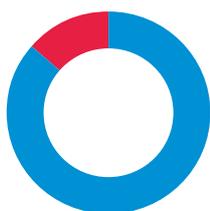
- Swedish banks and institutions 33.6%
- Other Swedish legal entities 19.4%
- Swedish physical persons 33.4%
- Foreign investors 13.6%

**Proportion of owners, Dec 31, 2017**  
(numbers, %)



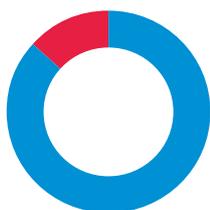
- Sweden 97.1%
- Other 2.9%

**Proportion of owners, Dec 31, 2017**  
(capital, %)



- Sweden 86.4%
- Other 13.6%

**Proportion of owners, Dec 31, 2017**  
(votes, %)



- Sweden 86.7%
- Other 13.3%

Net Insight had its initial public offering in 1999 and has been listed on the Nasdaq Stockholm (NETI B) since July 1, 2007. The share moved to the Nasdaq Stockholm Mid Cap List on January 2, 2017.

## Ownership

The company had 11,650 shareholders on December 31, 2017, compared to 11,926 in the previous year. As of December 31, 2017, the 20 largest shareholders accounted for 58.2 percent of the capital and 58.2 percent of the votes. The major shareholders are mainly financial institutions and mutual fund managers. Foreign ownership represented 13.6 percent of capital, compared to 15.3 percent in the previous year.

## Price movements

The share price decreased by 47 percent throughout the year from SEK 8.90 to SEK 4.73. The high in the financial year, of SEK 9.2, was set on January 16, 2017, and the low, of SEK 4.47, was set on December 18, 2017. Net Insight's total market capitalization was SEK 1.844 billion on December 31, 2017, down by 47 percent on the previous year, when market capitalization was SEK 3.462 billion.

## Trading volume – Nasdaq Stockholm

A total of 218 million shares were turned over for a total value of almost SEK 1.422 billion, corresponding to a turnover rate of 56 percent, in 2017.

An average of some 870,000 shares were traded per trading day in the financial year, down 42 percent on the previous year.

## Trading volume – other

NETI B was traded on a total of one marketplace apart from Nasdaq Stockholm: Turquoise. A total of 0.7 million shares were traded with a total value of nearly SEK 4.7 million on Turquoise.

## Options

The company has two synthetic option programs, in which a synthetic option gives the option holder the right to receive from Net Insight a cash amount calculated on the basis of Net Insight's share price. For more information, see note 7 on pages 61-62.

## Share capital

Share capital was SEK 15,597,320 as of December 31, 2017. There were 1,000,000 class A shares and 388,933,009 class B shares, a total of 389,933,009 shares.

The AGM authorized the Board of Directors to repurchase the company's own shares.

The company's holdings should not at any time exceed 5 percent of the total number of shares in the company. To financially hedge future cash flow effects of the company's commitments in the synthetic option programs stated above, if the share price would exceed the strike price, the parent company has repurchased its own shares.

As of December 31, 2017, the parent company had a total of 6,315,000 of its own class B shares (corresponding to 1.6 percent of the total number of shares), of which 2,040,000 shares have been repurchased during 2017. There were 1,000,000 class A shares and 382,618,009 class B shares, a total of 383,618,009, shares outstanding as of December 31, 2017. For more information, see note 23 on page 73.

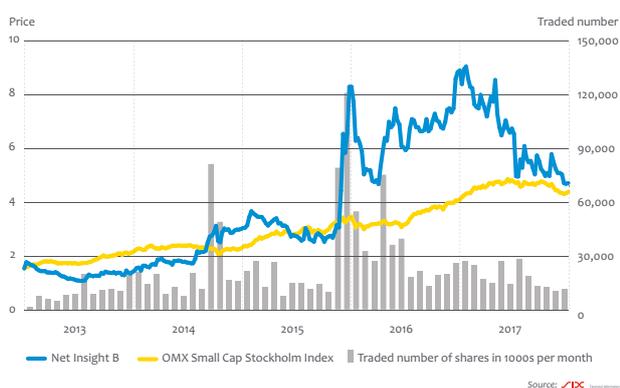
## Dividend policy

A secure cash position is important for enabling the company to demonstrate long-term financial sustainability to customers, and partly for enabling initiatives in growth segments. The Board proposes that the AGM does not pay any dividend for the financial year 2017.

## Distribution of share capital

Year	Transaction	Class A shares	Class B shares	No of shares	Par value (SEK)	Share Capital (SEK)
2007	Options redeemed	3,600,000	367,002,820	370,602,820	0,04	14,824,113
2007	Conversion of Class A share to Class B share	1,900,000	368,702,820	370,602,820	0,04	14,824,113
2008	Options redeemed	1,900,000	377,990,569	379,890,569	0,04	15,195,623
2009	Conversion of Class A share to Class B share	1,300,000	378,590,569	379,890,569	0,04	15,195,623
2009	Options redeemed	1,300,000	388,633,009	389,933,009	0,04	15,597,320
2010	Konvertering av A-aktier till B-aktier	1,150,000	388,783,009	389,933,009	0,04	15,597,320
2011		1,150,000	388,783,009	389,933,009	0,04	15,597,320
2012		1,150,000	388,783,009	389,933,009	0,04	15,597,320
2013		1,150,000	388,783,009	389,933,009	0,04	15,597,320
2014		1,150,000	388,783,009	389,933,009	0,04	15,597,320
2015	Conversion of Class A share to Class B share	1,000,000	388,933,009	389,933,009	0,04	15,597,320
2016		1,000,000	388,933,009	389,933,009	0,04	15,597,320
2017		1,000,000	388,933,009	389,933,009	0,04	15,597,320

## Share price movements 2013-2017



## Class of stock as of Dec 31, 2017

Class of stock	Shares	Votes	Equity %	Votes %
A	1,000,000	10,000,000	0.3	2.5
B	388,933,009	388,933,009	99.7	97.5
<b>Total</b>	<b>389,933,009</b>	<b>398,933,009</b>	<b>100.0</b>	<b>100.0</b>

## Ownership structure – class B shares, as of Dec 31, 2017

Shareholding, Number of Shares	Percentage of shareholders	Percentage of share capital
1-1000	46.1	0.5
1001-10000	37.9	4.6
10001-15000	3.5	1.3
15001-20000	2.6	1.4
20001+	9.9	92.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 20 Largest shareholders as of Dec 31, 2017

Name	Class A shares	Class B shares	Holdings (%)	Votes (%)	Market value SEK thousands
1 Briban Invest AB*	0	48,052,491	12.3	12.1	227,288
2 Alecta Pensionsförsäkring, Omsesidigt	0	24,000,000	6.2	6.0	113,520
3 Lannebo Sverige Plus	0	22,615,000	5.8	5.7	106,969
4 Försäkringsbolaget Avanza Pension	0	21,413,462	5.5	5.4	101,286
5 Handelsbanken Svenska Smabolagsfond	0	16,865,067	4.3	4.2	79,772
6 Banque Internationale A Lux	0	16,641,932	4.3	4.2	78,716
7 Nordnet Pensionsförsäkring AB	0	12,210,095	3.1	3.1	57,754
8 Lannebo Sverige	0	11,965,000	3.1	3.0	56,594
9 AMF Aktiefond Småbolag	0	8,718,205	2.2	2.2	41,237
10 Banque Internationale, Luxembourg SA	0	7,956,427	2.0	2.0	37,634
11 JP Morgan Bank Luxembourg	0	7,493,977	1.9	1.9	35,447
12 Net Insight AB	0	6,315,000	1.6	1.6	29,870
13 Barsum, Rafi	0	4,005,850	1.0	1.0	18,948
14 Jpmel - Stockholm Branch	0	3,644,433	0.9	0.9	17,238
15 Ålandsbanken i ägares ställe	0	3,279,838	0.8	0.8	15,514
16 Nordhus, Otto	0	2,745,000	0.7	0.7	12,984
17 Nordea Livförsäkring Sverige AB	0	2,568,676	0.7	0.6	12,150
18 Jaculator Förvaltning Aktieföretag	0	2,130,271	0.6	0.5	10,076
19 Malkoun, Abboud	0	2,116,226	0.5	0.5	10,010
20 Gauffin, Lars	600,000	1,469,930	0.5	1.9	6,953
<b>Total of the 20 largest owners</b>	<b>600,000</b>	<b>226,206,880</b>	<b>58.2</b>	<b>58.2</b>	<b>1,069,959</b>
Total other owners	400,000	162,726,129	41.8	41.8	769,695
<b>Total</b>	<b>1,000,000</b>	<b>388,933,009</b>	<b>100.0</b>	<b>100.0</b>	<b>1,839,653</b>
<b>Total number of shares</b>		<b>389,933,009</b>			
<b>Total number of votes</b>		<b>398,933,009</b>			

\*Board member Jan Barchans indirect holdings are presented separately as Briban Invest AB.

# Board of Directors



## 1 Lars Berg

**Chairman of the Board** since 2001 and **Board member** since 2000.

Born: 1947. Lars Berg holds a B.Sc. in Business Administration from the Gothenburg School of Economics. Other Board assignments: Chairman of Greater Than AB (Stockholm) and Vice Chairman of Norma Group (Frankfurt). Previous positions include executive positions with Mannesmann, heading up the Telecom Division, President and CEO of Telia, and various executive positions within the Ericsson Group. Independent of the company and management, independent of the company's major shareholders.

### Shareholdings in Net Insight:

1,000,332 class B shares.

**Attendance at Board meetings in 2017:** 8/9



## 2 Jan Barchan

**Board member** since 2015.

Born: 1946. Jan Barchan holds a B.Sc. in Business Administration and is CEO of Briban Invest AB, Chairman of the Board of Adimo AB, Elevsupport AB, Västraby Gård AB and Västraby Gård Energi AB as well as of Studsvik AB, Trianon AB and Trailbee AB. Independent of the company and management, dependent of the largest shareholder Briban Invest AB.

### Shareholdings in Net Insight:

48,052,491 class B shares.

**Attendance at Board meetings in 2017:** 9/9



## 3 Charlotta Falvin

**Board member** since 2016.

Born: 1966. Charlotta Falvin holds a B.Sc. in Business Administration with 20 years' experience in different senior positions in IT and telecom focusing on international business and organizational development. Charlotta Falvin is a Board member of listed companies Bure Equity, Invisio Communications and CLX Communications, and Chairman of Lund University and Handelsbanken's southern regional Board. Independent of the company and management, independent of the company's major shareholders.

### Shareholdings in Net Insight:

0

**Attendance at Board meetings in 2017:** 9/9

## 7 Stina Barchan

Personal deputy for Jan Barchan

**Deputy Board member** since 2017.

Born 1977. Stina has many years of experience from board work, and also experience from nomination committee work from listed companies. Currently, she is Board member of Briban Invest, Deputy Board member of Trailbee and member of the nomination committee in Studsvik. Independent of the company and management, dependent of the largest shareholder Briban Invest AB.

### Shareholdings in Net Insight:

0

### Changes to Net Insight's Board of Directors

Cecilia Beck-Friis resigned from the Board as of September 30, 2017.



#### 4 Gunilla Fransson

**Board member** since 2008.

Born: 1960. Gunilla Fransson holds a Licentiate of Technology in Nuclear Chemistry from the Royal Institute of Technology, Stockholm (KTH). Up until 2016, Gunilla was a member of Saab AB's group management. She possesses over 20 years' experience of the telecom sector, formerly holding several senior positions in the Ericsson group. She is a Board member of Trelleborg AB, Nederman AB, Eltel AB, Enea AB and some unlisted companies, including Chairman of the Board of Novare Peritos AB. Independent of the company and management, independent of the company's major shareholders.

**Shareholdings in Net Insight:**

4,000 class B shares.

**Attendance at Board meetings in 2017:** 8/9



#### 5 Crister Fritzson

**Board member** since 2013.

Born: 1961. Crister Fritzson is a B.Sc. in Marketing Economics. CEO and President of SJ AB and Chairman of sector organization Tågoperatörerna, and Board member of Systembolaget, Trafik i Mälardalen AB, Samtrafiken i Sverige AB, Almega Tjänsteförbunden, Linkon AB, Svensk Turism AB, Svenskt Näringsliv and Järnvägsbranschens Samverkansforum as well as some unlisted companies. Former CEO and President of Teracom Group and CEO of Boxer. Independent of the company and management, independent of the company's major shareholders.

**Shareholdings in Net Insight:**

17,000 class B shares.

**Attendance at Board meetings in 2017:** 9/9



#### 6 Anders Harrysson

**Board member** since 2010.

Born: 1959. Anders Harrysson holds an M.Sc. in Engineering Physics from Linköping Institute of Technology. Anders Harrysson was previously Chief Executive Officer of Birdstep Technology ASA. Anders has more than 20 years' international experience from senior positions in the IT industry, including 14 years at IBM with several years at the European Headquarters in Paris and the group's headquarters in the US. Between 1998 and 2010, he was Vice President at Sun Microsystems with responsibility for its activities in Northern Europe. Anders is Chairman of Hermes Medical Solutions AB, Ewalie AB and Qmatic AB. Independent of the company and management, independent of the company's major shareholders.

**Shareholdings in Net Insight:**

8,000 class B shares.

**Attendance at Board meetings in 2017:** 9/9

# Executive Management



## 1 Fredrik Tumegård CEO

CEO Born: 1972. Fredrik Tumegård studied Electrical Engineering at the Royal Institute of Technology in Stockholm (KTH), as well as Business Administration at the University of Stockholm. CEO of Net Insight since October 2013, formerly held senior positions in marketing and sales for companies including TeliaSonera International Carrier, Huawei Technologies and also previously worked for Ericsson and Transmode. Fredrik Tumegård joined Net Insight from NEC, where he was Vice President of Northern Cluster. Fredrik's duties in the NEC group included the roles of Managing Director of NEC UK Ltd.

**Shareholdings in Net Insight:**  
385,000 class B shares

## 2 Pelle Bourn CFO

Born: 1964. Pelle Bourn holds a B.Sc. in Economics from Lund University, and also studied at Universität Mannheim in Germany. Pelle joins Net Insight in April 2018. Pelle has held a number of roles as controller in the Ericsson group, both in Sweden and abroad, and has also held a number of positions as CFO since 1999, mainly in technology and software companies. Pelle has experience of private equity and public companies and joins Net Insight from his position as CFO of the Aditro group.

**Shareholdings in Net Insight:**  
10,000 class B shares.

### Changes to Net Insight's management team

Thomas Bergström resigned as CFO in February 2018.  
Per Lindgren resigned as Senior Vice President Live OTT in December 2017.

## 3 Gustav Grundström Vice President Live OTT

Born: 1983. Gustav Grundström holds a M.Sc. in Automation and Mechatronics Engineering from Chalmers Institute of Technology in Gothenburg, as well as a B.Sc. in Economics from the Gothenburg School of Economics. Gustav joined Net Insight in March 2018. Gustav Grundström has more than 10 years' experience of the finance, media and telecom industries. He has also launched OTT services in Europe, Latin America and Africa on platforms including MTG's Viaplay in recent years, most recently in his role as chief product officer at NUVU, a start-up in Ericsson for OTT services.

**Shareholdings in Net Insight:**  
50,000 class B shares

## 4 Marina Hedman Vice President Human Resources

Born: 1976. Marina Hedman holds a B.A. in Social Sciences, majoring in Human Resources. Marina has been employed since 2013, and prior to that, had over 10 years' experience in various HR roles, in sectors including consulting, IT and media.

**Shareholdings in Net Insight:**  
0

## 5 Maria Hellström Vice President Services

Born: 1972. Maria Hellström holds a M.Sc. in Computer Engineering from the Royal Institute of Technology in Stockholm. Maria joined Net Insight in 2014 and has more than 15 years of experience from leading positions at Capgemini, most recently as senior vice president and business unit manager for Digital Services, responsible for sales and delivery for customers in the telecom, finance and public sectors.

**Shareholdings in Net Insight:**  
17,394 class B shares.

## 6 Martin Karlsson CTO and Vice President Product Portfolio

Born: 1977. Martin Karlsson is a graduate of the Advanced Management Program at Massachusetts Institute of Technology (MIT) and holds a Ph.D. in Computer Science from Uppsala University. Martin joined Net Insight in 2010 and has a background as a Principal Engineer at Oracle Corporation and as a Microprocessor Architect at Sun Microsystems. Martin is the inventor or co-inventor of more than 20 patents.

**Shareholdings in Net Insight:**  
100,000 class B shares.



**7 Hanna Laurentz**  
**Vice President Marketing & Corporate Communication**

Born: 1974. Hanna Laurentz holds a Master of Science in Business & Management from Lund University. Hanna joined Net Insight in 2017 and has long experience from marketing and communications roles in different industries, primarily within IT, telecom and consulting.

**Shareholdings in Net Insight:**

0

**8 Ulrik Rohne**  
**Vice President Research & Development**

Born: 1967. Ulrik Rohne holds an M.Sc. in Electrical Engineering from the Royal Institute of Technology in Stockholm (KTH). Employed at Net Insight since 2012 and has extensive experience from a variety of roles within product development, mainly within the telecom and mobile industry. Ulrik has held various management positions within Ericsson and comes most recently from Sony Ericsson, where he was Head of Software Development in Stockholm.

**Shareholdings in Net Insight:**

50,000 class B shares.

**9 Alan Ryan**  
**Vice President Global Sales**

Born: 1965 Alan Ryan holds a B.Sc. in Business Studies from University of Bradford. Alan was appointed as Vice President Global Sales of Net Insight in 2016. He has more than 25 years of experience within the Telecoms and IT industry with extensive experience of international sales management focused on partnerships, alliances and channel management. Alan started his management career at Telia Sonera and recent assignments include Sales Director at MTI, UK, and Networking General Manager at SCC.

**Shareholdings in Net Insight:**

0

**10 Marcus Sandberg**  
**Vice President Business Development**

Born: 1978. Marcus Sandberg holds a M.Sc. from the Stockholm School of Economics. Marcus joined Net Insight in January 2018. Marcus has many years' experience as a management consultant with Bain & Company, and joins Net Insight from media group Modern Times Group (MTG), where he held a range of senior positions in strategy and business development.

**Shareholdings in Net Insight:**

37,000 class B shares.

# Administration Report

Net Insight AB (publ) corporate identity number 556533–4397

The Board of Directors and Chief Executive Officer of Net Insight AB (publ), corporate identity number 556533-4397, with its registered office in Stockholm, Sweden, hereby present the annual accounts of the parent company and group for the financial year 2017. Numerical information stated in brackets in these annual accounts are comparative figures with the financial year 2016 or the reporting date of December 31, 2016. Rounding deviations may occur in these annual accounts.

## SIGNIFICANT EVENTS IN 2017

### ★ January–March

- **Winner** of 2017 WTA Teleport Technology of the Year Award for ScheduALL Connector.
- **Net Insight in new collaboration** with bet365 and SIS in live OTT.

### ★ April–June

- **Net Insight's sales** for the second quarter weaker than expected.
- **Order from Telekom Malaysia** regarding solutions for Southeast Asian Games 2017.
- **Successful STCC event** using live OTT technology in collaboration with Storyfire and Lagardère Sports.

### ★ July–September

- **Net Insight signs agreement** with Ericsson to integrate Sye in Ericsson's UDN offering.
- **New collaboration** with Calrec and Grass Valley to offer next generation remote production.

### ★ October–December

- **Net Insight delivers** live OTT solution to Mediatech in Hong Kong.
- **Net Insight signs agreement** with a major global media service provider in remote production.
- **Net Insight awarded** Career Company 2018.

In 2017, Net Insight's sales were impacted by limited investment appetite in the sector. Data from (IABM) The International Trade Association for Broadcast & Media Technology indicated low growth for the media technology and services sector as a whole for most of 2017. Net Insight enhanced its sales organization in 2017, mainly in the US, and further adapted its offering in the

ScheduALL and Nimbra product lines by sharpening the focus on cloud services and remote production. Net Insight continued the commercialization of Sye during the year, and successfully tested and initiated partnerships to increase the number of sales channels.



## OPERATIONS

Net Insight creates new solutions for the TV market and delivers products, software and services for live streaming and high-quality media transport coupled with effective resource management, which creates an enhanced TV experience. Based on its three product lines – Nimbra, ScheduALL and Sye, Net Insight's offering stretches from the TV cameras to the studio, right through to the TV viewer. Net Insight's solutions offer network operators, TV and production companies the benefit of lower total cost of ownership and the potential for effective new media service launches. Revenues are generated through sales of hardware and software solutions and services.

Net Insight has more than 500 customers in 60 countries. Founded in 1997, Net Insight had 249 (248) employees and consultants at year-end, primarily stationed in Stockholm, Hollywood (Florida), London and Singapore. Net Insight sells its products and services through its own sales force and the company's partner network. Sales via the partner network were 30 (30) percent in 2017. The company is listed (NETI B) on Nasdaq Stockholm.

## MARKET PROGRESS

2017 was a challenging year for the sector with negative progress on the global media market. This progress was due to several factors, but mainly caused by cyclical factors and the overall market transformation.

Compared to 2016, which featured both the Summer Olympics and the World Cup, there were no major international sporting events in 2017. Sporting events always have a positive impact on the market, and the slightly weaker market in 2017 was expected.

The ongoing sector transformation is another factor that has had a significant impact on the market. Changing consumer viewing patterns create new business opportunities, and

## KEY FIGURES

Jan-Dec 2017

**426.7**  
Net sales SEK million

**58.1%**  
Gross margin

**-2.2%**  
Operating margin

Five-year summary, see page 87.

Jan-Dec 2016

**503.5**

**62.7%**

**9.8%**

## ORGANIZATIONAL PROGRESS

During the year Net Insight consolidated its organization in order to increase competitiveness. In the US, Net Insight expanded its sales force with the aim of sharpening the focus on new customer sales. The new organization is expected to generate positive growth on the Americas market in 2018 and beyond, although the organizational changes had a somewhat negative impact on sales in 2017.

Net Insight also enhanced its competences in the strategi-

new operators enter the market. Additionally, transformation generates opportunities for business consolidation in the sector. These market changes have led to a number of market operators, including many of Net Insight's customers, becoming hesitant about making investment decisions.

Data from (IABM) indicated low growth for the media technology and services sector as a whole for most of 2017, with smaller companies like Net Insight experiencing more challenging conditions than the sector as a whole. Net Insight's brand awareness increased this year from 44 to 52 percent, and the company believes it has a solid foundation for continuing to capitalize on future business opportunities generated by the sector transformation.

cally important live OTT area and continued to focus on Sye. The company increased the number of staff working on Sye in order to generate new business, but also to maintain Net Insight's current position in the product area.

In 2017, Net Insight celebrated its 20-year anniversary as a business. During these 20 years, Net Insight has built a broad technology foundation, an established brand and long-term customer relationships with operators across the world.

## SOLUTIONS, PRODUCTS AND SERVICES

Net Insight offers solutions based on three product lines: Nimbra for transport of professional media content over media networks, ScheduALL is a planning tool for automated scheduling for production and distribution of TV content and Sye for live and synchronized TV content with minimal delay distributed over the internet, live OTT.

### Sye

In 2017 Net Insight continued to invest in the technology for synchronized TV content distributed over the internet. In partnership with STCC, Sye was tested commercially on a larger scale for the first time in June 2017, which demonstrated that the technology is commercially viable. Later in the year, Net Insight announced a partnership with Ericsson, under which Sye will be integrated in Ericsson's offerings. Net Insight also signed an agreement with Mediatech in Hong Kong relating to a synchronized streaming solution for live sports in Asia.

Interest in the technology, which opens up opportunities for new revenue streams for media companies, increased this year. However, during 2017 it also became evident that the market needs more time to adjust its content and business models to changing consumer behaviors, which resulted in delays in the commercialization of Sye. The live OTT market is expected to grow significantly over the coming years, driven by increased web-based TV viewing and changing customer behaviors.

### ScheduALL

To increase the efficiency of available resources in media production, Net Insight developed Connector Marketplace, a cloud-based platform for exchanging media services aimed at streamlining customer workflows. Through Connector Marketplace, ScheduALL customers can buy and sell cloud-based services. Net Insight's ownership of the platform enables the company to increase its involvement in production flows and become a natural part of customer value chains. During the year, Net Insight added Microsoft Azure Media Services to the Connector Marketplace offering. This service enables media companies and TV producers to buy Microsoft's proprietary cloud-based services straight through the ScheduALL-system.

### Nimbra

For the Nimbra product line, the main focus in the year was on a platform upgrade, and Nimbra 1060 was launched in February 2018. In 2017 Net Insight also saw increased interest and activity in remote production, a Nimbra-based service enabling media production to be moved into the studio. The technology for remote production has been available for some time, but the market has only recently become ready for its potential. Net Insight initiated collaborations with Calrec and Grass Valley in the year, two strong brands in audio and video transport, to offer the latest and most cost-efficient technology.

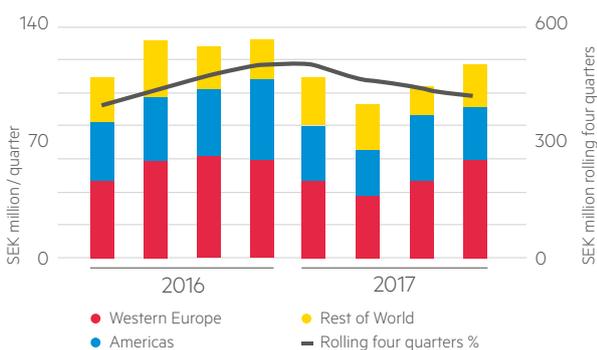
## PROGRESS BY SEGMENT

Net Insight follows up and reports operations in three segments: the regions Americas, Western Europe and Rest of World.

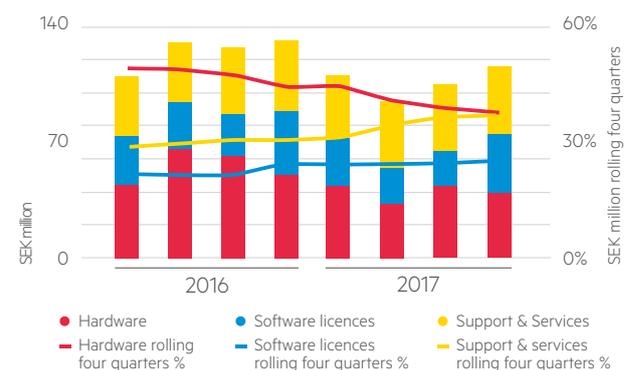
The progress in Americas was challenging, with net sales of SEK 133 (163) million and segment net income of SEK 31 (60) million. Western Europe also saw a decline in net sales, with total net sales of SEK 195 (231) million and segment net income

of SEK 57 (94) million. Rest of World's net sales were 99 MSEK (109) and net income amounted to SEK 15 (25) million, a smaller decline compared to the other two segments. This is because market trends have a larger impact on the mature western media market, while Net Insight also had a higher share of new customer sales in Rest of World compared to the other segments.

Net Sales by region



Net Sales per product group



## TECH DEVELOPMENT

Much of Net Insight's competitiveness is founded on its innovative technology. This technology offers unique benefits in segments including real-time image processing, secure data transmission and GPS-independent time synchronization. The company filed another patent application relating to live OTT in 2017, and Net Insight now has a total of 7 separate patent applications relating to live OTT. In total, Net Insight has 25 registered patents and 9 patent applications.

Net Insight's tech development primarily focuses on the following strategic segments:

1. increased capacity in the Nimbra family and developing standard interfaces for transport over IP,
2. orchestrating network services and scheduling resources in workflows and transmission capacity and,
3. solutions for video distribution over the internet, including Sye, our product for synchronized live OTT.

Net Insight's development is carried out in Stockholm and Hollywood (Florida). Total development expenditures were SEK 150.4 (149.1) million.

## EMPLOYEES AND RECRUITMENT

At the end of the year, Net Insight had 249 (248) employees and consultants primarily stationed in its regional offices in Stockholm, London, Hollywood (Florida) and Singapore. During the year, Net Insight actively recruited new competences to support the continuous transformation of the company and the sector as a whole.

Net Insight operates on a highly competitive market in terms of skilled staff which accentuates the importance of having an attractive employer brand. Net Insight's employee survey revealed an eNPS (Employee Net Promoter Score) of 11, well above the benchmark of 9. During the year, Net Insight was also awarded Career Company 2018, as one of Sweden's top-100 most exciting employers. In 2018, Net Insight is upgrading its offices in Sweden and the US, relocating to more modern and

purpose-built facilities, which is expected to further benefit this positive progress.

Several changes were made to the management team in the year. In May, Hanna Laurentz was appointed as Vice President Communications & Marketing. Hanna replaced Anna-Karin Verneholt. In August, Net insight announced that CFO Thomas Bergström would be leaving the company in February 2018. Pelle Bourn replaces Thomas Bergström. Gustav Grundström was appointed new Vice President Live OTT and Per Lindgren is leaving his role on the management team but remains within Net Insight. A new position was established in the management team with the appointment of Marcus Sandberg as Vice President Business Development.

## SUSTAINABILITY

Net Insight established sustainability guidelines during the year. For more details, see the company's Sustainability Report on pages 37-41.

## SHAREHOLDERS AND THE SHARE

For more information about the company's major shareholders, share price performance and share buy-backs, see pages 24-25.

## NET SALES AND RESULTS OF OPERATIONS

The group's net sales were SEK 426.7 (503.5) million in 2017, this was a decrease of 15.2%.

In 2017, net sales for Western Europe were SEK 194.6 (231.4) million. Americas saw net sales of SEK 133,4 (163.2) million and Rest of World SEK 98.7 (108.9) million.

Net sales from hardware amounted to SEK 160.6 (224.0) million and net sales from software licenses totaled SEK 107.5 (122.8) million. The decrease is due to the causes outlined in the market progress section, where the absence of major global events in the period was the main factor influencing hardware sales. Net sales from support and services amounted to SEK 159.1 (154.1) million. The increase was mainly due to a larger installed customer base and related maintenance agreements.

The above figures exclude other operating revenue of SEK -0.5 (2.6) million, which comprises translation differences on accounts receivable in foreign currencies. Operating earnings for the full year were SEK -9.5 (49.4) million, corresponding to an operating margin of -2.2 (9.8) percent. Activities in development, sales and marketing of the company's live OTT solution Sye had a net effect on operating earnings and EBITDA of SEK -42.4 (-14,5) million.

Net income for the period was SEK 3.7 (35.2) million, corresponding to a net margin of 0.9 (7.0) percent. Net income benefited from SEK 14.5 (-3.2) million in value changes in synthetic option programs, see note 7.

## CASH FLOW AND INVESTMENTS

Cash flow for 2017 was SEK -36.8 (20.9) million. In 2017 repurchases of own shares amounted to SEK 11.2 (10.3) million.

Full year investments were SEK 97.6 (78.8) million, of which SEK 87.3 (74.1) million related to capitalization of development expenditure. Depreciation and amortization was SEK 71.2 (63.3) million, of which SEK 60.7 (56.9) million related to amortization of capitalized development expenditure.

The net value of capitalized development expenditure at the end of the period was SEK 251.6 (225.9) million. Capitalization principles are described in note 1.6.

## CASH AND CASH EQUIVALENTS, FINANCIAL POSITION

At year-end, cash and cash equivalents were SEK 177.7 (214.9) million. Equity was SEK 548.0 (563.0) million, with an equity/assets ratio of 78.6 (77.3) percent. During the year, equity decreased by SEK -11.2 (-10.3) million, attributable to the value of repurchased own shares. As in 2016, there were no interest-bearing liabilities.

## RISK AND SENSITIVITY ANALYSIS

Since a number of external and internal factors influence Net Insight's operations and earnings, the company relies on a continuous process of identifying existing risks and assessing how each risk should be managed. The risks the company is exposed to include market-related risks and operational risks connected to sustainability and financial risks. Sustainability risks are described in the sustainability report on pages 37-41 and financial risks can be found under the accounting policies section and in the notes.

## PARENT COMPANY

In 2017, parent company net sales were SEK 486.9 (568.0) million and net income was SEK 6.2 (4.6) million. At year-end, the parent company had 158 (156) employees and consultants. Cash and cash equivalents were SEK 166.2 (194.4) million and equity was SEK 656.1 (661.1) million at year-end. Progress of the parent company substantially mirrors the group progress presented above.

## SEASONALITY

In the past three calendar years, average seasonality has been fairly modest. Of annual net sales, the first, second and third quarters represented 24 percent each, and the fourth quarter 28 percent of annual net sales. Historically, Net Insight's net sales have been characterized by some fluctuations between years as the sector's investment appetite tends to increase ahead of events with significant global media coverage, such as the summer Olympics and the FIFA World Cup.

### *Risk assessment summary*

The following table shows Net Insight's own assessment of the likelihood of Net Insight being affected by the various operational risks described in this section, and the estimated consequences of these risks. The assessment does not claim to be exhaustive but merely serves as an illustration.

Risk	Probability	Impact
Product fault leading to product liability	Low	Low
Intellectual property dispute	Low	Low
Major customer becomes insolvent	Low	Medium
Major customer leaves Net Insight for competitor	Medium	Medium
Net Insight's technology becomes obsolete	Low	High
Net Insight makes incorrect technology investment	Low/medium	High
Political risks and international exposure	Medium	Low
Long-term supply disruption	Low	Medium
Competence risks	Medium	High

## Market-related risks

### *Competition and technology*

Net Insight operates in a dynamic industry characterized by rapid technological progress and intense competition. Failing to keep pace with technological progress or making incorrect technological investments would exert a negative impact on revenues and profit.

The risk of an unexpected forward leap in technology rendering the company's products obsolete is considered low. The risk of making erroneous technological investments is also considered low in the areas where the company has been active for some time. In areas where there is new technology on a new market, the risk is higher. The skills and competence of Net Insight's development staff, combined with market research, competitor monitoring, and close collaborations with large customers, help keep Net Insight well informed and up to date on relevant technology and market trends.

### *Political risks and international exposure*

Net Insight has customers in more than 60 countries. A broad global presence is vital for running and growing the business, but also implies a certain number of risks.

Rapid changes in the political climate, specifically in politically instable countries can result in suspension of payments. Geographical expansion is preceded by a risk identification process on each relevant market that evaluates payment instruments and commercial conditions to mitigate risks as far as possible. Some countries are exposed to corruption which can significantly harm the company's brand. Net Insight has a zero-tolerance approach towards corruption and expects its collaboration partners to act accordingly. When Net Insight enters into a new partnership the company performs background checks and ensures that commercial terms in the partnership agreement are in line with global partnership agreements. Staff potentially exposed to corruption receive training in the matter.

Some countries have export prohibition or export restrictions. Net Insight has well established routines and system support to ensure compliance with these regulations and restrictions. Operating in, and exporting to, several markets involves compliance with a large number of laws and regulations which can make export complicated. This specifically comprises tax, customs, employee rights, technology standards and reporting standards.

Net Insight has extensive internal expertise in the areas above but often also consults external experts. See also the Sustainability Report on pages 37-41.

## Risks related to operations

### *Product liability, intellectual property rights and litigation*

Potential defects in Net Insight's products could lead to claims for compensation and damages. The company is considered to possess adequate product liability insurance coverage, accordingly direct risks are considered limited. Products also undergo extensive testing and verification in the development process and in the shipping process before products are sent to customers.

Net Insight continuously seeks to protect its corporate name, trademarks and brands, it is well prepared for any infringement litigation through insurance coverage, and with the aid of internal expertise in its corporate legal department and external legal counsel. Neither Net Insight AB (publ) nor its subsidiaries are currently involved in any litigation processes, legal or arbitration procedures.

### *Customer dependency and contract risks*

If one of Net Insight's larger customers became insolvent or changed supplier, this would have a manageable impact on Net Insight's earnings. A growing customer base and relatively high cost to customers to change suppliers limits this risk. To limit customer-related risks further, Net Insight continuously endeavors to exceed customer expectations in terms of the technology performance and quality of its products, as well as its level of customer service.

### *Supplier risk*

Net Insight is dependent on a limited number of suppliers for components and production. To mitigate the effects of potential supply chain disruptions, the company has consequential loss coverage, maintains dialogue with alternative suppliers, and ensures that the relevant preferred suppliers have prepared disruption plans.

### *Competence risks*

Net Insight's operations involves advanced technology in complex global situations where skilled, competent and motivated staff is needed to ensure the company's competitiveness.

The competition to attract the best resources is strong and the risk of losing skilled staff is always present. Similarly, the ability to continue attracting new competent staff is crucial.

Net Insight has implemented processes and guidelines to ensure competence training and support in form of staff appraisal, employee surveys, compensation packages and training. See also the sustainability report on pages 37-41.

## GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

---

The most recently adopted guidelines for remuneration to senior executives are described in note 7 and apply until the Annual General Meeting (AGM) on May 8, 2018. A new proposal will be submitted to the AGM 2018 which essentially corresponds to the guidelines adopted at the AGM 2017.

## DIVIDEND

---

Net Insight AB (publ) is currently a well-capitalized company with a strong cash position. A strong cash position is important in contexts including the company being able to demonstrate long term financial sustainability to customers, and partly to be able to make investments in growth segments. The Board of Directors is proposing to the AGM that no dividend is paid for the financial year 2017.

## PROPOSED APPROPRIATION OF EARNINGS

---

*The following funds are at the disposal of the parent company (SEK thousands):*

Share premium reserve	51,296
Retained earnings	470,105
Net income	6,230
<b>Summa</b>	<b>527,631</b>

The Board of Directors proposes that funds be appropriated as follows:

Brought forward: SEK 527,631 thousand

Regarding the group's and parent company's results of operations and financial position otherwise, refer to the following Balance Sheets, Income Statements and Cash Flow Statements with the associated notes.

## CORPORATE GOVERNANCE

---

The Corporate Governance Report is on pages 82–85.

# Net Insight's Sustainability Report 2017

## About the report and our reporting principles

Net Insight AB (publ) hereby publishes its first Sustainability Report which covers Net Insight AB and its subsidiaries (see reference to note 22 in this report) for the financial year 2017. The Sustainability Report has been produced to meet the requirements of the Swedish Annual Accounts Acts (ÅRL).

In preparing the Sustainability Report, inspiration and guidance have been taken from Global Reporting Initiatives (GRI) Standards for Sustainability Reporting, however the guidelines are not fully applied. Where performance indicators have been prepared according to GRI, this is indicated with a \*. It is Net Insight's first Sustainability Report, and no significant changes have been made to the reporting principles. Some indicators or areas are reported for the first time, explaining why comparisons with previous years may be lacking. Net Insight's ambition is to increase reporting over the coming years.

### Net Insight's business model

Net Insight delivers products, software and services for effective, high-quality media transport, coupled with the effective management of resources, which creates an enhanced TV experience. Net Insight's offering spans the entire media spectrum, starting from the TV camera lens to the TV studio, right through to the TV consumer. Customers are mainly service providers and broadcasters. The company has more than 500 customers in 60 countries, with its headquarters in Stockholm and offices in Singapore, London and Hollywood (Florida). Hollywood (Florida) is the biggest site outside Sweden. Stockholm is the main site for development activities, but Hollywood (Florida) also has a significant development team. All four main locations have staff covering sales, technical support and other services.

Net Insight develops its own hardware and software and provides services, mainly support services, using its own staff. The hardware, which is developed in-house, is manufactured mainly by production partners located in Sweden. All physical shipments to customers are made from Sweden. According to standard terms and conditions, customers are responsible for picking up physical goods in Stockholm. Customers mainly choose airfreight from Sweden to the final destination of delivery. Shipments to Net Insight from its manufacturing partners are made by truck from Swedish partners, or by boat or airfreight from international partners. Hardware accounts for 38 percent of Net Insight's revenues. However, shipment volumes are relatively limited.

Net Insight's main goals and strategies can be found on pages 8-11 in the Annual Report. Trends important for the company can be found on page 12, under Value drivers. These include growth in video traffic, growth in live streaming and increased importance of workflow efficiencies.

### Materiality analysis and stakeholder dialogue

Materiality defines the sustainability topics that are most important for reporting in the context of a company's economic, environmental, and social impact. To understand this, external and internal input from stakeholders related to sustainability needs to be evaluated.

Net Insight has multiple ongoing stakeholder contacts with its customers, investors, employees and others seeking information or maintaining a dialogue with the company. However, Net Insight has implemented a more thorough and documented stakeholder dialogue process specifically for the Sustainability Report in order to capture the stakeholders' focus and expectations regarding important sustainability factors. Accordingly, the company has held a number of stakeholder dialogues with customers, owners and investors, employees, board members and suppliers in the form of interviews and surveys in the second half of 2017, see table on page 38 for more information about the dialogues.

Net Insight's executive management team has completed a materiality analysis workshop defining the most important sustainability aspects for Net Insight based on the outcome of the dialogues, alongside an analysis of Net Insight's competitors and an overview of the business environment and global trends related to sustainability. The analysis was based on information from the stakeholder dialogues, and risks and opportunities related to sustainable business covering areas such as legislation, environment, social environment, employees, respect for human rights, anti-corruption and governance. The outcome has been presented to the Board. The results of the materiality analysis are shown in the graph on page 38, and the most important sustainability areas are reflected in governance, risk and outcome and performance indicators as presented in this report.

No external or internal stakeholders have identified "respect for human rights" as an area where Net Insight has any significant impact and it has been omitted from Net Insight's Sustainability Reporting 2017. However, Net Insight respects human rights in its various business relationships and considers the question in relation to the company's value chain. Net Insight is guided by and follows regulations from the UN, government agencies and the EU on human right issues. The area "respect for human rights" will be considered again in the periodical materiality analysis process described below, in order to evaluate if it will be more relevant to the company and thus in terms of scope for reporting

### Number and type of stakeholder dialogues specifically related to Net Insight and sustainability for 2017

	Type of dialogue	Number of dialogues
Employees	Survey	127 unique responses
Owners, investors and Board members	Interviews	3
Net Insight Management	Interviews	7
Suppliers (major)	Interviews	4
Customers (major)	Interviews	1

The materiality analysis will be updated periodically or if there are significant changes to Net Insight and its business environment. The existing analysis will be evaluated yearly to make sure it remains relevant to the Net Insight business.

### Governance related to Net Insight’s most important sustainability aspects

The Board of Directors has overall responsibility for corporate governance at Net Insight. This governance also includes sustainability. The Board of Directors is responsible for policies related to many of the sustainability areas in this report. The Board of Directors has been informed about the results of the materiality analysis previously presented. Further information on this year’s work by the Board is described in the Corporate Governance report on pages 82-85.

The CEO is responsible for executing the Board’s decisions and strategies, and ensuring that Net Insight and all employees comply with relevant legislation and policies. The management team supports the CEO in implementing the decisions taken by the Board, and ensuring that all employees understand and act in accordance with such policies and guidelines.

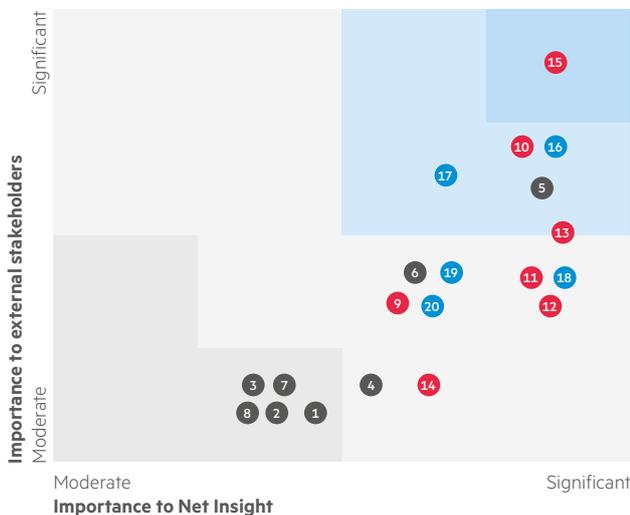
### Steering documents and guidelines

During 2017, the Board approved several policies. Parts of the policies, such as objectives and ambitions, are set out in this Sustainability Report. The Board adopted a Business Ethics policy that applies for the entire group and all employees. The policy consists of Net Insight’s Code of Business Ethics, which sets the tone for how the company conducts its business globally. A separate anti-corruption policy was updated in 2016. The Insider policy was adopted in 2017 in order to maintain a high ethical level. The policy is meant to reduce the risk of insider trading and other prohibited actions. The policies have been communicated to all employees during the year through different internal communication channels.

Furthermore, the Board approved an Equality, Inclusion and Diversity policy. It aims to guarantee that employees and others work in an environment with equal treatment regardless of gender, gender identity, ethnic or religious affiliation, beliefs, disability, sexual orientation or age. This policy is reflected in many of the company’s processes and is very important in areas such as the recruitment process.

The company’s policies form the basis for internal guidelines and procedures for its day-to-day operations. Net Insight also has internal guidelines for respecting environmental issues related to its products, the company and its suppliers. The guidelines cover areas such as conflicts minerals, WEEE and waste return and environmentally-friendly design. The company also has several guidelines and handbooks relating to employees’ rights and obligations, the recruitment process and the working environment and wellbeing. All these guidelines and procedures have been well integrated in the company for many years and are evaluated regularly to ensure they are updated and relevant for the business. Managers and executive managers are responsible for the follow-up.

### Results of the materiality analysis



#### Environment

- 1 Certificates
- 2 Emissions (transport)
- 3 Energy consumption
- 4 Material used
- 5 Product efficiency/product’s energy consumption
- 6 Product lifecycle
- 7 Safety of the product
- 8 Waste (recycling)

#### Employees and social environment

- 9 Community engagement
- 10 Competence and development
- 11 Diversity
- 12 Equal opportunities
- 13 Health and well-being
- 14 Human rights
- 15 Keep and attract talented people

#### Economic/governance aspects

- 16 Anti-corruption
- 17 Information and personal data security
- 18 Market presence and ethics (on existing markets)
- 19 Responsible supply chain
- 20 Transparency

## Important sustainability-related risks and risk management

Important risks	Risk management
<b>Environment</b>	
<p><b>The risk of non-compliance with regulations governing a product's energy consumption</b></p> <p>Due to climate change, there is a consensus that global greenhouse gas emissions need to be reduced. There is a likelihood that political initiatives and regulations will force Net Insight to adjust its production as a consequence. Products' energy consumption is one of many areas that most likely will be the subject of further regulation. Net Insight faces the risk of having insufficient knowledge or not being able to adapt its products accordingly.</p>	<p>Net Insight continuously monitors and follows political developments and the legislative agenda in the countries where the company operates. The company has a process to handle new rules and new legislation.</p> <p>The company has implemented guidelines with respect to environmental regulation and its processes. This assures a high standard of company products and compliance with legislation.</p>
<b>Employees and social environment</b>	
<p><b>Loss or lack of qualified employees</b></p> <p>Net Insight considers that loss of key competences, not being able to attract key competences, or recruiting the wrong competences are significant risks.</p>	<p>Net Insight perceives an increased risk relating to competences in software development. Net Insight works continuously to strengthen the employer brand and to ensure competitive compensation and benefits structure and levels. For example, in 2015, 2016 and 2017, the company introduced synthetic options programs to key employees and other employees. Furthermore, Net Insight has implemented recruitment guidelines to ensure high skills. Employees are evaluated yearly in a performance development dialogue. Employee satisfaction is measured yearly to capture bigger changes.</p>
<p><b>Insufficient governance of work environment (health and well-being)</b></p> <p>A high standard and good governance relating to the working environment can be at risk if Net Insight fails to respect labor law and regulations. It can present a risk to employee health and well-being if Net Insight fails to provide an adequate working environment.</p>	<p>The company continuously monitors long-term sick leaves and reviews employees' satisfaction through surveys and performance development discussions to ensure that employees are achieving a good work-life balance. In cases where problems are noted, these are discussed with the line manager and the employee, with support of HR, in order to find a good solution to potential or existing problems at work.</p>
<p><b>Non-compliance with the Business Ethics Policy and the Equality, Inclusion and Diversity Policy</b></p> <p>A high ethical standard is important to Net Insight and its business. Net Insight is exposed to risk if equality or other business ethics policies are not respected.</p>	<p>The sales department has been identified as the area with the highest risk of not complying with the Business Ethics Policy. The company regularly holds training sessions with staff from the department on the policy. Net Insight plans to hold new training sessions during 2018, and is implementing an online tool that includes training related to the Policies for Business Ethics and Anti-Corruption. The tool will be used during the onboarding process for new employees starting in 2018.</p> <p>HR is responsible for compliance with the Equality, Inclusion and Diversity Policy. It is implemented in several processes, such as the recruitment process and career development and is followed up regularly.</p>
<b>Economic/governance aspects</b>	
<p><b>Unethical behavior and corruption on existing markets and in the supply chain</b></p> <p>This is a major concern for the brand and business due to the fact that Net Insight operates on over 60 markets.</p>	<p>A high ethical standard is important for long-term business success. Net Insight's Business Ethics and Anti-Corruption Policies and other principles guide employees in respecting ethical standards and complying with the relevant legislation. The policies are included in the company's employment agreements, governed by the Head of Contracts and regularly monitored by the executive management team. Training is carried out on a regular basis and is also part of the onboarding program. Breaches of the policies can be reported anonymously through an external whistleblower reporting service.</p>

## The outcome of Net Insight's sustainability work in 2017

### Social environment and employees

#### Attracting and retaining the right employees - competences for future and existing employees

Net Insight has three core values; Visionary, True Partner and Expert. The values were presented in 2016 as part of the company's corporate culture work on the vision, strategy and brand. This remains in focus in 2018, and Net Insight intends to retain existing employees and attract new experienced and skilled employees into its corporate culture and workplace.

When recruiting new employees, each candidate goes through an assessment. Net Insight produces a thorough specification and analysis for the role the person is recruited for. Human Resources guides the recruiting manager and supports the recruitment process to ensure a high-quality outcome for Net Insight and the individual. The Equality, Inclusion and Diversity Policy must be respected throughout the process.

As soon as individuals are employed, they are introduced to Net Insight's processes for performance and career development. Education and competence development are decided on the basis of the individual's background, their role at Net Insight, departmental plans and the company's overall three-year plan. All employees have annual development dialogues with their manager. The dialogue and follow-ups are documented, enabling the company to monitor performance. The company's target is for all (100%) employee dialogues to be performed and documented. In 2017, 86% of all employee performance development dialogues were approved\*. Net Insight completed a leadership training program as early as 2014, which focused on giving managers the tools needed to optimize their leadership in a sector undergoing continuous transformation. Net Insight has annually conducted training to ensure skills and managers' prerequisites to reach Net Insight's goals.

#### Focus on employee health and well-being

Net Insight completes an employee satisfaction survey annually to monitor the work associated with transforming the corporate culture to a more customer and market-focused organization, and to measure the health and well-being of its employees. One measure in the employee satisfaction survey is a Net Promoter Score (NPS). A high NPS score means that the company has more ambassadors and more satisfied employees, which generates more loyal customers. Net Insight's NPS remained well above the benchmark for 2017, with a result of 11 (12 for 2016). A strong internal culture is the leverage the company needs, internally and externally, in order to attract, retain and develop talented staff on a highly competitive labor market. The company was awarded Career Company in 2016 and 2017, which can be seen as a confirmation of its successful branding work.

### Diversity and equal opportunities

Net Insight implemented a policy for diversity and equal opportunities in 2017, see Corporate Governance section on pages 82-85. Diversity is a natural part of the company's operations. The organization and employees of a global company need to reflect its international customer base and to incorporate an understanding of local markets and cultures. Diversity brings a range of perspectives and contributes to creativity and innovation, which in turn are prerequisites for success. Net Insight benefits from ethnic diversity in its global operations which include staff from many different cultures. The company guarantees equal rights and opportunities regardless of gender, gender identity, ethnic or religious affiliation, beliefs, disability, sexual orientation or age. Net Insight does not tolerate any type of discriminatory behavior. In case of breach or misconduct all employees can report to Legal, HR, or a manager. If the employee wishes to report anonymously, a whistleblower function can be used. This is an external function where all cases are reported to Board members for further investigation. The aim is to have no cases during the year, and no cases were reported in 2017 (0, 2016).

Net Insight faces the challenge of recruiting more women, especially within technical development, since the low proportion of female engineers remains. Consequently, Net Insight requires recruiting agencies to present equal numbers of female and male candidates. During 2017, Net Insight participated in several career fairs at universities and institutes of higher education to attract new talent. Net Insight also focuses on its corporate culture in order to strengthen the company's brand among new and existing employees. Net Insight has not set any targets related to gender distribution, but strives to improve the numbers continuously.

Average proportion of women,%	2017	2016
The Board of Net Insight	41%	43%
Executive Management	31%	32%
Total workforce	19%	19%

### Economic / governance aspects

Net Insight has several stakeholders in its value chain, the most important being employees, investors, customers and suppliers. All interaction has to comply with Net Insight's ethical standards.

#### Business ethics, Code of Conduct and Net Insight's market presence

Operations should always be conducted in accordance with applicable legislation and accepted principles. Net Insight's basic principles for good business ethics is set out in its Business Ethics Policy. Net Insight includes relevant business ethics provisions in customer contracts, and supplier agreements include contract clauses reflecting this.

\*<sup>3</sup>) Indicator according to GRI Standards

*Anti-corruption work*

Net Insight has a zero-tolerance approach to corruption, including undue advantage, improper influence and other types of corruption. Reinforcing its anti-corruption work, Net Insight implemented an updated Anti-corruption Policy in 2016. This policy, which applies to all employees in the group and many business partners (such as resellers, agents and subcontractors), is consistent with applicable legislation and the Swedish Anti-Corruption Institute's Code on gifts, rewards and other benefits in business (commonly referred to as The Code of Business Conduct). The activities of the sales department have been identified as having a higher risk of not complying with the Business Ethics and Anti-corruption Policies. Accordingly, the company has completed several training sessions with employees from this department relating to the Anti-corruption policy and the Code. In 2017, approximately 90% of the concerned staff participated\*. Net Insight plans to hold new training sessions during 2018, and is implementing an online tool that includes training related to the Policies for Business Ethics and Anti-Corruption.

Net Insight encourages the reporting of any breaches in the aforementioned areas. In addition to regular reporting paths, all Net Insight employees can report serious incidents involving senior executives or key individuals anonymously through a whistleblower function. There were no cases of corruption in 2017 (0, 2016)\*.

*Information and personal data security*

Net Insight is currently preparing for GDPR, which will apply as of 25 May 2018. As Net Insight does not handle personal data from consumers as part of its business, Net Insight's assessment is that GDPR will only have a minor impact on its business. Net Insight's HR and CRM systems are GDPR compliant.

*Our environmental business*

Net Insight's operations focus on three key offerings to customers: Nimbra, ScheduALL and Sye. The company's impact on the external environment is considered to be small. This was reflected in the materiality analysis completed in 2017, where only energy consumption relating to hardware was of material interest for environmental issues, concerning both external and internal stakeholders. It is not currently possible to monitor a specific product's energy consumption. However, Net Insight is evaluating the possibility of measuring this. The products are generally considered to have low energy consumption. Net Insight complies with all legal requirements relating to energy consumption and product labeling.

Although the company's environmental impact is considered to be small overall, Net Insight continually works with a number of environmental issues primarily related to regulation of its products and operations. There are guidelines in place governing conflict minerals and Net Insight maintains strict control of its suppliers. There are also guidelines governing environmentally-friendly design and following the WEEE-directive and waste return. The company requires its suppliers to be ISO 14001 certified.

Net Insight will decrease its environmental impact when it moves to new offices in Sweden in 2018. Heat from laboratories will be recycled to heat the entire office building, in association with other companies operating in the building.

\*<sup>1</sup>) Indicator according to GRI Standards

# Group Financial Report

## Consolidated Income Statement

Amounts in SEK thousands	Note	2017	2016*
Net sales	4	426,746	503,522
Cost of sales	8,10,16,17	-178,707	-187,712
<b>Gross earnings</b>		<b>248,039</b>	<b>315,810</b>
Sales and marketing expenses	8,10,16,17	-144,741	-137,094
Administration expenses	8,10,11,16,17	-49,680	-54,249
Development expenses	6,8,10,16,17	-63,100	-75,031
<b>Operating earnings</b>	5,7,9	<b>-9,482</b>	<b>49,436</b>
<b>Result from financial investments</b>			
Financial income	12	15,086	183
Financial expenses	12	-68	-5,612
<b>Result from financial investments</b>		<b>15,018</b>	<b>-5,429</b>
<b>Profit/loss before tax</b>		<b>5,536</b>	<b>44,007</b>
Tax	13,14	-1,829	-8,841
<b>Net income</b>		<b>3,707</b>	<b>35,166</b>
<b>Net income for the period attributable to the stockholders of the parent company</b>			
Earnings per share, basic (SEK)	15	0.01	0.09
Earnings per share, diluted (SEK)	15	0.01	0.09

## Consolidated Statement of Comprehensive Income

Amounts in SEK thousands	Note	2017	2016
<b>Net income</b>		<b>3,707</b>	<b>35,166</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to the income statement:</i>			
Translations differences		-7,525	6,619
<b>Total other comprehensive income for the year, after tax</b>		<b>-7,525</b>	<b>6,619</b>
Total comprehensive income for the year		-3,818	41,785
<b>Total comprehensive income for the year attributable to the stockholders of the parent company</b>		<b>-3,818</b>	<b>41,785</b>

\*The Company has adjusted its calculation method for capitalized development expenditure in certain development projects. The adjustments have been applied retroactively. See note 1.1 on page 50.

## Consolidated Balance Sheet

Amounts in SEK thousands	Note	Dec 31, 2017	Dec 31, 2016*
<b>ASSETS</b>			
<b>Intangible assets</b>			
Capitalized expenditure for development	4,16	251,622	225,948
Goodwill	4,16	58,452	64,136
Other intangible assets	4,16	19,458	26,037
<b>Tangible fixed assets</b>			
Equipment	4,17	4,636	3,123
<b>Financial assets</b>			
Deferred tax asset	14	13,756	16,163
Deposits	29	4,911	309
<b>Total non-current assets</b>		<b>352,835</b>	<b>335,716</b>
<b>Current assets</b>			
Inventories	18	43,598	47,065
Accounts receivable	19,21	106,186	111,121
Other receivables	19,21	6,133	10,911
Prepaid expenses and accrued income	19	10,418	8,287
Cash and cash equivalents	20,21,28	177,745	214,943
<b>Total current assets</b>		<b>344,080</b>	<b>392,327</b>
<b>TOTAL ASSETS</b>		<b>696,915</b>	<b>728,043</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to parent company's shareholders</b>			
Share capital	23	15,597	15,597
Other paid-in capital		1,192,727	1,192,727
Translation difference		-1,133	6,392
Accumulated deficit		-659,225	-651,688
<b>Total equity</b>		<b>547,966</b>	<b>563,028</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	21,24	14,122	33,734
Other provisions	25	5,616	9,488
<b>Total non-current liabilities</b>		<b>19,738</b>	<b>43,222</b>
<b>Current liabilities</b>			
Accounts payable	21	21,841	14,996
Current tax liabilities		318	304
Other liabilities	21,26	6,439	3,556
Other provisions	25	5,167	2,687
Accrued expenses and deferred income	27	95,446	100,250
<b>Total current liabilities</b>		<b>129,211</b>	<b>121,793</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>696,915</b>	<b>728,043</b>

\*The Company has adjusted its calculation method for capitalized development expenditure in certain development projects. The adjustments have been applied retroactively. See note 1.1 on page 50.

## Consolidated Statement of Cash Flow

Amounts in SEK thousands	Note	2017	2016
<b>Ongoing activities</b>			
Profit/loss before tax		5,536	44,007
Income tax paid		-247	-701
Depreciation, amortization and impairment	8	71,154	63,308
Other items not affecting liquidity	28	-12,348	17,859
<b>Cash flow from operating activities before changes in working capital</b>		<b>64,095</b>	<b>124,473</b>
<b>Changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		106	2,419
Increase (-)/Decrease (+) in receivables		9,447	-31,837
Increase (+)/Decrease (-) in liabilities		-2,382	13,972
<b>Cash flow from operating activities</b>		<b>71,266</b>	<b>109,027</b>
<b>INVESTMENT ACTIVITIES</b>			
Investments in intangible assets	16	-90,069	-76,693
Investments in tangible assets	17	-2,906	-2,203
Investments in financial assets		-4,602	70
<b>Cash flow from investment activities</b>		<b>-97,577</b>	<b>-78,826</b>
<b>FINANCING ACTIVITIES</b>			
Option premium	24	763	1,001
Repurchase of own shares	23	-11,244	-10,307
<b>Cash flow from financing activities</b>		<b>-10,481</b>	<b>-9,306</b>
<b>Net change in cash and cash equivalents</b>		<b>-36,792</b>	<b>20,895</b>
Exchange differences in cash and cash equivalents		-406	432
Cash and cash equivalents at the beginning of the year		214,943	193,616
<b>Cash and cash equivalents at the end of the year</b>	20,21	<b>177,745</b>	<b>214,943</b>

## Changes in Consolidated Equity

Amounts in SEK thousands	Attributable to parent company's shareholders				Total shareholders' equity
	Share capital	Other paid-in capital	Translation differences	Accumulated deficit	
January 1, 2016	15,597	1,192,727	-227	-676,547	531,550
<b>Comprehensive income</b>					
Net income	-	-	-	35,166	35,166
Translation differences	-	-	6,619	-	6,619
<b>Total comprehensive income</b>	<b>15,597</b>	<b>1,192,727</b>	<b>6,392</b>	<b>-641,381</b>	<b>573,335</b>
<b>Transactions with owners in their capacity as owners:</b>					
Repurchase of own shares	-	-	-	-10,307	-10,307
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-10,307</b>	<b>-10,307</b>
December 31, 2016	15,597	1,192,727	6,392	-651,688	563,028
January 1, 2017	15,597	1,192,727	6,392	-651,688	563,028
<b>Comprehensive income</b>					
Net income	-	-	-	3,707	3,707
Translation differences	-	-	-7,525	-	-7,525
<b>Total comprehensive income</b>	<b>15,597</b>	<b>1,192,727</b>	<b>-1,133</b>	<b>-647,981</b>	<b>559,210</b>
<b>Transactions with owners in their capacity as owners:</b>					
Repurchase of own shares	-	-	-	-11,244	-11,244
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-11,244</b>	<b>-11,244</b>
December 31, 2017	15,597	1,192,727	-1,133	-659,225	547,966

# Parent Company Financial Report

## Parent Company Income Statement

Amounts in SEK thousands	Note	2017	2016
Net sales	4	486,925	567,951
Cost of sales	8,10,16,17	-200,873	-241,440
<b>Gross earnings</b>		<b>286,052</b>	<b>326,511</b>
Sales and marketing expenses	8,10,16,17	-130,044	-113,361
Administration expenses	8,10,11,16,17	-43,448	-44,407
Development expenses	6,8,10,16,17	-122,508	-117,883
<b>Operating earnings</b>	<b>5,7,9</b>	<b>-9,948</b>	<b>50,860</b>
<b>Result from financial investments</b>			
Financial income	12	14,593	165
Financial expenses	12	-224	-3,869
<b>Result from financial investments</b>		<b>14,369</b>	<b>-3,704</b>
<b>Profit/loss before tax</b>		<b>4,421</b>	<b>47,156</b>
Tax	13,14	1,809	-561
<b>Net income</b>		<b>6,230</b>	<b>46,595</b>

## Parent Company Statement of Comprehensive Income

Amounts in SEK thousands	Note	2017	2016
Net income		6,230	46,595
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to the income statement		-	-
<b>Total comprehensive income for the year</b>		<b>6,230</b>	<b>46,595</b>
<b>Total comprehensive income for the year attributable to the stockholders of the parent company</b>		<b>6,230</b>	<b>46,595</b>

## Parent Company Balance Sheet

Amounts in SEK thousands	Note	Dec 31, 2017	Dec 31, 2016
<b>ASSETS</b>			
<b>Intangible assets</b>			
Other intangible assets	4,16	6,875	5,477
<b>Tangible fixed assets</b>			
Equipment	4,17	4,414	2,918
<b>Financial assets</b>			
Participations in group companies	22	295,068	299,243
Deferred tax asset	14	1,994	185
Deposits	29	4,736	161
<b>Total non-current assets</b>		<b>313,087</b>	<b>307,984</b>
<b>Current assets</b>			
Inventories	18	43,598	47,065
Accounts receivable	19	86,438	100,883
Receivables from group companies	19	132,978	111,348
Other receivables	19	5,915	15,356
Prepaid expenses and accrued income	19	7,894	6,049
Cash and cash equivalents	20	166,200	194,423
<b>Total current assets</b>		<b>443,023</b>	<b>475,124</b>
<b>TOTAL ASSETS</b>		<b>756,110</b>	<b>783,108</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	23	15,597	15,597
Statutory reserve		112,822	112,822
<b>Non-restricted equity</b>			
Share premium reserve		51,296	51,296
Retained Earnings		470,105	434,754
Net Income		6,230	46,595
<b>Total equity</b>		<b>656,050</b>	<b>661,064</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	24	4,251	24,995
Other provisions	25	4,995	9,488
<b>Total non-current liabilities</b>		<b>9,246</b>	<b>34,483</b>
<b>Current liabilities</b>			
Accounts payable		20,284	13,269
Other liabilities	26	6,149	3,108
Other provisions	25	4,793	2,687
Accrued expenses and deferred income	27	59,588	68,497
<b>Total current liabilities</b>		<b>90,814</b>	<b>87,561</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>756,110</b>	<b>783,108</b>

## Parent Company Statement Of Cash Flow

Amounts in SEK thousands	Note	2017	2016
<b>Ongoing activities</b>			
Profit/loss before tax		4,421	47,156
Income tax paid		-	-592
Depreciation and amortization	8	2,723	3,328
Other items not affecting liquidity	28	-15,108	11,816
<b>Cash flow from operating activities before changes in working capital</b>		<b>-7,964</b>	<b>61,708</b>
<b>Changes in working capital</b>			
Increase (-)/decrease (+) in inventories		106	2,419
Increase (-)/decrease (+) in receivables		2,112	-32,001
Increase (+)/decrease (-) in current liabilities		-5,979	11,398
<b>Cash flow from operating activities</b>		<b>-11,725</b>	<b>43,524</b>
<b>INVESTMENT ACTIVITIES</b>			
Investments in intangible assets	16	-2,790	-2,585
Investments in tangible assets	17	-2,827	-2,150
Acquisition of group companies	22	4,175	-
Investments in financial assets		-4,575	44
<b>Cash flow from investment activities</b>		<b>-6,017</b>	<b>-4,691</b>
<b>FINANCING ACTIVITIES</b>			
Option premium	24	763	942
Repurchase of own shares	23	-11,244	-10,307
<b>Cash flow from financing activities</b>		<b>-10,481</b>	<b>-9,365</b>
<b>Net change in cash and cash equivalents</b>		<b>-28,223</b>	<b>29,468</b>
Cash and cash equivalents at the beginning of the year		194,423	164,955
<b>Cash and cash equivalents at the end of the year</b>	20	<b>166,200</b>	<b>194,423</b>

## Changes in Parent Company's Equity

Amounts in SEK thousands	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Net income	Total equity
January 1, 2016	15,597	112,822	51,296	423,216	21,845	624,776
<b>Total comprehensive income</b>						
Redistribution previous year net earnings	-	-	-	21,845	-21,845	-
Net income	-	-	-	-	46,595	46,595
<b>Total comprehensive income</b>	<b>15,597</b>	<b>112,822</b>	<b>51,296</b>	<b>445,061</b>	<b>46,595</b>	<b>671,371</b>
<b>Transactions with owners in their capacity as owners:</b>						
Repurchase of own shares	-	-	-	-10,307	-	-10,307
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-10,307</b>	<b>0</b>	<b>-10,307</b>
December 31, 2016	15,597	112,822	51,296	434,754	46,595	661,064
January 1, 2017	15,597	112,822	51,296	434,754	46,595	661,064
<b>Total comprehensive income</b>						
Redistribution previous year net earnings	-	-	-	46,595	-46,595	-
Net income	-	-	-	-	6,230	6,230
<b>Total comprehensive income</b>	<b>15,597</b>	<b>112,822</b>	<b>51,296</b>	<b>481,349</b>	<b>6,230</b>	<b>667,294</b>
<b>Transactions with owners in their capacity as owners:</b>						
Repurchase of own shares	-	-	-	-11,244	-	-11,244
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-11,244</b>	<b>0</b>	<b>-11,244</b>
December 31, 2017	15,597	112,822	51,296	470,105	6,230	656,050

# Notes

## Note 1 Summary of significant accounting policies

The consolidated accounts include Net Insight AB (publ), the parent company, and its subsidiaries ("the Group", the Company"). The parent company Net Insight AB (publ), corporate identity number 556533-4397, is a Swedish limited liability company whose registered office is in Stockholm. Net In-sight had its initial public offering on the Stockholm Stock Exchange in 1999 and has been listed on NASDAQ OMX Stockholm since July 1, 2007.

For a discussion about the group's performance and financial position please refer to our operating and financial review on pages 30 to 36.

The principal accounting policies applied in the preparation of these consolidated accounts are listed below. These policies were consistently applied to all years presented, unless otherwise stated.

### 1.1 Basis of preparation

The consolidated accounts were prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS), and interpretation statements from the International Financial Reporting Standards Interpretations Committee (IFRS IC) as endorsed by the European Commission. The Swedish Financial Accounting Standards Council's recommendation RFR 1, Supplementary Accounting Rules for groups, was also applied. The consolidated accounts have been prepared under the historical cost, except regarding financial assets and liabilities recognized at fair value through profit or loss.

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates and management's judgments in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated accounts are disclosed in note 3.

The Company has adjusted its calculation method for capitalized development expenditure in certain development projects. The adjustments have been applied retroactively. For 2016 operating earnings were adjusted by SEK -2.9 million, tax by SEK 0.6 million and net income by SEK -2.3 million. As of December 31, 2016, capitalized expenditure for development were adjusted by SEK -2.9 million, deferred tax assets by SEK 0.6 million and equity by SEK -2.3 million.

The Company has applied the guidelines issued by European Securities and Markets Authority (ESMA) on APMs (Alternative Performance Measures). In short, an APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in IFRS. For definition of the APMs presented in this annual report, see page 87-91.

### **New standards, amendments and interpretations adopted by the group**

None of the new standards and amendments to interpretation statements and standards that are effective for annual periods beginning after January 1, 2017, had a significant effect on the consolidated financial statements.

### **New standards, amendments and interpretations not yet adopted**

The following standards have been issued but are not mandatory for 2017 and have not been adopted earlier by Net Insight.

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

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

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

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

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

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

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

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

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

*IFRS 16 Leasing* will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

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

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 accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

This standard is effective as from January 1, 2019. Early adoption is permitted only if IFRS 15 is adopted at the same time.

The Company evaluates that the biggest effects from the new standard will relate to the office leases.

There are no other IFRSs or IFRIC interpretations that are not yet effective that are expected to have a material impact on the group.

## 1.2 Consolidation

### **Subsidiaries**

Subsidiaries are all entities (including partnerships and structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power of the entity. Subsidiaries are fully consolidated accounts from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to report the group's acquisition of subsidiaries. The purchase cost of an acquisition comprises the fair value of assets provided as payment, issued

equity instruments. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed when they occur. Identifiable acquired assets, assumed liabilities, and contingent liabilities in a business combination are initially valued at fair value as of the date of acquisition.

The surplus that consists of the difference between the cost and fair value of the group's share of identified and acquired net assets is recognized as goodwill. If the purchase cost is less than the fair value of the acquired subsidiary's net assets, the difference is reported directly in the Income Statement.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

## 1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the CEO, who is responsible for allocating resources and assessing the performance of the operating segments and making strategic decisions. Segment information is presented in three geographical regions: Western Europe (WE), Americas (North and South America, AM) and Rest of World (RoW).

## 1.4 Foreign currency translation

### **A. Functional currency and reporting currency**

Items included in the financial statements for the different units in the group are valued in the currency used in the economic environment in which the respective companies are primarily active (functional currency). In the consolidated accounts and parent company's accounts, Swedish kronor (SEK) are used, which is the parent company's functional currency, and the parent company's and the group's reporting currency.

### **B. Transactions and balances**

Foreign currency transactions are translated to the functional currency at the rates of exchange ruling on the transaction date or valuation where items are re-measured. Exchange gains and losses arising on payment of such transactions and in translation of monetary assets and liabilities in foreign currencies are reported as follows in the Income Statement:

- Translation of accounts receivable are reported as net sales.
- Translation of accounts payable are reported as cost of sales.
- Translation of monetary assets and group companies' debts and receivables to foreign group companies are reported as net financial items.

### **C. Group companies**

The results of operations and financial position of foreign subsidiaries that have a different functional currency to the reporting currency are translated to the group's reporting currency as follows:

- Assets and liabilities on the Balance Sheet are translated at the closing rate on the reporting date.

- Income and expenses are translated at the average rate of exchange for the year.
- All exchange rate differences that arise are reported as a separate component of equity and in the Statement of Comprehensive Income.

### 1.5 Tangible fixed assets

Tangible fixed assets are recognized at cost less deductions for accumulated depreciation and impairment. All expenditure directly attributable to acquisition of the asset is included at cost. Additional costs are included in asset carrying amounts or recognized as a separate asset only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. The straight-line depreciation method is applied to all types of assets over their estimated useful lives, which is three to five years for equipment. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate. Gains and losses on disposal are recognized in the Income Statement within other gains/losses.

### 1.6 Intangible assets

#### **A. Capitalized expenditure for development**

Costs arising in development projects are recognized as intangible assets when it is likely that the project will be successful in terms of its commercial and technical potential and when the expenses can be measured reliably. Costs directly linked to the development of products to be sold are recognized as intangible assets. They are capitalized when criteria are satisfied during the development phase. Development expenses include internal employee expenses arising through the development of products and a reasonable proportion of direct and indirect costs. Other development expenses are reported as incurred. Development expenses that were previously reported as a cost are not reported as an asset in an ensuing period. Capitalized development expenditures with a limited useful life are amortized on a straight-line basis from the time commercial manufacture commences. Amortization is over expected useful life, which is three to five years.

#### **B. Goodwill**

Goodwill consists of the amount by which the purchase cost exceeds the fair value of the group's share of the acquired subsidiary's identifiable net assets at the time of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets and has an indefinite useful life. Goodwill is tested at least annually to identify any impairment requirements and is reported at cost less accumulated impairment losses. Gains or losses on disposal of a unit include residual carrying amounts of the goodwill pertaining to the disposed unit.

#### **C. Intangible assets from business combinations**

Intangible assets acquired via the 2015 business combinations – technology, trademarks and customer relations – are amortized over their expected useful life, which is seven to fifteen years.

#### **D. Other intangible assets**

The balance sheet item Other intangible assets consists, in addition to the under C listed assets trademarks and customer relations, also of licenses and systems. The expected useful life for other intangible assets is three to five years.

### 1.7 Impairment

Non-financial assets that have an indefinite useful life are reviewed annually for potential impairment requirement and are not subject to amortization. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is applied in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment test is conducted at the end of each period, and if an asset's carrying amount exceeds its estimated recoverable amount, the asset is impaired to its recoverable amount.

### 1.8 Financial assets

The group classifies financial assets in the following categories; financial assets at fair value through profit and loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### **A. Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current.

#### **B. Loans and receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's receivables are comprised of 'trade and other receivables' and 'cash and cash equivalents' in the Balance Sheet.

#### **C. Recognition and measurement**

Regular purchases and sales of financial assets are recognized on the trading date – the date the group undertakes to purchase or sell the asset. These investments are initially recognized at fair value plus transaction costs for all financial assets not measured at fair value through profit or loss. Financial assets measured through profit or loss are initially recognized at fair value and transactions expense through profit or loss.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The company does not apply hedge accounting.

Financial assets are de-recognized from the Balance Sheet when the right to receive cash flow from the investment have expired or transferred and substantive risks and rewards of ownership are transferred. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss category are presented in the Income Statement within net sales (currency derivatives) and net financial items (synthetic options) – net in the period in which they arise.

#### **D. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### 1.9 Accounts receivable

Accounts receivable are initially reported at fair value and subsequently measured at amortized cost using the effective interest method. Accounts receivable are not revaluated at amortized cost, if it would only provide an insignificant impact on the value. A provision for impairment of accounts receivable is applied when there is objective proof and other indications that the group will not be able to recover all amounts due according to the receivables' original terms. The reserved amount is recognized in the Income Statement as Sales and marketing expenses.

#### 1.10 Accounts payable

Accounts payable are initially recognized at fair value and thereafter at amortized cost using the effective interest method. Accounts payable are not revaluated at amortized cost, if it would only provide an insignificant impact on the value.

#### 1.11 Inventories

Inventories are reported at the lower of the purchase cost and the net selling price. The purchase cost is determined by using the first in, first out method (FIFO). The net selling price is the estimated selling price in the operating activities less applicable variable selling expenses.

#### 1.12 Cash and cash equivalents

Cash and cash equivalents include cash, bank balances, and other investments with maturity dates of less than three months.

#### 1.13 Share capital

Ordinary shares are classified as equity. Transaction costs that can be directly attributed to the issue of new shares or options are reported in group equity as a deduction from the issue funds. In

the parent company, this transaction cost is reported in the Income Statement.

#### **A. Repurchase of own shares**

Where any company within the group purchases the company's equity share capital (repurchase of own shares), the consideration paid, including any direct attributable incremental costs (net of income taxes) is deducted from retained earnings until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects, is included in retained earnings.

#### 1.14 Employee benefits

##### **A. Bonuses**

The Company reports a liability and an expense for bonuses based on the achievement of targets for sales and profit performance, and achieved operating and personal targets.

##### **B. Pension obligations**

The Company only has defined contribution pension plans, which are expensed as needed. The company has no obligation after pension premiums are paid.

##### **C. Share-based incentive programs**

Net Insight has two incentive programs related to the Company's share price: Share-based benefit and Synthetic options. Presentation of the programs and their accounting policies, see note 7.

##### **D. Termination benefits**

Termination benefits are payable when employment is terminated prior to normal retirement age or when an employee voluntarily resigns from employment in exchange for such compensation. The group reports severance pay when it is demonstrably obliged either to terminate employees according to a formal detailed irrevocable plan, or to provide compensation upon termination resulting from offers made to encourage voluntary resignation from employment.

#### 1.15 Provisions

Provisions are made when a legal or informal obligation arises as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The company makes provisions for warranty costs that will probably arise. The product warranty provision is based on historical outcomes and is set in relation to the company's sales. If there are several similar commitments, it is likely that an outflow of resources will probably be required upon settlement for this entire group of commitments. A provision is reported, although the probability of an outflow for a special item is insignificant.

#### 1.16 Revenue recognition

Revenues from goods and services sold are recognized excluding value added tax and discounts, and after elimination of sales within the group.

The group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic

benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues for the major business activities are recognized as follows:

#### **A. Sales of goods**

Revenues mainly consist of hardware sales, which all relate exclusively to the parent company, but also from software licenses. The revenues from sales of goods are recognized on delivery when risk and ownership rights transfer to the buyer. In cases where the sale involves significant installation or integration as well as final acceptance from the customer, revenues are recognized on acceptance. The time between the agreement and the delivery of goods or the license is usually short.

#### **B. Revenue from support and warranty agreements**

Support and warranty agreements are recognized as revenue on a straight-line basis over the term of the contract.

#### **C. Revenue from consulting services**

Revenue from consulting services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting as a portion of the total services to the total services provided.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

#### **D. Multiple-element arrangements**

Where the group offers multiple-element arrangements, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

#### **1.17 Lease arrangements**

Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor is classified as an operating lease.

When assets are leased through operating leases, the asset is reported in the Balance Sheet in the relevant asset class. Lease revenue is recognized on a straight-line basis over the term of the lease. Normally it's short time lease arrangements, related to specific events.

#### **1.18 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Income Statement. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the

company and its subsidiaries and associates operate and generate taxable income.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amount in the consolidated accounts. Deferred income tax is determined using tax rates (and laws) that were enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be offset.

Deferred income tax and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on net basis.

#### **1.19 Cash flow statement**

The cash flow statement has been prepared according to the indirect method. The reported cash flow only includes transactions involving deposits or payments. Cash and bank balances are classified as cash and cash equivalents, as are short-term financial investments, which are only exposed to an insignificant risk of value fluctuation and:

- are traded on the open market for known amounts, or
- have a remaining duration of less than three months from their purchase date.

#### **1.20 Accounting policies – parent company**

The parent company's annual accounts were prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The parent company follows the group policies stated above with the exceptions stated below. These policies were applied consistently for all years reported unless otherwise stated.

#### **Reporting format**

The Income Statement and Balance Sheet are formatted according to the Swedish Annual Accounts Act.

#### **Lease arrangements**

All lease agreements, whether financial or operating leases, are recognized as operating leases in the parent company.

#### **Shares and participations in subsidiaries**

Shares and participations in subsidiaries are reported at historical cost after deducting for potential impairment. Cost is adjusted to reflect changes to compensation resulting from contingent consideration arrangements. This cost also includes direct expenses relating to the investment. If there is an indication that the shares or participations are impaired, the recoverable value is calculated, and if it is below historical cost, the impairment is taken.

**Group contributions and shareholders' contributions**

The company reports shareholder contributions as an increase in the value of shares and participations. Shares and participations are then tested for impairment. Group contributions are recognized based on economic substance. Group contributions received that are equivalent to dividends are recognized as dividends from group companies in the Income Statement. A group contribution that is equivalent to a shareholders' contribution is reported, taking into account the current tax effect, according to the principle for shareholders' contributions stated above.

**Note 2** Financial risk factors

Net Insight is exposed to various financial risks: market risk (including foreign currency risk, fair value interest risk, cash flow interest risk, and price risk), credit risk, and liquidity risk. Foreign currency risk is predominant and the Board assesses that Net Insight is primarily exposed to the following financial risks:

**2.1 Foreign currency risk**

Foreign currency risk is defined as the risk of decreased earnings and/or decreased monetary flows due to fluctuations in exchange rates.

Changes in exchange rates affect the group's earnings and equity in different ways:

- Earnings are affected when sales and purchases are in different currencies (transaction exposure)
- Earnings are affected when assets and liabilities are in different currencies (translation exposure)
- Equity is affected when foreign subsidiaries' net assets are translated into Swedish kronor (SEK) (translation exposure in the Balance Sheet).

**Transaction exposure**

Net Insight is highly internationalized with most of its sales denominated in EUR and USD. Purchasing of components is mainly in SEK, but is up to some 71 percent linked to the USD and to some 7 percent linked to the EUR. Currency risks are managed in accordance with the finance policy, as adopted by the Board of Directors.

If the average exchange rate of the EUR against the SEK had been 5 percent higher/lower compared to the average exchange rate in 2017, with all other variables constant, the group's revenues and earnings/equity after tax for 2017 would have been positively/negatively affected by some SEK 9.6 million and SEK 6.8 million respectively. If the average exchange rate of the USD against the SEK had been 5 percent higher/lower compared to the average exchange rate in 2017, with all other variables constant, the group's revenues and earnings/equity after tax for 2017 would have been positively/negatively affected by some SEK 11.4 million and SEK 2.6 million respectively.

The risk of transaction exposure is managed by the company regularly updating its EUR and USD price lists, and as far as possible, matching incoming and outgoing transactions in the same currency, as well as hedging larger foreign currency contracts. As of December

31, 2017, the parent company had hedged USD 3.1 (2.2) million and EUR 1.9 (4.9) million. As of December 31, 2017, the parent company had unhedged accounts receivable of USD 2.6 (3.8) million and EUR 1.9 (0.4) million.

**Translation exposure**

Average rates of exchange for the period are used for translating foreign subsidiaries' Income Statements. The most significant currency in this context is USD. To better reflect the group's currency exposure, these amounts are included in transaction exposure above.

The parent company has cash and cash equivalents, accounts receivable and accounts payable in foreign currencies, primarily EUR and USD. As of December 31, 2017, the parent company had net exposure of SEK 49.2 (61.1) million and SEK 51.9 (48.1) million in EUR and USD respectively for these items. The subsidiaries basically have cash and cash equivalents, accounts receivable and accounts payable in local currencies exclusively. If the exchange rate of the EUR had been 5 percent higher/lower than the exchange rate applying on December 31, 2017, consolidated earnings/equity after tax would have been affected positively/negatively by some SEK 1.9 million. If the exchange rate of the USD had been 5 percent higher/lower compared to the exchange rate on December 31, 2017, consolidated earnings after tax would have been affected positively/negatively by some SEK 2.0 million.

**Translation exposure in the Balance Sheet**

Consolidated net assets are very largely denominated in SEK. Of the foreign currency net assets as of the reporting date of December 31, 2017, some SEK 76.0 (78.2) million were in USD. If the exchange rate of the USD had been 5 percent higher/lower than the exchange rate applying on December 31, 2017, consolidated earnings/equity after tax would have been positively/negatively affected by some SEK 2.8 million.

**2.2 Liquidity risk**

Liquidity risk means that Net Insight cannot sell a financial instrument at market price, or only subject to significantly increased costs, when paying its financial liabilities. Net Insight's policy is to only invest cash and cash equivalents in banks or financial institutions with a credit rating of at least P1 or A+ (Moody's or equivalent). Liquidity may not be invested for more than 12 months, and the investment terms must at all times reflect the capital requirements of the company. All reported accounts payable are due within three years and show the undiscounted amount. As of December 31, 2017, accounts payable were SEK 32.2 million and cash and cash equivalents were SEK 177.7 million, and accordingly, the liquidity risk is low. For more information, see note 21.

**2.3 Management of capital**

The group's capital structure objectives are to secure continuous operations, generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep capital down. The group's target is for a minimum equity/assets ratio of 65 percent.

## 2.4 Interest risk

Interest risk is the risk that the value of a financial instrument varies due to changes in market rates. Net Insight's interest risk is low because its need for external financing has been limited. Cash and cash equivalents are normally invested with a fixed-interest period from two weeks up to six months.

## 2.5 Credit risk

Credit risk means that a party in a transaction with a financial instrument cannot fulfill its commitment. The company's customers are generally large, well-established, highly solvent companies spread over several geographical markets. There is no significant concentration of credit risks either geographically or on any particular customer segment. To limit the risks of potential credit losses, the company's credit policy includes guidelines and regulations for credit checks on new customers, terms of payment, and procedures for handling unpaid claims. See tables in note 19.

## Note 3 Critical accounting estimates and assumptions

Estimates and judgments are evaluated on an ongoing basis, based on historical experience and other factors, including expectations of future events that are considered reasonable in the prevailing circumstances.

The group makes estimates and assumptions about the future, but the resulting accounting estimates seldom equal the related actual outcomes. The estimates and assumptions that entail a significant risk of material adjustments in carrying amounts for assets and liabilities during the following financial year are discussed below.

### A. Revenue recognition

Revenue recognition, both at fair value and in timing, involves judgments on the content of the contract and as to whether the criteria described in note 1.16 have been met.

### B. Impairment testing of inventories

Estimates of future sales volumes are conducted on purchasing when purchasing inventories. Estimates of net sales value of surplus volumes are calculated when there is an inventory surplus. Net Insight AB has three different categories of inventories: finished goods inventories, component inventories and other inventories. Individual assessment for obsolescence is conducted for finished goods inventories, and standard provisioning is made for other inventories. Net Insight estimates that its component inventory will cover needs for several years, to ensure production. This estimate may result in a greater risk of obsolescence because demand is controlled by the market and can fluctuate with technology changes. As of December 31, 2017, the total inventory reserve was SEK 24.2 (24.8) million.

### C. Impairment testing of goodwill

Each year, the group examines whether goodwill is impaired, in accordance with the accounting policy reviewed in 1.7. The recover-

able amount of the company's cash-generating units has been measured by computing value in use. Some estimates are necessary for these computations (note 16).

### D. Impairment testing of capitalized development expenditures

Costs arising in development projects are reported as intangible fixed assets when it is probable that the project will be successful in terms of its commercial and technical potential and when the costs can be measured reliably. At each reporting period, the Company assesses if capitalized development expenditures should be impaired. This means that a complete review of these products is conducted in terms of economic life and product profitability. The products' estimated useful life is three to five years.

### E. Deferred tax

Deferred tax assets pertaining to tax loss carry-forwards are recognized to the extent that it is probable that future taxable profit will be available against which unused tax losses can be applied. In 2017, Net Insight utilized deferred tax assets on tax loss carry-forward of SEK 1.7 (5.0) million. The capitalization is based on expected long-term profitability.

### F. Business combinations

Estimates and assessments play an important part in measurement of identifiable assets and liabilities in acquisitions. Estimates and assessments are based on both historical experience and reasonable expectations about the future.

## Note 4 Net sales and segment information

Management determined the operating segments based on reports reviewed by the CEO, who makes strategic decisions. The CEO reviews the business from the geographical perspectives of Western Europe (WE), Americas (North and South America, AM) and Rest of World (ROW), countries outside of Western Europe and Americas. The operating segments are measured in terms of regional contributions defined as gross earnings less marketing expenses. In the regional contribution report, centralized marketing and sales expenses are allocated based on net sales. There has been no transaction between the segments. The segment reports to the CEO does not contain any information on assets and liabilities. The segments are new as of January 1st, 2017. Restatement has been made for the comparative periods to reflect the new segments.

The segment information provided to the CEO for the year ended December 31, 2017, is as follows:

## Net sales and segment information

Segment report SEK millions	2017				2016			
	WE	AM	RoW	Total	WE	AM	RoW	Total
Net sales	195	133	99	427	231	163	109	504
Regional contribution	57	31	15	103	94	60	25	179
Regional contribution, %	29%	24%	15%	24%	41%	37%	23%	35%
Regional contribution	57	31	15	103	94	60	25	179
Administration expenses				-50				-54
Development expenses				-63				-72
Net financial items				15				-5
<b>Profit/loss before tax</b>				<b>6</b>				<b>47</b>

Net sales per product group SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Hardware	160,628	224,011	160,628	224,011
Software licenses	107,466	122,749	89,842	104,624
Support and services	159,123	154,126	98,451	100,337
Other revenue	-471	2,636	-1,254	2,949
Services, group companies	-	-	139,259	136,030
<b>Total</b>	<b>426,746</b>	<b>503,522</b>	<b>486,925</b>	<b>567,951</b>

Net sales per region SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Sweden	17,578	18,771	142,182	137,910
Western Europe (WE) excl Sweden	177,059	212,621	159,216	196,518
Americas (AM)	133,386	163,187	104,974	139,378
Rest of World (RoW)	98,723	108,943	80,553	94,145
<b>Total</b>	<b>426,746</b>	<b>503,522</b>	<b>486,925</b>	<b>567,951</b>

For the group, net sales of SEK 94.4 (120.1) million derives from USA and SEK 43.0 (43.4) million from Great Britain.

During 2017 and 2016, there were no a single external customer of with revenues of ten percent or more of the group's total revenues.

Tangible and intangible assets per region SEK thousands	Group		Parent company	
	31 dec 2017	31 dec 2016	31 dec 2017	31 dec 2016
Sweden	272,287	247,073	11,289	8,395
Western Europe (WE) excl Sweden	207	171	-	-
Americas (AM)	61,674	74,919	-	-
Rest of World (RoW)	-	-	-	-
<b>Total</b>	<b>334,168</b>	<b>322,163</b>	<b>11,289</b>	<b>8,395</b>

Parent company's transactions with group companies SEK thousands	Parent company	
	2017	2016
Sales to group companies	139,259	136,030
Purchase from group companies	-163,348	-166,176

The parent company provides the group companies with the following services: development of products, support and services, and administrative services.

The subsidiaries invoice the parent company license fees for intellectual property rights and for support and services, sales related services and administrative services.

## Note 5 Exchange rate differences

Exchange rate differences of operations SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Exchange rate gains	22,403	17,430	20,545	17,743
Exchange rate losses	-24,963	-17,207	-23,583	-15,564
<b>Net exchange rate differences</b>	<b>-2,560</b>	<b>223</b>	<b>-3,038</b>	<b>2,180</b>

The table above shows gross and net effects of the foreign exchange management. Hedge accounting is not applied because the effect of exchange rate fluctuations has been recognized directly through profit or loss.

## Note 6 Development expenses

Development expenses mainly consist of salaries, product development, component purchases, patent applications, licenses and other expenses related to development work.

## Note 7 Employees

Average number of employees	2017		2016	
	Average no. of employees	Of which men	Average no. of employees	Of which men
<b>Parent company</b>				
Sweden	123	84%	122	82%
Other countries	4	73%	5	81%
<b>Total parent company</b>	<b>127</b>	<b>84%</b>	<b>127</b>	<b>82%</b>
<b>Subsidiaries</b>				
Sweden	5	100%	5	92%
USA	58	72%	60	77%
Singapore	4	100%	4	100%
Great Britain	14	87%	12	83%
<b>Total subsidiaries</b>	<b>81</b>	<b>78%</b>	<b>81</b>	<b>80%</b>
<b>Group</b>	<b>208</b>	<b>81%</b>	<b>208</b>	<b>81%</b>

Number of Board members and senior executives	2017		2016	
	Dec 31, 2017	Of which men	Dec 31, 2016	Of which men
<b>Group (incl. subsidiaries)</b>				
Board members	10	80%	11	73%
Chief Executive Officer and other senior executives	8	63%	9	67%
<b>Parent company</b>				
Board members	6	67%	7	57%
Chief Executive Officer and other senior executives	5	60%	7	71%

## Remuneration to the Board of Directors

The amounts below are fees for the parent company as approved by the AGM 2017 and 2016. The Board of Directors are not entitled to any variable remuneration or pension, only their Director's fee and remuneration for committee work.

### Board of Directors

SEK thousands	2017	2016
Lars Berg (Chairman)	635	590
Jan Barchan	240	220
Cecilia Beck-Friis <sup>1)</sup> <sup>2)</sup>	96	220
Crister Fritzson <sup>1)</sup>	230	220
Gunilla Fransson <sup>1)</sup>	230	220
Anders Harrysson <sup>1)</sup>	290	260
Charlotta Falvin <sup>1)</sup>	230	220
Stina Barchan, deputy	115	-
<b>Total</b>	<b>2,066</b>	<b>1,950</b>

<sup>1)</sup> Some Board members invoiced their Director's fees to the company. This has been cost neutral to the company in accordance with an AGM resolution in 2017 (2016).

<sup>2)</sup> Cecilia Beck-Friis resigned from the Board as of September 30, 2017.

## Remuneration to employees

Expensed remuneration to senior executives and other employees, excluding Board of Directors that are presented in the section above. The number of senior executives refers to average during the year.

### Break-down between CEO, other senior executives and other employees

SEK thousands	Basic salary	Variable remuneration <sup>1)</sup>	Share-based benefits <sup>2)</sup>	Other benefits	Pension expenses	Total
<b>2017</b>						
Fredrik Tumegård (CEO)	2,804	-96	-1,914	96	799	<b>1,689</b>
Other senior executives (8)	9,702	1,139	-697	675	1,477	<b>12,296</b>
Other employees	138,457	19,785	-	3,389	20,429	<b>182,060</b>
<b>Total</b>	<b>150,963</b>	<b>20,828</b>	<b>-2,611</b>	<b>4,160</b>	<b>22,705</b>	<b>196,045</b>
<b>2016</b>						
Fredrik Tumegård (CEO)	2,608	1,896	494	60	754	<b>5,812</b>
Other senior executives (10)	10,042	3,357	244	391	1,700	<b>15,734</b>
Other employees	141,514	16,380	-	4,963	16,752	<b>179,609</b>
<b>Total</b>	<b>154,164</b>	<b>21,633</b>	<b>738</b>	<b>5,414</b>	<b>19,206</b>	<b>201,155</b>

<sup>1)</sup> Variable remuneration includes SEK 120 (1,494) thousand, which are amounts vested for participating in the synthetic share program in the year, which are held in escrow for three years. Variable remuneration also includes variable remuneration for participant's in the synthetic option programs of SEK 300 (1,607) thousand. Descriptions and obligations of the different programs are presented in sections Share-based benefits and Synthetic options below.

<sup>2)</sup> Share-based benefits are value changes in amounts held in escrow for participation in the synthetic share program. Description and obligations of the program is presented in sections Share-based benefits below.

## Note 7 continued

### Break-down between the parent company and the subsidiaries

SEK thousands	Basic salary	Variable remuneration <sup>1)</sup>	Share-based benefits <sup>2)</sup>	Other benefits	Pension expenses	Social security contributions	Total
<b>2017</b>							
Parent company	84,535	10,592	-2,185	1,564	17,812	31,500	<b>143,818</b>
Subsidiaries	66,428	10,236	-426	2,596	4,893	7,329	<b>91,056</b>
<b>Group</b>	<b>150,963</b>	<b>20,828</b>	<b>-2,611</b>	<b>4,160</b>	<b>22,705</b>	<b>38,829</b>	<b>234,874</b>
<b>2016</b>							
Parent company	83,816	15,687	738	1,734	16,765	32,958	<b>151,698</b>
Subsidiaries	70,348	5,946	-	3,680	2,441	7,065	<b>89,480</b>
<b>Group</b>	<b>154,164</b>	<b>21,633</b>	<b>738</b>	<b>5,414</b>	<b>19,206</b>	<b>40,023</b>	<b>241,178</b>

<sup>1)</sup> Variable remuneration includes SEK 120 (1,494) thousand, which are amounts vested for participating in the synthetic share program in the year, which are held in escrow for three years. Variable remuneration also includes variable remuneration for participant's in the synthetic option programs of SEK 300 (1,607) thousand. Descriptions and obligations of the different programs are presented in sections Share-based benefits and Synthetic options below.

<sup>2)</sup> Share-based benefits are value changes in amounts held in escrow for participation in the synthetic share program. Description and obligations of the program is presented in sections Share-based benefits below.

### Share-based benefits

Certain senior executives (as invited by the Board of Directors) participate in a synthetic share program in which up to half of the outcome of the variable compensation is put in escrow and paid out in the fourth year following the vesting period. At the time of payment, a multiplier will be applied to the amount held in escrow to reflect the share price development during these three years. The multiplier is calculated based on the ratio of the average share price for two eight-week periods, where the first period commences on the same day as the year-end report is made public during the year following the first year of the vesting period, and the second period commences on the same day as the year-end report is made public during the year when payment shall occur (i.e. three years between the periods). The average share price is calculated as the average

of the daily closing share prices for each eight-week period. The multiplier is limited to a maximum value of five (5) and minimum value of zero point five (0.5).

During the vesting period, the group reports a liability and an expense for bonuses based on the achievement of targets for sales and profit performance and achieved operating and personal targets.

The group revalues the synthetic share program at fair value at each reporting date. To measure the fair value of the programs, the group uses the closing price of the underlying share in the period.

Both the variable compensation and the share-based benefit is linked to employment with Net Insight and are presented as an employee cost.

### Share-based benefit, amounts in SEK thousands (if not defined differently)

Vesting period	Multiplier (SEK)	Variable remuneration/Held in escrow, incl soc sec contr	Share-based benefit, incl soc sec contr					Paid remuneration	Commitments Dec 31, 2017	Payment year
			2014	2015	2016	2017				
2013	1.76	164	124	484	56	-125	-703	-		
2014	3.34	1,578	-	2,343	284	-1,970	-	<b>2,235</b>	2018	
2015	5.06	831	-	-	630	-685	-	<b>776</b>	2019	
2016	7.56	1,743	-	-	-	-652	-	<b>1,091</b>	2020	
2017		379	-	-	-	-	-	<b>379</b>	2021	
<b>Summa</b>		<b>4,695</b>	<b>124</b>	<b>2,827</b>	<b>970</b>	<b>-3,432</b>	<b>-703</b>	<b>4,481</b>		

## Synthetic options

### Swedish option program

Net Insight have, after decisions at the AGM, introduced synthetic option programs for employees in Sweden, where the participants acquire the synthetic options at market price. One synthetic option gives the option holder the right to receive from Net Insight a cash amount calculated on the basis of Net Insight's share price, however, with the limitation that such amount may not exceed three times the share price at the time of the start of the program (CAP). The term of the options is three (3) years and they are freely transferable, but subject to pre-emptive right for Net Insight to acquire the option.

Synthetic options result in an obligation that is valued at fair value and recognized as an expense with a corresponding increase in liabilities. Premiums received did not initially, when issued, imply any cost for the company since measurement of the options at fair value using an option valuation model (Black & Scholes) corresponds to the premium received by the company.

The liability is remeasured on a current basis to fair value by applying an options valuation model, taking current terms into account. The value of the options and the underlying share is not included in the vesting conditions, the options are freely transferable and not linked to employment in the Company during the time for the change in value, and the changes in value during the term of the options are therefore presented as a financial item. If a synthetic option is utilized by the holder, the financial liability, which was previously remeasured at fair value, is settled. Any realized profit or loss is recognized in profit and loss as a financial item. If the synthetic options expire and are worthless, the recognized liability is taken up as income.

### Variable remuneration

A total corresponding to half of participants' deposited premiums for options will be paid, net of tax, as variable compensation to the participants in two equal payments. The year-2015 and 2017 programs has a stay-on clause, which means that the expense is allocated during the vesting period. The year-2016 program does not have a stay-on clause, which means that the expense is recognized when the payment for option premiums is received. Variable compensation, unlike the synthetic option, is linked to employment with Net Insight during the vesting period, and is presented as an employee cost.

### Global option program

The AGM 2017 also decided to introduce a synthetic option program for employees outside of Sweden. The Global program, which was introduced in the third quarter, is linked to employment with Net Insight and is presented as an employee cost. The calculation of the fair value on the grant date was based on the conditions stated in the table above.

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

#### Synthetic options, the calculation of the fair value on the grant date was based on the following conditions:

	Sweden	Global
Averaged volume-weighted price paid for the Net Insight B shares, SEK	6.79	6.79
Strike price, SEK	8.10	9.17
Assumed volatility <sup>1)</sup>	34%	34%
Term	3 years	3 years
Risk-free interest	-0.52%	-0.52%
Adjustment of fair value due to CAP, SEK	-0.02	-0.02
Fair value, SEK	1.09	0.84
Number of options issued, thousands	700	1,275

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

## Note 7 continued

### Synthetic options, amounts in SEK thousands (if not defined differently)

Year issued/Participant	Number, thousands	Premiums received	Change in value			Reclassification	Commitments Dec 31, 2017	Payment year
			2015	2016	2017			
<b>2015</b>								
Fredrik Tumegård (CEO)	1,000	310	4 240	540	-4,110	-	<b>980</b>	
Other senior executives	1,625	504	6 890	877	-5,549	-1,400	<b>1,322</b>	
Other employees, Sweden	150	46	636	82	-1,746	1,400	<b>418</b>	
<b>Total 2015</b>	<b>2,775</b>	<b>860</b>	<b>11,766</b>	<b>1,499</b>	<b>-11,405</b>	<b>0</b>	<b>2,720</b>	<b>2018</b>
<b>2016</b>								
Other employees, Sweden	1,150	1,001	-	1,656	-2,542	-	<b>115</b>	
<b>Total 2016</b>	<b>1,150</b>	<b>1,001</b>	<b>0</b>	<b>1,656</b>	<b>-2,542</b>	<b>0</b>	<b>115</b>	<b>2019</b>
<b>2017</b>								
Other employees, Sweden	700	763	-	-	-595	-	<b>168</b>	
Other employees, Global	1,275	-	-	-	-	-	<b>0</b>	
<b>Total 2017</b>	<b>1,975</b>	<b>763</b>	<b>0</b>	<b>0</b>	<b>-595</b>	<b>0</b>	<b>168</b>	<b>2020</b>
<b>Total</b>	<b>5,900</b>	<b>2,624</b>	<b>11,766</b>	<b>3,155</b>	<b>-14,542</b>	<b>0</b>	<b>3,003</b>	

### Synthetic options, continued

Year issued/Participant	Variable remuneration, incl soc sec contr			Paid remuneration	Commitments Dec 31, 2017	Payment year
	2015	2016	2017			
<b>2015</b>						
Fredrik Tumegård (CEO)	28	169	107	-196	<b>108</b>	
Other senior executives	46	274	108	-316	<b>112</b>	
Other employees, Sweden	4	25	26	-26	<b>29</b>	
<b>Total 2015</b>	<b>78</b>	<b>468</b>	<b>241</b>	<b>-538</b>	<b>249</b>	<b>2018</b>
<b>2016</b>						
Other employees, Sweden	-	1,644	-	-	<b>1,644</b>	
<b>Total 2016</b>	<b>0</b>	<b>1,644</b>	<b>0</b>	<b>0</b>	<b>1,644</b>	<b>2018/2019</b>
<b>2017</b>						
Other employees, Sweden	-	-	125	-	<b>125</b>	
Other employees, Global	-	-	28	-	<b>28</b>	
<b>Total 2017</b>	<b>0</b>	<b>0</b>	<b>153</b>	<b>0</b>	<b>153</b>	<b>2019</b>
<b>Total</b>	<b>78</b>	<b>2,112</b>	<b>394</b>	<b>-538</b>	<b>2,046</b>	

The following principles are valid to the annual general meeting (AGM) 2018. A new proposal will be submitted to the AGM 2018 which essentially corresponds to the guidelines adopted at the AGM 2017.

#### Senior executives' terms and remuneration, and general remuneration principles

The company offers salaries and remuneration in line with market practice, as verified by an external compensation database, based on a fixed and a variable component. Remuneration to the CEO and other senior executives consists of basic salary, variable remuneration and pension benefits. "Senior executives" refers to those people, including the CEO, who constitute executive management. The division between fixed and variable remuneration is in proportion to the manager's responsibility and authority. The variable remuneration is based on a combination of revenue, results and activity targets.

For the CEO, annual variable remuneration is capped at 100 per cent, and for the Global Head of Sales at 150 percent, of basic salary. For other senior executives, variable remuneration is capped at between 20 and 60 percent of basic salary. For the CEO and other senior executives, 70 percent of the variable remuneration is based on measurable financial targets. For the Global Head of Sales, the compensation model is wholly based on the company's revenues.

For certain senior executives, half of the outcome of variable remuneration is put in escrow and paid out in the fourth year following the vesting period. At the time of payment, a multiplier will be applied to the amount held in escrow to reflect share price performance during these three years. The multiplier is based on the ratio of the average share price for two eight-week periods, where the first period commences on the publication date of Net Insight's Year-end Report in the year following the first year of the vesting period, and the second period commences on the publication date of the Year-end Report in the year when payment shall occur (i.e. three years between the periods). The average share price is the average of the daily closing share prices of each eight-week period. The multiplier is limited to a maximum value of 5 and minimum value of 0.5.

Where a Board member serves the company or another group company in addition to work on the Board, a consultancy fee and/or other remuneration may be payable.

Almost all staff are eligible for some form of variable remuneration. All variable remuneration and applicable social security contributions are provisioned in the accounts.

From time to time, the Board of Directors may propose share-based long-term incentive programs, which are then considered by shareholders' meetings as a separate item.

#### Pension liability

The company's pension liability to the CEO amounts to 30 per cent of basic annual salary, excluding variable components. Senior executives have defined contribution pension provisions, pursuant to the company's policy, legislation and contracts.

#### Redundancy payments

The company and the CEO have a reciprocal notice period of six months. Upon termination by the company, a redundancy payment corresponding to 12 months' salary becomes due. Any salary or other remuneration that the CEO receives from employment or other business the CEO conducts during the notice period of the following 12-month period should be deducted from redundancy payments. The company and other senior executives have reciprocal notice periods of 3-6 months. The Board of Directors is entitled to deviate from these guidelines in special circumstances.

#### Deviations

The Board of Directors is entitled to deviate from these guidelines in special circumstances.

#### Consultative and decision-making process

Remuneration to the CEO for the financial year 2017 was decided by the Board of Directors. Remuneration to other senior executives was decided by the Remuneration Committee after consultation with the CEO.

#### Related party transactions

In 2017, related party transactions were conducted with subsidiaries only, as specified in note 4.

## Note 8 Depreciation and amortization of tangible and intangible assets

SEK thousands	Group		Parent Company	
	2017	2016	2017	2016
Capitalized expenditures for development	-61,606	-56,935	-	-
Other intangible assets	-8,158	-3,550	-1,392	-602
Equipment	-1,390	-2,823	-1,331	-2,726
<b>Total</b>	<b>-71,154</b>	<b>-63,308</b>	<b>-2,723</b>	<b>-3,328</b>

## Note 9 Operating leases

The nominal value of future leasing fees including rent for premises for non-terminable leases is allocated as follows:

Operating leases – lessee	Group	Parent Company
SEK thousands		
2018	15,568	12,421
2019	10,499	7,879
2020	10,405	7,879
2021	10,411	7,879
2022	9,474	7,879
2023	8,565	7,879
2024	7,879	7,879
2025	7,879	7,879
2026	3,283	3,283
<b>Total</b>	<b>83,962</b>	<b>70,858</b>

Lease expenses for the year amount to SEK 11,824 (11,315) thousand for the group and SEK 7,894 (7,288) thousand for the parent company.

Operating leases where the group is lessor. Future minimum lease payments relating to non-cancellable operating leases are allocated as follows:

### Operating leases – lessor

SEK thousands	2017	2016
Within 1 year	879	-
Between 1 and 5 years	-	-
<b>Total</b>	<b>879</b>	<b>0</b>

Normally, the lease agreements are short and related to specific events.

## Note 10 Expenses by nature

Expenses by nature	Group		Parent Company	
	2017	2016	2017	2016
SEK thousands				
Cost of goods and services	-123,214	-129,733	-231,404	-257,427
Other expenses	-85,720	-86,709	-111,580	-97,629
Employee expenses (note 7)	-243,420	-248,427	-151,166	-158,707
Capitalized expenditure for development (note 16)	87,280	74,091	-	-
Depreciation and amortization (note 8)	-71,154	-63,308	-2,723	-3,328
<b>Total expenses</b>	<b>-436,228</b>	<b>-454,086</b>	<b>-496,873</b>	<b>-517,091</b>

Reconciliation with comprehensive income statement	Group		Parent Company	
	2017	2016	2017	2016
SEK thousands				
Cost of sales	-178,707	-187,712	-200,873	-241,440
Sales and marketing expenses	-144,741	-137,094	-130,044	-113,361
Administration expenses	-49,680	-54,249	-43,448	-44,407
Development expenses	-63,100	-75,031	-122,508	-117,883
<b>Total expenses</b>	<b>-436,228</b>	<b>-454,086</b>	<b>-496,873</b>	<b>-517,091</b>

**Note 11** Fees and reimbursement

Audit services and other assignments SEK thousands	Group		Parent Company	
	2017	2016	2017	2016
<b>Deloitte, appointed auditor<sup>1)</sup></b>				
Auditing	585	-	585	-
Audit-related fees	13	-	13	-
Tax consultancy	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>598</b>	<b>0</b>	<b>598</b>	<b>0</b>
<b>PwC, appointed auditor<sup>1)</sup></b>				
Auditing	151	710	151	710
Audit-related fees	-	40	-	40
Tax consultancy	-	0	-	0
Other	52	74	52	74
<b>Total</b>	<b>203</b>	<b>824</b>	<b>203</b>	<b>824</b>
<b>Other auditors</b>				
Auditing	157	83	-	-
Audit business in addition to audit engagement	-	29	-	-
Tax consultancy	-	58	-	-
Other	349	62	-	-
<b>Total</b>	<b>506</b>	<b>232</b>	<b>0</b>	<b>0</b>

<sup>1)</sup> At the AGM on May 9, 2017, Deloitte was appointed auditors after PwC. Data in note only refers to services as appointed auditors.

**Note 12** Financial income and expenses

Financial income and expenses SEK thousands	Group		Parent Company	
	2017	2016	2017	2016
<b>Financial income</b>				
Interest income	208	183	199	165
Exchange rate differences, net	337	-	-	-
Synthetic options, change in value (not 7)	14,542	-	14,393	-
<b>Financial income</b>	<b>15,086</b>	<b>183</b>	<b>14,593</b>	<b>165</b>
<b>Financial expenses</b>				
Interest expenses	-68	-45	-54	-42
Exchange rate differences, net	-	-2,413	-170	-769
Synthetic options, change in value (note 7)	-	-3,155	-	-3,058
Other financial expenses	0	1	-	-
<b>Financial expenses</b>	<b>-68</b>	<b>-5,612</b>	<b>-224</b>	<b>-3,869</b>
<b>Net financial income/expense</b>	<b>15,018</b>	<b>-5,429</b>	<b>14,369</b>	<b>-3,704</b>

## Note 13 Income tax expense

Tax SEK thousands	Group		Parent company	
	2017	2016	2017	2016
<b>Current tax</b>				
Current tax on profits for the year	-261	-870	-	-591
<b>Total current tax</b>	<b>-261</b>	<b>-870</b>	<b>0</b>	<b>-591</b>
<b>Deferred tax (note 14)</b>				
Tax losses carry-forwards	-3,404	-5,004	1,809	31
Deferred revenue	214	-2,394	-	-
Intangible assets	1,143	-560	-	-
Other	479	-13	-	-
<b>Total deferred tax</b>	<b>-1,568</b>	<b>-7,971</b>	<b>1,809</b>	<b>31</b>
<b>Tax</b>	<b>-1,829</b>	<b>-8,841</b>	<b>1,809</b>	<b>-561</b>

### Difference between reported tax expense and tax expense based on applicable tax rate

SEK thousands	Group		Parent company	
	2017	2016	2017	2016
<b>Profit/loss before tax</b>	<b>5,536</b>	<b>44,007</b>	<b>4,421</b>	<b>47,156</b>
Tax at the Swedish tax rate of 22 (22)%	-1,218	-9,682	-973	-10,374
Effect of foreign tax rates	-2,229	2,223	-	-
Tax effect of non-deductible expenses and non-taxable revenues	3,243	-794	2,782	-816
Adjustments in respect of prior years	62	3	-	-
Tax related to business combinations	-	-591	-	-591
Tax effect of changes in tax rates	-1,687	-	-	-
Tax effect of group contributions	-	-	-	11,220
<b>Tax on income according to Income Statement</b>	<b>-1,829</b>	<b>-8,841</b>	<b>1,809</b>	<b>-561</b>
Effective tax rate for the year	33%	20%	-41%	1%

## Note 14 Deferred tax asset

Deferred tax SEK thousands	Group					Parent company
	Tax losses carry-forwards	Deferred revenue	Intangible assets	Other	Total	Tax losses carry-forwards
<b>As of January 1, 2016</b>	<b>20,993</b>	<b>3,385</b>	<b>-1,209</b>	<b>152</b>	<b>23,322</b>	<b>154</b>
– business combinations	-	-	-	-	0	-
– to profit or loss	-5,004	-2,394	-560	-13	-7,971	31
– to other comprehensive income	732	152	-86	14	812	-
<b>As of December 31, 2016</b>	<b>16,721</b>	<b>1,143</b>	<b>-1,855</b>	<b>153</b>	<b>16,163</b>	<b>185</b>
<b>As of January 1, 2017</b>	<b>16,721</b>	<b>1,143</b>	<b>-1,855</b>	<b>153</b>	<b>16,163</b>	<b>185</b>
– business combinations	-	-	-	-	0	-
– to profit or loss	-3,404	214	1,143	479	-1,568	1 809
– to other comprehensive income	-788	-116	98	-33	-839	-
<b>As of December 31, 2017</b>	<b>12,529</b>	<b>1,241</b>	<b>-614</b>	<b>599</b>	<b>13,756</b>	<b>1 994</b>

At year-end, revaluation of deferred taxes due to the change in U.S. corporate income tax rate effected income with net SEK -1.7 (-) million. Deferred tax assets are recognized for tax loss carry-forwards to the extent it is likely that they can be utilized through future taxable profits. In 2017, Net Insight reversed deferred income taxes recoverable of net SEK 1.7 (5.0) million. The capitalization is based

on expected long-term profitability. Of the tax loss carry-forwards SEK 10.5 (5.1) million are consisting of Swedish loss carry-forwards with indefinite useful lives and SEK 2.1 (11.6) million to tax loss carry-forwards in USA with definite useful lives, whereof the first expires in 2036.

Tax loss carry-forwards for which deferred tax is not reported	Group		Parent company		
	SEK thousands	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Tax loss carry-forwards		2	2	-	-

## Note 15 Earnings per share

Earnings per share have been computed by dividing net income by the weighted average number of outstanding shares.

Earnings per share	2017	2016
Net income attributable to stockholders of the parent, SEK thousands	3,707	35,116
Average number of shares	385,056,551	386,582,410
Earnings per share before dilution, SEK	0.01	0.09
Earnings per share after dilution, SEK	0.01	0.09

The change in average number of shares relates to the parent company's repurchase of own shares, see note 23.

## Note 16 Intangible assets

Capitalized expenditure for development	Group	
SEK thousands	Dec 31, 2017	Dec 31, 2016
Accumulated cost at beginning of year	692,843	618,752
New purchases	87,280	74,091
<b>Closing accumulated cost</b>	<b>780,123</b>	<b>692,843</b>
Accumulated amortization and impairment at beginning of year	-466,895	-409,960
Amortization for the year	-60,662	-56,935
Impairment for the year	-944	-
<b>Closing accumulated amortization</b>	<b>-528,501</b>	<b>-466,895</b>
<b>Carrying amount</b>	<b>251,622</b>	<b>225,948</b>
<i>Amortization and impairment included in:</i>		
Cost of sales	-60,662	-56,935
Sales and marketing expenses	-	-
Administration expenses	-	-
Development expenses	-944	-
<b>Total amortization</b>	<b>-61,606</b>	<b>-56,935</b>

## Note 16 continued

Goodwill SEK thousands	Group	
	Dec 31, 2017	Dec 31, 2016
Accumulated cost at beginning of year	64,136	59,242
Exchange differences for the year	-5,684	4,894
<b>Closing accumulated cost</b>	<b>58,452</b>	<b>64,136</b>
<b>Carrying amount</b>	<b>58,452</b>	<b>64,136</b>

Other intangible assets SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Accumulated cost at beginning of year	38,526	34,174	12,369	9,784
New purchases	2,790	2,602	2,790	2,585
Exchange differences for the year	-1,923	1,750	-	-
<b>Closing accumulated cost</b>	<b>39,393</b>	<b>38,526</b>	<b>15,159</b>	<b>12,369</b>
Accumulated amortization and impairment at beginning of year	-12,489	-8,583	-6,892	-6,290
Amortization for the year	-4,316	-3,550	-1,392	-602
Impairment for the year	-3,842	-	-	-
Exchange differences for the year	712	-356	-	-
<b>Closing accumulated amortization</b>	<b>-19,935</b>	<b>-12,489</b>	<b>-8,284</b>	<b>-6,892</b>
<b>Carrying amount</b>	<b>19,458</b>	<b>26,037</b>	<b>6,875</b>	<b>5,477</b>
<b>Other intangible assets consists of:</b>				
Trademark	5,024	5,457	-	-
Customer relationships	7,504	14,945	-	-
Other	6,930	5,635	6,875	5,477
<b>Total</b>	<b>19,458</b>	<b>26,037</b>	<b>6,875</b>	<b>5,477</b>
<i>Amortization and impairment included in:</i>				
Cost of sales	-35	-5	-11	-5
Sales and marketing expenses	-6,730	-2,964	-29	-16
Administration expenses	-1,300	-548	-1,291	-548
Development expenses	-93	-33	-61	-33
<b>Total amortization and impairment</b>	<b>-8,158</b>	<b>-3,550</b>	<b>-1,392</b>	<b>-602</b>

### Critical assumptions

Future cash flows, including assessed final value, are present value calculated using discount rate. Net Insight has chosen a discount factor after tax, where estimated future cash flows also include tax. On the basis of the actual applied required rate of return after tax (WACC) Net Insight has made a translation to an estimate corresponding to a required rate of return before tax by dividing with a minus tax rate. The discount factor reflects market assessments of monetary values over time and specific risks inherent in the assets.

The financial plans, on which the future cash flows are based, include assumptions on the development and forthcoming launches

of current products. Development of current products and forthcoming product launches. Financial plans also include assumptions on price movements, sales growth and cost growth.

Impairment testing of goodwill and capitalized fixed assets  
Goodwill of SEK 4,354 thousand arose on the acquisition of the Q2 Labs group in March 2004 and goodwill of SEK 55,098 thousand relates to this year's acquisition of ScheduALL in October 2015 (carrying amount of SEK 54,098 thousand as of December 31, 2017, due to exchange differences).

The recoverable amount of the group's cash-generating unit (CGU) was set based on computations of value in use. These computations proceed from estimated future cash flows based on financial forecasts and strategies approved by management that cover a five-year period. These assumptions reflect financial targets set by the Board of Directors, market reports on future growth and technology trends. Cash flows beyond the five-year period are extrapolate using an estimated growth rate. The perpetuity growth rate applied was 2 (2) percent. The growth rate does not exceed

a long-term growth rate of the telecommunication market where the relevant CGU operates. The discount rate before tax applied is 10.0 (10.5) percent. This reflects the specific risks that apply to the segment the company is active in. A three (3) percentage point change in the discount rate does not cause any impairment. A two (2) percentage point change in estimated EBITDA does not cause any impairment. A three (3) percentage point change in estimated gross margin does not cause any impairment. Based on the above, no impairment is considered necessary.

## Note 17 Tangible fixed assets

Tangible fixed assets SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Accumulated cost at beginning of year	22,246	19,935	19,670	17,520
New purchases	2,906	2,203	2,827	2,150
Exchange differences for the year	-155	108	-	-
<b>Closing accumulated cost</b>	<b>24,997</b>	<b>22,246</b>	<b>22,497</b>	<b>19,670</b>
Accumulated amortization at beginning of year	-19,123	-16,192	-16,752	-14,026
Depreciation for the year	-1,390	-2,823	-1,331	-2,726
Exchange differences for the year	152	-108	-	-
<b>Closing accumulated depreciation</b>	<b>-20,361</b>	<b>-19,123</b>	<b>-18,083</b>	<b>-16,752</b>
<b>Carrying amount</b>	<b>4,636</b>	<b>3,123</b>	<b>4,414</b>	<b>2,918</b>
<i>Depreciation included in:</i>				
Cost of sales	-137	-221	-115	-192
Sales and marketing expenses	-76	-116	-55	-99
Administration expenses	-16	-933	-13	-919
Development expenses	-1,161	-1,553	-1,149	-1,516
<b>Total depreciation</b>	<b>-1,390</b>	<b>-2,823</b>	<b>-1,331</b>	<b>-2,726</b>

## Note 18 Inventories

Inventories SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Products in process	300	786	300	786
Finished goods	43,298	46,279	43,298	46,279
<b>Total</b>	<b>43,598</b>	<b>47,065</b>	<b>43,598</b>	<b>47,065</b>

The expensed inventories are included in cost of sales and amount to SEK 75,120 (91,367) thousand. Inventories with a value of SEK 67,722 (71,828) thousand were impaired to an estimated net realizable value

of SEK 43,598 (47,065) thousand. This year's effect in profit or loss of impairment and scrap of inventories for the year amounts to SEK -3,360 (-6,553) thousand and is recognized in cost of sales.

## Note 19 Accounts receivable and other receivables

Accounts receivable and other receivables SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Accounts receivable	110,123	116,517	90,080	106,103
Provision for impairment of receivables	-3,937	-5,396	-3,642	-5,220
<b>Accounts receivable, net</b>	<b>106,186</b>	<b>111,121</b>	<b>86,438</b>	<b>100,883</b>
Receivables from group companies	-	-	132,978	111,348
Other receivables	6,133	10,911	5,915	15,356
Prepaid expenses and accrued income	10,418	8,287	7,894	6,049
<b>Carrying amount of accounts receivable and other receivables</b>	<b>122,737</b>	<b>130,319</b>	<b>233,225</b>	<b>233,636</b>

In 2017, the group reported SEK 0 (-529) thousand as realized loss of accounts receivables.

An age of analysis of the group's overdue accounts receivable and provisions for impairment of receivables follows.

### Group's overdue invoices

SEK thousands	Dec 31, 2017	Dec 31, 2016
Less than a month	12,447	5,733
1-3 months	14,576	15,754
3-6 months	1,884	2,933
More than 6 months	4,925	10,216
<b>Total</b>	<b>33,832</b>	<b>34,636</b>

### Group's movements on the provisions for impairment of accounts receivables

SEK thousands	2017	2016
<b>As of January 1</b>	-5,396	-4,486
Reversed unused amounts	1,783	-
Provisions for receivables impairment	-325	-910
<b>As of December 31</b>	<b>-3,937</b>	<b>-5,396</b>

### Group's accounts receivable and other receivables, carrying amount/currency

SEK thousands	Dec 31, 2017	Dec 31, 2016
SEK	16,594	15,916
USD	52,681	59,350
EUR	51,732	54,716
GBP	1,720	337
SGD	9	-
<b>Total</b>	<b>122,737</b>	<b>130,319</b>

### Group's accounts receivables

SEK thousands	Dec 31 2017		Dec 31 2016	
	Amount	Proportion	Amount	Proportion
Accounts receivables < 1 SEK million per customer	23,294	22%	25,233	23%
Accounts receivables 1- 5 MSEK million per customer	64,030	60%	55,481	50%
Accounts receivables > 5 SEK million per customer	18,862	18%	30,407	27%
<b>Total</b>	<b>106,186</b>	<b>100%</b>	<b>111,121</b>	<b>100%</b>

### Current receivables contain the following major items:

SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
VAT claims	4,104	3,220	3,693	10,409
Other	2,029	7,691	2,223	4,947
<b>Total</b>	<b>6,133</b>	<b>10,911</b>	<b>5,915</b>	<b>15,356</b>

Accrued income and prepaid expenses include the following major items:

SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Prepaid rent	2,487	1,965	1,671	1,718
Prepaid license/service fees	2,584	343	2,309	310
Prepaid employee-related expenses	2,834	2,272	2,448	322
Prepaid trade event	688	502	644	0
Accrued income	753	-	0	2,218
Other items	1,072	3,205	822	1,481
<b>Total</b>	<b>10,418</b>	<b>8,287</b>	<b>7,894</b>	<b>6,049</b>

## Note 20 Cash and equivalents

SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Cash and bank balances	177,745	214,943	166,200	194,423
<b>Total cash and cash equivalents</b>	<b>177,745</b>	<b>214,943</b>	<b>166,200</b>	<b>194,423</b>
Of which in blocked account	-	-	-	-

## Note 21 Financial assets and liabilities

Group's financial instruments by category	Dec 31 2017			Dec 31 2016		
	Valuetier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss	Valuetier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss
<b>Assets in Balance Sheet</b>						
Derivative instruments	2	-	556	2	-	975
Accounts receivable and other receivables, excluding non-financial assets		112,031	-		121,056	-
Cash and cash equivalents		177,745	-		214,943	-
<b>Total</b>		<b>289,776</b>	<b>556</b>		<b>335,999</b>	<b>975</b>

Group's financial instruments by category	Dec 31 2017			Dec 31 2016		
	Valuetier	Other financial liabilities	Liabilities measured at fair value through profit or loss	Valuetier	Other financial liabilities	Liabilities measured at fair value through profit or loss
<b>Liabilities in Balance Sheet</b>						
Synthetic options	2	-	3,003	2	-	16,782
Accounts payable and other liabilities, excluding non-financial liabilities		29,169	-		18,856	-
<b>Total</b>		<b>29,169</b>	<b>3,003</b>		<b>18,856</b>	<b>16,782</b>

## Note 21 continued

### Financial instruments in tier 2

The fair value of derivative instruments is measured using exchange rates of currency forwards on the reporting date where the resulting value is discounted to present value.

Financial instruments measures on the basis of inputs that are not based on observable market data. 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. See also note 7.

### Financial liabilities due dates:

SEK thousands	Dec 31, 2017	Dec 31, 2016
<1 year	31,889	18,856
1-2 years	115	14,126
2-3 years	168	2,656
<b>Total</b>	<b>32,172</b>	<b>35,638</b>

## Note 22 Participations in group companies

### Subsidiaries to the parent company and other major subsidiaries within the group as of December 31, 2017:

SEK thousands	Business	Share of equity, parent company (%)	Share of equity, group (%)	Carrying amounts, parent company	Equity
Net Insight Consulting AB (publ), corp. ID. no. 556583-7365, registered office: Stockholm, Sweden	Dormant	100	100	500	493
Net Insight Pte. Ltd., registered office: Singapore	Sales	100	100	0	1,192
Q2 Labs AB, corp. ID. no. 556640-8570, registered office: Stockholm, Sweden	Holding company	100	100	223,062	142,335
Net Insigt Intellectual Property AB (NIIP AB), corp. ID. no. 556579-4418, registered office: Stockholm, Sweden	Development	-	100	-	11,521
SchduALL EMEA Ltd; registered office: London, UK	Sales	100	100	0	1,860
VizuALL Inc; registered office : Florida, USA	Sales & development	100	100	71,505	75,977
<b>Total</b>				<b>295,068</b>	

All subsidiaries are fully consolidated. Share of equity and vote are the same in the subsidiaries. The group has no non-controlling interests or assets with significant restrictions.

Accumulated cost SEK thousands	Parent company	
	Dec 31, 2017	Dec 31, 2016
Accumulated cost at beginning of year	299,243	248,243
Group contributions		51,000
Impairment	-	-
Purchase cost for the period*	-4,175	-
Liquidation	-	-
<b>Total participations in group companies</b>	<b>295,068</b>	<b>299,243</b>

\* The amount is attributable to the final settlement of the acquisition of VizuALL Inc (ScheduALL) in October 2015. The compensation received has no effect on earnings in Group, when it corresponds to an impairment of customer relationships (see Note 16).

## Note 23 Share capital

Share capital of SEK 15,597 thousand is divided between 389,933,009 shares, with a par value of SEK 0.04 per share. One class A share is entitled to ten (10) votes and one class B share is entitled to one (1) votes. All shares issued by the parent company have been fully paid.

During the year, the parent company acquired a total of 2,040,000 of its own class B shares through purchases on the NASDAQ OMX. The total amount paid to acquire the shares, net of income tax, was SEK 11.2 million. At the end of the reporting period, the parent company had a total of 6,315,000 of its own class B shares, at an average cost of SEK 4.64 per share and with a par value of SEK 0.04 per share. The shares are held as own shares. The parent company has the right to reissue these shares at a later date.

For more information about the share, see section The Share on pages 24-25.

The division between share classes		No. of shares	
SEK thousands	Dec 31, 2017	Dec 31, 2016	
Unrestricted class A shares	1,000,000	1,000,000	
Unrestricted class B shares	388,933,009	388,933,009	
<b>Total</b>	<b>389,933,009</b>	<b>389,933,009</b>	

The division between share classes, outstanding shares		No. of outstanding shares	
SEK thousands	Dec 31, 2017	Dec 31, 2016	
Unrestricted class A shares	1,000,000	1,000,000	
Unrestricted class B shares	382,618,009	384,658,009	
<b>Total</b>	<b>383,618,009</b>	<b>385,658,009</b>	

## Note 24 Other non-current liabilities

### Group

SEK thousands	Synthetic options	Other employee-related items	Deferred revenues	Total
<b>As of January 1, 2016</b>	<b>12,626</b>	<b>0</b>	<b>3,203</b>	<b>15,829</b>
- Additional items affecting liquidity	1,001	1,644	22,449	25,094
- Synthetic options, change in value	3,155	-	-	3,155
- Reclassification, current	-	-	-10,899	-10,899
- Exchange differences for the year	-	-	555	555
<b>As of December 31, 2016</b>	<b>16,782</b>	<b>1,644</b>	<b>15,308</b>	<b>33,734</b>

### Group

SEK thousands	Synthetic options	Other employee-related items	Deferred revenues	Total
<b>As of January 1, 2017</b>	<b>16,782</b>	<b>1,644</b>	<b>15,308</b>	<b>33,734</b>
- Additional items affecting liquidity	763	-	9,005	9,768
- Synthetic options, change in value	-9,630	-	-	-9,630
- Reclassification, current	-7,632	-	-9,586	-17,218
- Reclassification, provisions	-	-1,644	-	-1,644
- Exchange differences for the year	-	-	-888	-888
<b>As of December 31, 2017</b>	<b>283</b>	<b>0</b>	<b>13,839</b>	<b>14,122</b>

## Note 24 continued

### Parent company

SEK thousands	Synthetic options	Other employee-related items	Deferred revenues	Total
<b>As of January 1, 2016</b>	<b>12,626</b>	<b>0</b>	<b>1,037</b>	<b>13,663</b>
- Additional items affecting liquidity	942	1,548	9,698	<b>12,188</b>
- Synthetic options, change in value	3,058	-	-	<b>3,058</b>
- Reclassification, current	-	-	-3,914	<b>-3,914</b>
<b>As of December 31, 2016</b>	<b>16,626</b>	<b>1,548</b>	<b>6,821</b>	<b>24,995</b>

### Parent company

SEK thousands	Synthetic options	Other employee-related items	Deferred revenues	Total
<b>As of January 1, 2017</b>	<b>16,626</b>	<b>1,548</b>	<b>6,821</b>	<b>24 995</b>
- Additional items affecting liquidity	763	-	3,498	<b>4,261</b>
- Synthetic options, change in value	-9 481	-	-	<b>-9 481</b>
- Reclassification, current	-7 632	-	-6,344	<b>-13 976</b>
- Reclassification, provisions	-	-1,548	-	<b>-1 548</b>
<b>As of December 31, 2017</b>	<b>276</b>	<b>0</b>	<b>3,975</b>	<b>4,251</b>

Neither the group nor the parent company has any liabilities that matures later than five years.

## Note 25 Other provisions

Group	Current provision		Non-current provisions			Total
	Warranty provisions <sup>1)</sup>	Variable incentive program <sup>2)</sup>	Warranty provisions <sup>1)</sup>	Variable incentive program <sup>2)</sup>	Other provisions	
<b>As of January 1, 2016</b>	<b>1,895</b>	<b>0</b>	<b>1,895</b>	<b>5,396</b>	<b>77</b>	<b>9,263</b>
- Additional provisions	-37	-	-37	2,093	-	<b>2,019</b>
- Share-based remuneration	-	56	-	914	-	<b>970</b>
- Reclassification	-	773	-	-773	-77	<b>-77</b>
<b>As of December 31, 2016</b>	<b>1,858</b>	<b>829</b>	<b>1,858</b>	<b>7,630</b>	<b>0</b>	<b>12,175</b>
<b>As of January 1, 2017</b>	<b>1,858</b>	<b>829</b>	<b>1,858</b>	<b>7,630</b>	<b>0</b>	<b>12,175</b>
- Additional provisions	-	-	-	311	435	<b>746</b>
- Used amount affecting liquidity	-	-703	-	-	-	<b>-703</b>
- Reversed unused amount	52	-	52	-	-	<b>104</b>
- Share-based remuneration	-	-985	-	-2,447	-	<b>-3,432</b>
- Reclassification	-	4,116	-	-2,223	-	<b>1,893</b>
<b>As of December 31, 2017</b>	<b>1,910</b>	<b>3,257</b>	<b>1,910</b>	<b>3,271</b>	<b>435</b>	<b>10,783</b>

<sup>1)</sup> Warranty provisions have been used to cover potential future expenses due to executed business transactions.

<sup>2)</sup> Provisions for the variable incentive program had been made to cover likely future compensation, including social security contributions. Variable incentive program is participation in the synthetic share program. Share-based remuneration is value changes in amounts held in escrow. The terms and conditions of the synthetic share program are stated in note 7.

Parent company SEK thousands	Current provision		Non-current provisions			Total
	Warranty provisions <sup>1)</sup>	Variable incentive program <sup>2)</sup>	Warranty provisions <sup>1)</sup>	Variable incentive program <sup>2)</sup>	Other provisions	
<b>As of January 1, 2016</b>	<b>1,895</b>	<b>0</b>	<b>1,895</b>	<b>5,396</b>	<b>77</b>	<b>9,263</b>
- Additional provisions	-37	-	-37	2,093	-	2,019
- Share-based remuneration	-	56	-	914	-	970
- Reclassification	-	773	-	-773	-77	-77
<b>As of December 31, 2016</b>	<b>1,858</b>	<b>829</b>	<b>1,858</b>	<b>7,630</b>	<b>0</b>	<b>12,175</b>
<b>As of January 1, 2017</b>	<b>1,858</b>	<b>829</b>	<b>1,858</b>	<b>7,630</b>	<b>0</b>	<b>12,175</b>
- Additional provisions	-	-	-	115	435	550
- Used amount affecting liquidity	-	-703	-	-	-	-703
- Reversed unused amount	52	-	52	-	-	104
- Commitment transferred between group companies	-	-	-	-1,261	-	-1,261
- Share-based remuneration	-	-841	-	-2,031	-	-2,872
- Reclassification	-	3,598	-	-1,803	0	1,795
<b>As of December 31, 2017</b>	<b>1,910</b>	<b>2,883</b>	<b>1,910</b>	<b>2 650</b>	<b>435</b>	<b>9,788</b>

<sup>1)</sup> Warranty provisions have been used to cover potential future expenses due to executed business transactions.

<sup>2)</sup> Provisions for the variable incentive program had been made to cover likely future compensation, including social security contributions. Variable incentive program is participation in the synthetic share program. Share-based remuneration is value changes in amounts held in escrow. The terms and conditions of the synthetic share program are stated in note 7.

## Note 26 Other liabilities

Other liabilities SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Employee-related taxes	2,676	3,006	2,510	2,561
Other current liabilities	1,043	550	919	547
Synthetic options	2,720	-	2,720	-
<b>Total current liabilities</b>	<b>6,439</b>	<b>3,556</b>	<b>6,149</b>	<b>3,108</b>

## Note 27 Accrued expenses and deferred income

Accrued expenses and deferred income SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Vacation pay liability	9,118	8,838	8,359	7,837
Social security contribution	5,050	5,136	4,686	4,903
Accrued remuneration to employees	10 821	14,178	6,224	9,506
Deferred income	48,878	50,578	20,124	25,374
Other	21,579	21,520	20 195	20,877
<b>Total accrued expenses and deferred income</b>	<b>95,446</b>	<b>100,250</b>	<b>59,588</b>	<b>68,497</b>

## Note 28 Cash flow statement

Other items not affecting liquidity SEK thousands	Group		Parent company	
	2017	2016	2017	2016
Synthetic options, change in value	-14,542	3,155	-14,393	3,058
Capital gain/losses	4,195	1,140	4,195	1,140
Income realized from deferred income	2,130	6,549	-	-
Provisions	-5,635	7,618	-4,910	7,618
Unrealized exchange differences	1,504	-603	-	-
<b>Total</b>	<b>-12,348</b>	<b>17,859</b>	<b>-15,108</b>	<b>11,816</b>

## Note 29 Pledged assets and contingent liabilities

Pledged assets SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Deposits	4,911	309	4,736	161
<b>Total</b>	<b>4,911</b>	<b>309</b>	<b>4,736</b>	<b>161</b>

Contingent liabilities SEK thousands	Group		Parent company	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
<b>Total</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

## Note 30 Proposed appropriation of earnings

The following funds are at the disposal of the parent company

SEK thousands	2017
Premium reserve	51,296
Retained earnings	470,105
Net income	6,230
<b>Total</b>	<b>527,631</b>
<b>The Board of Directors proposes that funds be appropriated as follows:</b>	
Brought forward:	527,631
<b>Summa</b>	<b>527,631</b>

The Consolidated Income Statement and Consolidated Balance Sheet will be submitted to the Annual General Meeting on May 8, 2018 for adoption.

The Board of Directors and Chief Executive Officer declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and give a true and fair view of the group's financial position and results of operations. The annual accounts have been prepared

in accordance with generally accepted accounting policies and give a true and fair view of the parent company's financial position and results of operations.

The Administration Report for the group and parent company gives a true and fair view of the progress of the group's and parent company's operations, financial position and results of operations, and state the significant risks and uncertainties factors facing the parent company and companies in the group.

Stockholm March 19, 2018

Lars Berg  
Chairman

Jan Barchan  
Board member

Gunilla Fransson  
Board member

Crister Fritzon  
Board member

Charlotta Falvin  
Board member

Anders Harrysson  
Board member

Fredrik Tumegård  
CEO

Our Audit Report was submitted March 20, 2018  
Deloitte AB

Therese Kjellberg  
Authorized Public Accountant

# Auditor's report

To the general meeting of the shareholders of Net Insight AB (publ)  
corporate identity number 556533-4397

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

---

### *Opinions*

We have audited the annual accounts and consolidated accounts of Net Insight AB (publ) for the financial year 2017-01-01 - 2017-12-31, except for the statutory sustainability report on pages 37-41. The annual accounts and consolidated accounts of the company are included on pages 30-77 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not include the statutory sustainability report on pages 37-41

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

### *Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### *Other information*

The audit of the annual accounts for the financial year 2016-01-01 – 2016-12-31 was performed by another auditor who submitted an audit report dated 2017-03-24 with an unmodified opinion in the Report on the annual accounts and consolidated accounts.

### *Key Audit Matters*

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### **Revenue recognition**

#### *Risk assessment*

The group's net sales as of 31 December 2017 amount to 427 MSEK. Revenues comprises net sales of several different components such as hardware, software licenses and services. In some cases the customer arrangements includes bundled offers with several components. When recognizing revenue allocated to the different components it shall reflect the components relative fair value, which is based on the market price of the components when sold separately. The allocation may have a significant impact on the group's net sales and earnings.

For further information please refer to the group's accounting policies in note 1.16 and description of significant estimates and assessments in note 3 on page 56.

### *Our audit procedures*

Our audit procedures included but were not limited to:

- review of the revenue recognition process and test of design and implementation of key controls
- sample basis review for revenue accrual by sales agreements that includes bundles offers and cut-off review of sales close to year end
- sample basis review of revenue existence and completeness by comparison between recorded revenue and payments from customers
- evaluation of principles for revenue recognition and that the required information is disclosed.

## **Recognition and valuation of capitalized development expenditures**

### **Risk assessment**

The group's capitalized development expenditures amount to 252 MSEK as of 31 December 2017 which mainly includes internally capitalized expenditures. Expenditures for development is capitalized as an intangible asset provided that the criteria's described in the group's accounting policies on page 52 are met. The capitalization and subsequent valuation of development expenditures is based on management's assessment if the projects will be successful in terms of commercial and technical possibilities. There is a risk that development expenditures do not meet the requirements for capitalization and that the book value of individual assets exceeds the recoverable amount which may have a significant impact on the group's earnings and financial position. Furthermore, there is a risk that these assets will not generate economic benefits for the group throughout the period that management estimates that the assets should be impaired.

For further information please refer to the group's accounting policies in note 1.6 on page 52 and the description of important estimates and assessments in note 3 on page 56 and note 1.6 regarding intangible assets.

### **Our audit procedures**

Our audit procedures included but were not limited to:

- review of the capitalization and valuation process of development expenditures and test of design and implementation of key controls
- evaluation of the group's principles for capitalization of internally generated development expenses
- sample basis review of the basis for internally capitalized development expenditures and evaluation of management's assessments of the assets capitalization

### **Other information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-30 and 87-96. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

---

### *Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Net Insight AB (publ) for the financial year 2017-01-01 - 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### *Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

## THE AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

---

The Board of Directors is responsible for the statutory sustainability report on pages 37-41, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our exami-

nation of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Deloitte AB, was appointed auditor of Net Insight AB by the general meeting of the shareholders on the 2017-05-09 and has been the company's auditor since 2017-05-09.

Stockholm March 20, 2018  
Deloitte AB

Therese Kjellberg  
Authorized Public Accountant

# Corporate Governance Report

Net Insight AB (publ) is a public limited company with its registered office in Stockholm, Sweden. Net Insight's shares are listed on Nasdaq Stockholm. The basis for governance of the company and group includes its Articles of Association, the Swedish Companies Act and Nasdaq Stockholm's regulations for issuers, including the Swedish Code of Corporate Governance, applicable from December 1, 2016 as well as internal regulations and policies.

## Introduction

The Articles of Association describe the business of the company, its share capital, the number and classes of share, allocation of votes, the number of directors and auditors, notices of, and matters to be dealt with at the Annual General Meeting (AGM), and the requirement that this meeting be held in Stockholm, Sweden. In the period between AGMs, Net Insight's Board of Directors is the highest decision-making body in the Company. The duties of the Board are regulated by the Swedish Companies Act and the Articles of Association. The current Articles of Association were adopted at the AGM on May 9, 2017. The full Articles of Association are available at [www.netinsight.net](http://www.netinsight.net).

In 2017, the company has not contravened Nasdaq Stockholm's Issuer Rules or accepted practice on the stock market. Net Insight departed from the Code section 4.2 in that a personal deputy was elected to main shareholder Jan Barchan (Briban Invest). The departure was motivated by continuity reasons.

## Annual General Meeting, AGM

The AGM of Net Insight AB (publ) was held on May 9, 2017. The company's Nomination Committee is responsible for proposing a chairman for the AGM. Lars Berg was elected Chairman of the Meeting. The AGM made the following resolutions:

- Adoption of annual financial statement, appropriation of profits and discharging the Board members and CEO from liability.
- Adoption of new Articles of Association, amendments relating to the role of the deputy if a Board member becomes unable to fulfil his or her duties.
- The number of Board members should be seven with one deputy.
- Lars Berg, Gunilla Fransson, Anders Harrysson, Cecilia Beck-Friis, Crister Fritzson, Jan Barchan and Charlotta Falvin were re-elected as Board members. Stina Barchan was elected as personal deputy for Jan Barchan.
- Lars Berg was re-elected Chairman of the Board.
- Deloitte AB was elected as the company's audit firm, with Therese Kjellberg as Auditor in Charge.
- The AGM decided that Directors' fees should amount to SEK 2,070,000 to be allocated with SEK 575,000 to the Chairman of the Board and SEK 230,000 to each of the other Board members not employed by the company. For the deputy, the remuneration was SEK 115,000. Remuneration for Committee work, payable to members appointed by the Board of Directors, is SEK 10,000 per meeting.
- Remuneration to the auditor, Deloitte AB to be on approved account.

- The AGM resolved to approve the proposed procedures for appointing of the Nomination Committee and the Board of Directors' proposal regarding guidelines for remuneration and other terms of employment for senior executives.
- The Annual General Meeting decided to introduce two cash-based options programs related to Net Insight's share price performance. One for Swedish-domiciled employees, and one for Net Insight's employees based abroad. The programs will be completed by issuing synthetic options. The Swedish program was mainly aimed at employees not included in the options programs in 2015 and 2016. The program for employees based abroad was aimed at all employees outside Sweden.
- The AGM decided to authorize the Board of Directors to, in the period until the next AGM is held, repurchase shares totaling up to 5 percent of all the shares in the company, and to reach Board resolutions regarding the transfer of these shares.

The complete minutes of the AGM, as well as the supporting documentation, are available at <https://investors.netinsight.net/corporate-governance/>.

## Nomination Committee

According to a decision at the AGM, Net Insight's Nomination Committee consists of the Chairman of the Board of Net Insight AB and the company's four largest shareholders as of the last banking day each August, who are then each entitled to appoint a member of the Nomination Committee. The composition of the Nomination Committee was published on September 26, 2017.

Net Insight's Nomination Committee for 2018 has the following members: Jan Barchan (Briban Invest), Lars Bergkvist (Lannebo Fonder), Ramsay Brufer (Alecta), Christian Brunlid (Handelsbanken fonder) and Lars Berg (Chairman of Net Insight AB). The Nomination Committee appointed Ramsay Brufer (Alecta) as its Chairman. The Nomination Committee held six meetings where minutes were kept in preparation for the AGM 2018, prior to the date for signing the Annual Report.

## Auditor

According to the Articles of Association, Net Insight shall appoint one to two Auditors with or without Deputy Auditors. The stipulated term of office for Auditors is one year. The company's Auditors, Deloitte AB was elected at the AGM 2017 to serve in the period until the AGM 2018. Therese Kjellberg was appointed Auditor in Charge.

### Board of Directors

The Board of Directors administers the company's affairs in the interests of the company and all of its shareholders. The size and composition of the Board ensures its ability to administer the company's affairs effectively and with integrity.

The Board's duties include establishing business goals and strategies, deciding on acquisitions and divestitures, capitalization of the company, appointing, appraising, and determining compensation to the CEO, ensuring that there are effective systems to monitor and control the company's business, ensuring that the necessary ethical guidelines for the company's conduct are established, and appraising the Board's work. The Board's rules of procedure are established annually at the Board Meeting following election, or as required. In addition to the above duties, the rules of procedure stipulate items including Board meeting procedures, instructions for the company's CEO, decision making procedures within the company, division of responsibilities, and the disclosure of information between the company and the Board. The Board monitors and appraises the CEO's performance, including implementation of the Board's decisions and guidelines annually.

### Work of the Board

The Board held nine meetings during the year when minutes were kept, not counting four per capsulam meetings. At these meetings, the Board considered standing agenda items for each Board meeting such as the state of the business, year-end and interim reports, budgets, business goals, risks, compensation issue to management with principles for variable salary portions, as well as monitoring these issues and audit matters. During the year, the Board focused particularly on the progress of Live OTT and activities to ensure sales in the core business revert back to expected sales volumes. The Board meeting following election addressed and adopted the Board of Directors' Agenda and the instructions for the CEO.

Each year, the Chairman initiates an evaluation of the Board's work. The evaluation for 2017 was carried out by the Nomination Committee meeting with each Board member separately discussing the work of the Board. The Nomination Committee carried out its own evaluation based on this.

The Board of Directors continuously appraises the CEO on the basis of specific targets. A formal appraisal is carried out once annually.

### Independence of the Board

Net Insight's Board of Directors is considered to satisfy the Code's standard of independence: all Board members are independent of the company and management. All Board members, apart from Jan Barchan, are independent of the company's principal owners.

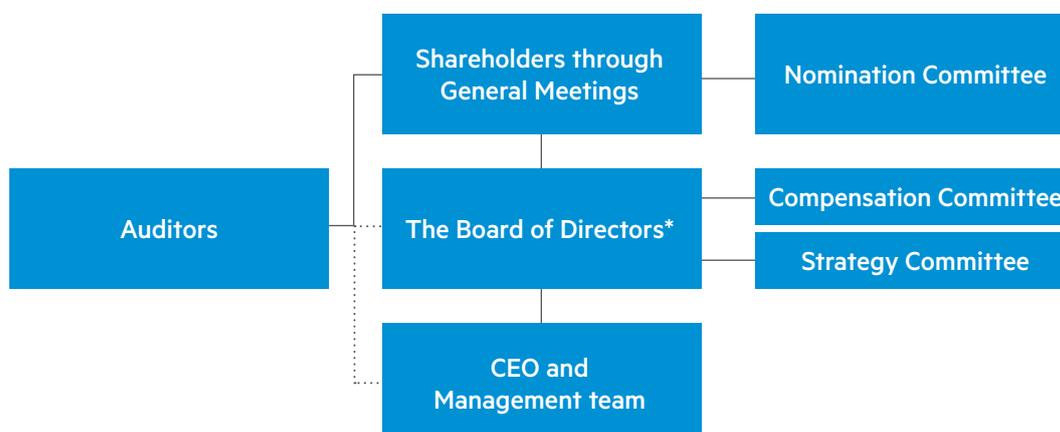
For more information on Board members and the CEO, see pages 26-28.

### Remuneration Committee

The Board has instituted a Remuneration Committee charged with consulting on issues concerning salaries, compensation and other terms of employment for the CEO, as well as compensation programs of a broader nature, such as option programs, for final decision by the Board. The Remuneration Committee decides on issues regarding salaries and compensation and other terms of employment for all staff that report directly to the CEO. The Committee reports to the Board on a continuous basis.

The Remuneration Committee members are Chairman of the Board Lars Berg and Board member Anders Harrysson. During the year, the Committee held five meetings when minutes were kept, not counting per capsulam meetings, and consulted on the following matters: the CEO's variable remuneration for 2016 to be decided by the Board; a decision on variable remuneration for 2016 for the rest of management; business goals and compensation structure for the CEO for 2017 to be decided by the Board and the remuneration structure for the rest of management.

## CORPORATE GOVERNANCE AT NET INSIGHT



\*The Board of Directors in its entirety also handles audit matters.

### Strategy Committee

The Board has also appointed a Strategy Committee to prepare and evaluate questions regarding the company's strategic development, by means including analyzing and initiating corporate acquisitions and other strategic collaborations and presenting the necessary measures for final authorization by the Board of Directors. The Committee includes Lars Berg, Anders Harrysson and Jan Barchan. No meetings were held during the year. Strategic issues were mainly addressed in regular Board meetings.

### Audit

Net Insight's Board of Directors has decided against a separate audit committee; instead, the whole Board deals with audit matters. The Board has decided on this approach since it is suitable as long as the company has a relatively uncomplicated business and audit structure. The decision is re-evaluated annually. In consultation with the company's auditors, the Board has also proactively discussed new accounting recommendations that may affect future company accounting and reporting. Twice a year, after the third and fourth quarter financial statements, the group's auditors report their observations from their audit to the whole Board. These meetings also keep the Board informed of the direction and scope of the audit, as well as discussing the coordination of the external audit, internal controls and the auditor's view of risks in the company. At both of these meetings, the auditors presented and discussed their views without management being present.

### Attendance in 2017

Attendance by each Board member at meetings when minutes were kept is presented below:

Name	Attendance at Board meetings	Remuneration Committee
Lars Berg	8/9	5/5
Anders Harrysson	9/9	5/5
Gunilla Fransson	8/9	
Cecilia Beck-Friis <sup>1)</sup>	5/9	
Crister Fritzson	9/9	
Jan Barchan	9/9	
Charlotta Falvin	9/9	

<sup>1)</sup> Cecilia Beck-Friis resigned from the Board on September 30, 2017

### CEO and Management

The CEO leads the company according to the terms of the instructions to the CEO, reports to the Board of Directors on financial and operational progress against financial and operational objectives set by the Board of Directors on a monthly and quarterly basis.

The CEO attends Board meetings and provides the Board of Directors with the necessary information and decision-support data. The company is organized into functions, with each functional manager also being members of management. Management holds regular meetings with a standing agenda, and weekly reviews, as well as additional meetings when required.

For more information on the CEO and members of management, see pages 28-29.

### The Board's report on internal controls

#### Purpose of internal controls

The purpose of Net Insight's work on internal controls is to:

- Ensure satisfactory compliance with applicable laws, rules and ordinances.
- Ensure that financial reporting gives a fair and true view of the company's financial situation and gives accurate decision support data for shareholders, the Board and management.
- Ensure the company's operations are organized and managed so financial and operational objectives are realized and that significant risks are dealt with in a timely and appropriate manner.

#### Roles and responsibilities

Net Insight's Board is responsible for ensuring that internal controls over financial reporting meet the standards of the Swedish Companies Act and Swedish Code of Corporate Governance. For Net Insight, internal controls over financial reporting are an integral part of corporate governance. These controls contain processes and methods to safeguard the group's assets and accuracy in financial reporting, in order to protect owners' investments in the company.

The Board adopts rules of procedure yearly, which formalizes the work of the Board and processing issues. The Board issues instructions to the CEO, which stipulate the matters for which the CEO may exercise his authority to act on behalf of the company, subject to the Board's authorization or approval. These instructions are reviewed annually. The Board also issues instructions to the CEO regarding financial reporting. According to his instructions, the CEO is responsible for reviewing and ensuring the quality of all financial reporting, as well as ensuring that the Board otherwise receives the reports it needs to be able to continually assess the group's accounting position and risks. The Board of Directors determines important policies, including Finance Policy, Guidelines for Business Ethics and Whistleblower policy.

### ***Risk identification and monitoring***

Net Insight's overarching risk evaluation, meaning identifying and evaluating the risk of not reaching business targets, is carried out as part of the company's strategy process where probabilities and measures are discussed with the Board of Directors. This process is repeated in connection with the budget process. These risks are also evaluated and managed in the company's line organization on an ongoing basis. In its reporting to the Board of Directors, management regularly presents significant risk areas that have been identified, such as the company's competitive situation, credit risk and technology trends. For an overview of the company's risks and risk management, see pages 3435 in the Administration Report and in the Sustainability Report on pages 3741.

### ***External reporting***

The Board monitors and evaluates quality assurance of financial reporting through quarterly reports on the company's business and earnings trends, and by considering the Group's financial situation at each scheduled Board meeting.

On two occasions each year, the company's auditor attends Board meetings to present the outcome of the full year audit and the third-quarter financial review. On these occasions the Auditor also presents any changes to accounting policies that affect the company. Coincident with the presentation of the full-year audit and the third quarter Interim Report, the auditor also states his view, on the adequacy of the organization and competence of the finance function, without management's attendance.

To support the accuracy of external reporting and risk management, the internal reporting and control system builds upon annual financial planning, monthly reports and daily monitoring of key financial ratios. The group's finance department inspects and monitors reporting, as well as compliance with internal and external regulations. Besides laws and ordinances, internal policies and guidelines include finance policies, an approvals list, a financial handbook, credit and accounting policy and documented procedures for the most important tasks of the finance department. These policies and guidelines are updated regularly. Identified risks concerning financial reporting are managed through the company's control activities. For example, the ERP system has automated controls that manage access rights and signatory authority, as well as manual controls such as duality, in regular bookkeeping and closing entries. The business-specific controls are complemented by detailed financial analyses of the company's results and follow-ups against budget and forecasts, which provides overall confirmation of the quality of reporting.

In 2017, the work associated with improving Net Insight's processes primarily focused on the introduction of a global ERP system, bringing a new travel expenses system on stream and improving documentation and routines for revenue recognition and intangible assets. All major policies were updated and amendments were implemented.

### ***Internal audit***

Each year, the Board evaluates whether there is a need to create a dedicated internal audit function. The Board judged that there was no such need in 2017. In its reasoning, the Board stated that internal control is primarily exercised through:

- The central accounting function.
- Management's supervisory controls.

These factors, combined with the company's size and limited complexity, means that the Board considers that such a further function would not be financially justifiable at present.

# Auditor's report on the corporate governance statement

To the general meeting of the shareholders in Net Insight AB (publ)  
corporate identity number 556533-4397

## **Engagement and responsibility**

It is the board of directors who is responsible for the corporate governance statement for the financial year 2017-01-01 - 2017-12-31 on pages 82-85 and that it has been prepared in accordance with the Annual Accounts Act.

## **The scope of the audit**

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## *Opinions*

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm March 20, 2018  
Deloitte AB

Therese Kjellberg  
Authorized public accountant

# Five Year Summary

## Five Year Summary

SEK millions (if not defined differently)	2017	2016	2015	2014	2013
<b>Income</b>					
<i>Net sales by region</i>					
Western Europe	194.6	231.4	193.1	173.7	179.1
Americas	133.4	163.2	115.1	168.4	72.0
Rest of World	98.7	108.9	67.6	36.9	29.7
<b>Net sales</b>	<b>426.7</b>	<b>503.5</b>	<b>375.8</b>	<b>379.1</b>	<b>280.8</b>
Net sales, adjusted	428.9	510.1	379.4	379.1	280.8
Gross earnings	248.0	315.8	226.1	232.0	156.5
Operating expenses	257.5	266.4	206.8	178.4	166.2
Total development expenditure	150.4	149.1	96.6	81.9	86.0
EBITDA	-25.6	38.6	23.3	67.1	-8.6
Operating earnings	-9.5	49.4	19.2	53.6	-9.7
Operating earnings, adjusted	-4.6	58.8	27.6	53.6	-9.7
Profit/loss after financial items	5.5	44.0	6.7	55.1	-7.6
Net income	3.7	35.2	1.9	41.5	-9.2
<b>Balance sheet and cash flow</b>					
Non-current assets	352.8	335.7	321.1	205.8	231.5
Current assets	344.1	392.3	349.3	417.7	327.5
Cash and cash equivalents	177.7	214.9	193.6	294.3	203.7
Shareholder's equity	548.0	563.0	531.6	536.9	494.2
Liabilities	148.9	165.0	138.8	86.6	64.8
Total assets / Total equity and liabilities	696.9	728.0	670.4	623.5	559.0
Working capital	39.1	47.1	41.9	55.8	87.7
Investments	97.6	78.8	57.3	42.2	48.6
Total cash flow	-36.8	20.9	-101.1	90.4	179
<b>The share</b>					
Dividend per share, SEK	-	-	-	-	-
Earnings per share basic and diluted, SEK	0.01	0.09	0.00	0.11	-0.02
Cash flow per share, SEK	-0.10	0.05	-0.26	0.23	0.05
Equity per share basic and diluted, SEK	1.43	1.46	1.37	1.38	1.27
Average number of outstanding shares basic and diluted, thousands	385,057	386,582	389,138	389,933	389,933
Number of outstanding shares basic and diluted as of December 31, thousands	383,618	385,658	387,158	389,933	389,933
Share price as of December 31, SEK	4.73	8.90	8.30	3.10	1.44
<b>Employees</b>					
Number of employees and consultants as of December 31	249	248	235	152	151
<b>KPI</b>					
Net sales YoY, change in %	-15.2%	34.0%	-0.9%	35.0%	0.2%
Organic growth YoY, change in %	-15.2%	19.7%	-4.7%	35.0%	0.2%
Gross margin	58.1%	62.7%	60.2%	61.2%	55.7%
Total development expenditure/Net sales	35.2%	29.6%	25.7%	21.6%	30.6%
Operating margin	-2.2%	9.8%	5.1%	14.1%	-3.4%
Operating margin, adjusted	-1.1%	11.5%	7.3%	14.1%	-3.4%
EBITDA margin	-6.0%	7.7%	6.2%	17.7%	-3.1%
Net margin	0.9%	7.0%	0.5%	10.9%	-3.3%
Return on capital employed	-1.7%	9.0%	3.5%	10.0%	-2.4%
Return on equity	0.7%	6.4%	0.4%	8.1%	-1.8%
Equity/asset ratio	78.6%	77.3%	79.3%	86.1%	88.4%

## Alternative performance measures and other definitions

non-IFRS financial measures are presented to enhance an investors and management possibility to evaluate the ongoing operating results, to aid in forecasting future periods and to facilitate meaningful comparison of result between periods. The APMs in this report may differ from similar-titled measures used by other companies.

### Calculation of performance measures not included in IFRS framework

Performance measures Non-IFRS performance measures	Various types of performance measures and margin measures as a percentage of sales. Description	Reason for use of the measure
Gross margin	Gross earnings as a percentage of net sales.	The gross margin is of major importance, showing the margin for covering the operating expenses.
Operating expenses	Sales and marketing expenses, administration expenses and development expenses.	
Operating expenses/net sales	Operating expenses as a percentage of net sales.	Used in charts to illustrate trend.
Operating earnings	Calculated as operating earnings before financial items and tax.	Operating earnings provides an overall picture of earnings generated in the operating activities.
Operating margin	Operating earnings as a percentage of net sales.	The operating margin is a key measure together with sales growth and capital employed for monitoring value creation.
Net sales YoY, change in %	The relation between net sales for the period and the corresponding sales for the comparative period in previous year.	The sales growth is a key measure together with operating margin and capital employed for monitoring value creation.
Organic growth	Net sales for the period in relation to Net sales for the comparative period, excluding Net sales from business combinations that not been part of the Group for the whole comparative period.	Sales growth without influenced of business combinations.
Net margin	Net Income as a percentage of net sales.	The net margin shows the remaining share of net sales after all of the company's costs have been deducted.
Adjusted performance and margin measures	Performance and margin measures adjusted for items affecting comparability between periods. See table Consolidated Income Statement, Adjusted on page 92.	Reporting performance and margin measures not influenced by items affecting comparability between periods shows the performance of the underlying operation.
Total development (R&D) expenditure	Development expenses and capitalized expenditures for development.	The measure is a good complement to development expenses, as it shows the company's total expenditure in development.
Total development (R&D) expenditure/net sales	Total development expenditure as percentage of net sales.	The development expenditures effect on income, financial position and presentation in the statement of cashflow is affected by the periods level of capitalized development expenditures.
EBITDA	Operating earnings before depreciation and amortization and capitalization of development expenditure.	The measures are good complements to operating earnings and margin as it, simplified, shows the earnings-generated cash flow in the operation and it shows operating earnings without influence of variations in the level of capitalized development expenditures in the company's development projects.
EBITDA margin	EBITDA as a percentage of net sales.	
Segment	Region corresponds to an operating segment under IFRS 8. <ul style="list-style-type: none"> <li>• Western Europe (WE).</li> <li>• Americas (AM), North and South America.</li> <li>• Rest of World (RoW), countries outside of Western Europe and Americas.</li> </ul>	

**KPI Income Statement**

SEK millions (if not defined differently)	2017	2016	2015	2014	2013
Net sales	426.7	503.5	375.8	379.1	280.8
Net sales YoY, change in %	-15.2%	34.0%	-0.9%	35.0%	0.2%
Cost of sales ex. amortization of capitalized development	-118.0	-130.8	-95.8	-95.2	-78.2
<b>Gross earnings ex. amortization of capitalized development</b>	<b>308.7</b>	<b>372.7</b>	<b>280.0</b>	<b>283.9</b>	<b>202.6</b>
Gross margin ex. amortization of capitalized development	72.3%	74.0%	74.5%	74.9%	72.1%
Cost of sales amortization of capitalized development	-60.7	-56.9	-54.0	-51.9	-46.1
<b>Gross earnings</b>	<b>248.0</b>	<b>315.8</b>	<b>226.1</b>	<b>232.0</b>	<b>156.5</b>
Gross margin	58.1%	62.7%	60.2%	61.2%	55.7%
Sales and marketing expenses	-144.7	-137.1	-122.4	-107.9	-104.8
Administration expenses	-49.7	-54.2	-40.5	-29.5	-22.9
Development expenses	-63.1	-75.0	-44.0	-41.0	-38.4
<b>Operating expenses</b>	<b>-257.5</b>	<b>-266.4</b>	<b>-206.8</b>	<b>-178.4</b>	<b>-166.2</b>
Operating expenses/net sales	60.3%	52.9%	55.0%	47.1%	59.2%
<b>Operating earnings</b>	<b>-9.5</b>	<b>49.4</b>	<b>19.2</b>	<b>53.6</b>	<b>-9.7</b>
Operating margin	-2.2%	9.8%	5.1%	14.1%	-3.4%
Net financial items	15.0	-5.4	-12.6	1.5	2.0
<b>Profit/loss before tax</b>	<b>5.5</b>	<b>44.0</b>	<b>6.7</b>	<b>55.1</b>	<b>-7.6</b>
Tax	-1.8	-8.8	-4.7	-13.6	-1.6
<b>Net income</b>	<b>3.707</b>	<b>35.166</b>	<b>1.924</b>	<b>41.5</b>	<b>-9.2</b>
Net margin	0.9%	7.0%	0.5%	10.9%	-3.3%

**Organic growth**

SEK millions (if not defined differently)	2017	2016	2015	2014	2013
Net Sales	426.7	503.5	375.8	379.1	280.8
Net Sales from business combinations	-	-53.5	-14.5	-	-
Net Sales, excluding business combinations	426.7	450.0	361.3	379.1	280.8
<b>Organic growth, YoY, change i %</b>	<b>-15.2%</b>	<b>19.7%</b>	<b>-4.7%</b>	<b>35.0%</b>	<b>0.2%</b>

**Total development expenditure/net Sales**

SEK millions (if not defined differently)	2017	2016	2015	2014	2013
Development expenses	63.1	75.0	44.0	41.0	38.4
Capitalization of development expenditure	87.3	74.1	52.7	40.9	47.6
<b>Total development expenditure</b>	<b>150.4</b>	<b>149.1</b>	<b>96.6</b>	<b>81.9</b>	<b>86.0</b>
Net Sales	426.7	503.5	375.8	379.1	280.8
<b>Total development expenditure/net sales</b>	<b>35.2%</b>	<b>29.6%</b>	<b>25.7%</b>	<b>21.6%</b>	<b>30.6%</b>

## EBITDA margin

SEK millions (if not defined differently)	2017	2016	2015	2014	2013
Operating earnings	-9.5	49.4	19.2	53.6	-9.7
Amortization of capitalized development expenditure	60.7	56.9	54.0	51.9	46.1
Other depreciation, amortization & impairment	10.5	6.3	2.8	2.4	2.6
Capitalization of development expenditure	-87.3	-74.1	-52.7	-40.9	-47.6
<b>EBITDA</b>	<b>-25.6</b>	<b>38.6</b>	<b>23.3</b>	<b>67.1</b>	<b>-8.6</b>
Net Sales	426.7	503.5	375.8	379.1	280.8
<b>EBITDA Margin</b>	<b>-6.0%</b>	<b>7.7%</b>	<b>6.2%</b>	<b>17.7%</b>	<b>-3.1%</b>

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.		
Capital and return measures Non-IFRS performance measure	Description	Reason for use of the measure
<b>Working capital</b>	Current assets less cash and cash equivalents, accounts payable and other interest-free current liabilities. The Company has no interest-bearing liabilities. Changes in working capital in the cash flow statement also includes adjustments for items not affecting liquidity and changes in non-current operating assets and liabilities.	This measure shows how much working capital that is tied up in the operations and can be put in relation to sales to understand how effectively tied-up working capital is used.
<b>Capital employed</b>	The Company capital employed is calculated as an average of total assets, less total liabilities, excluding interest-bearing liabilities. The Company has no interest-bearing liabilities.	Return on capital employed is the central ratio for measuring the return on the capital tied up in operations.
<b>Return on capital employed</b>	Operating earnings plus interest income, in relation to average capital employed, rolling four quarters (R4Q).	
<b>Equity/asset ratio</b>	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.
<b>Return on equity</b>	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.
<b>Investments</b>	Investments in intangible and tangible assets.	
<b>Total cash flow</b>	Change in cash and cash equivalents during the period, excluding exchange differences in cash and cash equivalents.	

## Equity/asset ratio

SEK millions (if not defined differently)	2017	2016	2015	2014	2013
Current assets	371.2	377.4	411.3	374.0	332.9
Cash and cash equivalents	-204.3	-203.1	-279.7	-240.2	-182.9
Short term liabilities	-127.7	-127.2	-89.7	-78.1	-62.2
<b>Working capital</b>	<b>39.1</b>	<b>47.1</b>	<b>41.9</b>	<b>55.8</b>	<b>87.7</b>

**Return on capital employed**

SEK millions (if not defined differently)	2017	2016	2015	2014	2013
<i>Capital employed</i>					
Total balance	716.1	704.3	637.0	593.7	566.3
Non-interest liabilities	-157.4	-155.7	-95.1	-80.6	-65.3
<b>Capital employed</b>	<b>558.7</b>	<b>548.6</b>	<b>541.9</b>	<b>513.1</b>	<b>501.0</b>
<i>Operating earnings less interest income</i>					
Operating earnings, R4Q	-9.5	49.4	19.2	53.6	-9.7
Interest income, R4Q	0.2	0.1	0.5	2.3	2.6
<b>Operating earnings less interest income, R4Q</b>	<b>-9.7</b>	<b>49.3</b>	<b>18.7</b>	<b>51.3</b>	<b>-12.3</b>
<b>Return on capital employed</b>	<b>-1.7%</b>	<b>9.0%</b>	<b>3.5%</b>	<b>10.0%</b>	<b>-2.4%</b>

**Equity/asset ratio**

SEK millions (if not defined differently)	2017	2016	2015	2014	2013
Equity	548.0	563.0	531.6	536.9	494.2
Total equity and liabilities	696.9	728.0	670.4	623.5	559.0
<b>Equity/asset ratio</b>	<b>78.6%</b>	<b>77.3%</b>	<b>79.3%</b>	<b>86.1%</b>	<b>88.4%</b>

**Return on equity**

SEK millions (if not defined differently)	2017	2016	2015	2014	2013
Net income	3.7	35.2	1.9	41.5	-9.2
Average equity	558.8	548.6	541.9	513.1	501.0
<b>Return on equity</b>	<b>0.7%</b>	<b>6.4%</b>	<b>0.4%</b>	<b>8.1%</b>	<b>-1.8%</b>

Shareholders' information	Measures related to the share.	
Non-IFRS performance measure	Description	Reason for use of the measure
<b>Dividend per share</b>	Dividend divided by the average number of outstanding shares during the period.	Measures showing the return of the business to the owners, per share.
<b>Earnings per share (EPS)</b>	Net income divided by the average number of outstanding shares during the period.	
<b>Cash flow per share</b>	Total cash flow, divided by average number of outstanding shares during the period.	
<b>Equity per share</b>	Shareholders' equity divided by number of outstanding shares at the end of the period.	
<b>Average number of outstanding shares</b>	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.	
Employees and consultants/ Coworkers	Description	Reason for use of the measure
	The number of employees and consultants for non-temporary positions (longer than nine months) and who don't replace absent employees.	To supplement the number of employees with consultants gives a better measure of the Company's cost.

Employees and consultants at the end of the period	2017	2016	2015	2014	2013
Number of employees	211	215	205	134	142
Number of consultants	38	33	30	18	9
<b>Employees and consultants at the end of the period</b>	<b>249</b>	<b>248</b>	<b>235</b>	<b>152</b>	<b>151</b>

## Material profit and loss items

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

### Material profit and loss items

SEK millions	Note	2017	2016	2015	2014	2013
<b>Accounting effects due to the acquisition of ScheduALL in October 2015</b>						
Deferred revenue	(a)	-2.1	-6.5	-3.6	-	-
Amortization intangible assets, business combinations	(b)	-2.8	-2.8	-0.7	-	-
Acquisition related costs	(c)	-	-	-4.1	-	-
		<b>-4.9</b>	<b>-9.4</b>	<b>-8.4</b>	<b>0.0</b>	<b>0.0</b>
<b>Effects of the Net Insight share price development during the period</b>						
Share-based benefits	(d)	3.4	-1.0	-2.8	-0.1	-
Synthetic options, change in value	(e)	14.5	-3.2	-11.8	-	-
		<b>18.0</b>	<b>-4.1</b>	<b>-14.6</b>	<b>-0.1</b>	<b>0.0</b>
<b>Other</b>						
Restructuring	(f)	-	-3.4	-	-	-
		<b>0.0</b>	<b>-3.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

- (a) Support revenues that ScheduALL would have recognized if they had remained a stand-alone entity, but that Net Insight is not permitted to recognize as revenue under IFRS as a result of business combination accounting rules. The effects of these business combination rules will gradually decrease.
- (b) Amortizations related to the intangible assets — trademark and customer relations — that Net Insight recognized under IFRS as a result of business combination accounting rules, but that ScheduALL would not have recognized if they had remained a stand-alone entity. These amortizations will continue to affect the income over time.
- (c) Share-based benefits are value changes in amounts held in escrow for participation in the synthetic share program.
- (d) Net Insight has, after decision at the AGM, introduced synthetic option programs for employees in Sweden. The synthetic options are revaluated on a current basis to fair value by applying an options valuation model. The changes in value during the term of the options are presented as a financial item. To financially hedge future cash flow effects of the company's commitments in the synthetic option programs, if the share price would exceed the strike price, the parent company has repurchased its own shares. The repurchased of own shares is deducted from equity, retained earnings, and are not revaluated to fair value on a current basis.
- (e) Development expenses in the first quarter of 2016 was charged with an expense of SEK 3.4 million as a result of a minor reorganization of the R&D operations aimed at rationalizing the development process.

## Consolidated income statement, adjusted

We believe that the disclosed supplemental non-IFRS financial information provides useful information to investors because management uses this information, in addition to financial data prepared in accordance with IFRS, to attain a more transparent understanding of Net Insight's performance. The adjustments below refers to some of the items listed in the section Material profit and loss items above and the notes refers to this section.

### Consolidated income statement, adjusted

SEK millions (if not defined differently)	Note	2017	2016	2015	2014	2013
Net sales		426.7	503.5	375.8	379.1	280.8
Deferred revenue	(a)	2.1	6.5	3.6	-	-
<b>Net sales, adjusted</b>		<b>428.9</b>	<b>510.1</b>	<b>379.4</b>	<b>379.1</b>	<b>280.8</b>
<i>Net sales adjusted YoY, change in %</i>		<i>-15.9%</i>	<i>34.5%</i>	<i>0.1%</i>	<i>35.0%</i>	<i>0.2%</i>
Cost of sales		-178.7	-187.7	-149.7	-147.2	-124.3
<b>Gross earnings, adjusted</b>		<b>250.2</b>	<b>322.4</b>	<b>229.6</b>	<b>232.0</b>	<b>156.5</b>
<i>Gross margin, adjusted</i>		<i>58.3%</i>	<i>63.2%</i>	<i>60.5%</i>	<i>61.2%</i>	<i>55.7%</i>
Operating expenses		-257.5	-266.4	-206.8	-178.4	-166.2
Amortization intangible assets, business combinations	(b)	2.8	2.8	0.7	-	-
Acquisition related costs	(c)	-	-	4.1	-	-
<b>Operating earnings, adjusted</b>		<b>-4.6</b>	<b>58.8</b>	<b>27.6</b>	<b>53.6</b>	<b>-9.7</b>
<i>Operating margin, adjusted</i>		<i>-1.1%</i>	<i>11.5%</i>	<i>7.3%</i>	<i>14.1%</i>	<i>-3.4%</i>
Net financial items		15.0	-5.4	-12.6	1.5	2.0
Synthetic options, change in value	(e)	-14.5	3.2	11.8	-	-
<b>Profit/loss before tax, adjusted</b>		<b>-4.1</b>	<b>56.6</b>	<b>26.8</b>	<b>55.1</b>	<b>-7.6</b>



# Sector-specific terminology

## **ACCESS NETWORK**

That part of the public network closest to endusers. Consists of copper lines in the telephone network and coaxial cable for cable TV. Fiber and wireless solutions are also becoming more widespread.

## **BANDWIDTH**

Measure of how much information can be transmitted. Measured in bits per second, bps.

## **BROADBAND NETWORK**

Network with extremely high capacity, at least 2 mbps to each end-user.

## **BROADCAST**

Transmission from a single sender to all possible recipients in a network.

## **CATCH UP TV**

To watch recent TV program after it has been broadcasted.

## **CDN**

(Content Delivery Networks) An overlay network of customer content, distributed geographically to enable rapid, reliable retrieval from any enduser location.

## **CONTENT**

TV Content that is distributed in the network.

## **CONTRIBUTION**

Communication for production and processing of material before it is transmitted to the end-user.

## **CORE**

Larger transport networks between cities and backbone networks.

## **DTT**

(Digital Terrestrial Television) Name of digital terrestrial TV to regular TV sets equipped with set-top boxes. Also called DVB-T.

## **ERM**

(Enterprise Resource Management) Software that lets an enterprise manage its network resources efficiently.

## **ETHERNET**

The most common technology for communication in local area networks, LANs. Transmission speeds of 10/100 mbps, 1 Gbps and 10 Gbps.

## **GIGABIT ETHERNET**

Development of the Ethernet primarily used in large LANs and backbone networks. Can process transmission speeds of up to 1,000 mbps.

## **HD/HDTV**

(High definition/TV)  
High resolution/TV.

## **UHD/TV**

(Ultra High Definition/TV)  
Ultra High resolution TV. Available digital video formats are 4K and 8K.

## **HEADEND**

A master facility for receiving television signals for processing and distribution over a cable television system.

## **IP**

(Internet Protocol)  
Protocol used for data transmission over the Internet. All Internet traffic is transmitted in IP packets.

## **IPTV**

Television that is broadcast over IP (broadband).

## **MPLS**

(Multi Protocol Label Switching) Protocol for the efficient management of connections over a package-switched network.

## **MSR**

(Media Switch Router) MSR is a platform specially designed to handle media services.

## **NODE**

A unit that is connected to a network, either as a sender/ receiver, or to connect different networks.

## **NPS**

(Net Promotor Score)  
Is both a measure and a survey method that provides a value on how loyal a company's customers or employees are.

## **ORCHESTRATION**

Automated coordination of virtual resources, functions and people.

## **OTT**

(Over-The-Top)  
Internet-based distribution of TV.

**POST PRODUCTION**

Post production of TV shows or films, for example.

**PROTOCOL**

An agreed set of rules for how different network equipment should communicate.

**QOS**

(Quality of Service)

Name for the quality of service (that can be provided by a network). Video and speech require higher QoS. QoS is achieved in a network either by separating traffic so that interference cannot occur or by prioritization where the highest-priority traffic is sent first.

**REAL TIME**

Immediate transmission of material without delay.

**REMOTE PRODUCTION**

Also called centralized production or at-home production. Camera feeds are transported via media networks and the studio production is made remotely.

**ROUTER**

A unit to guide and forward data packets, over the Internet, for example.

**ROUTING**

Guiding and forwarding data packets through a computer network.

**SDN**

(Software Defined Networking)

Networking technology that makes media networks more agile and flexible to support for example automated, customer provisioned networks and the increased use of virtualization and data center technologies within the media industry.

**ORCHESTRATION**

Automated coordination of virtual resources, functions and people.

**SLA**

(Service Level Agreement)

Is a part of a service contract where the level of service is formally defined.

**STREAMING/STREAMED MEDIA**

Playing sound and video files on a computer or mobile phone simultaneous with transmission over a LAN or WAN, such as the Internet. Used for playing stored files from websites and for live events over the internet.

**UPLINK STATION/TELEPORT**

Station where media content in a terrestrial network is transferred to a satellite network for further distribution.

**VOD**

(Video on Demand)

To select and watch video content anytime when needed.

# Shareholder information

## Annual General Meeting

The Annual General Meeting (AGM) will be held at 10 a.m. on Tuesday, May 8, 2018 at Net Insight's offices in Stockholm, Sweden. Shareholders recorded in the share register maintained by Euroclear Sweden AB on May 2, 2018, and who have notified the Company by 4 p.m. on May 2, 2018, are entitled to attend, and vote, at the AGM.

Shareholders can notify their attendance at the meeting by mail to Net Insight AB (publ), Box 42093, 126 14 Stockholm, Sweden, by telephone to +46 (0)8 685 0400 or by e-mail to [agm@netinsight.net](mailto:agm@netinsight.net).

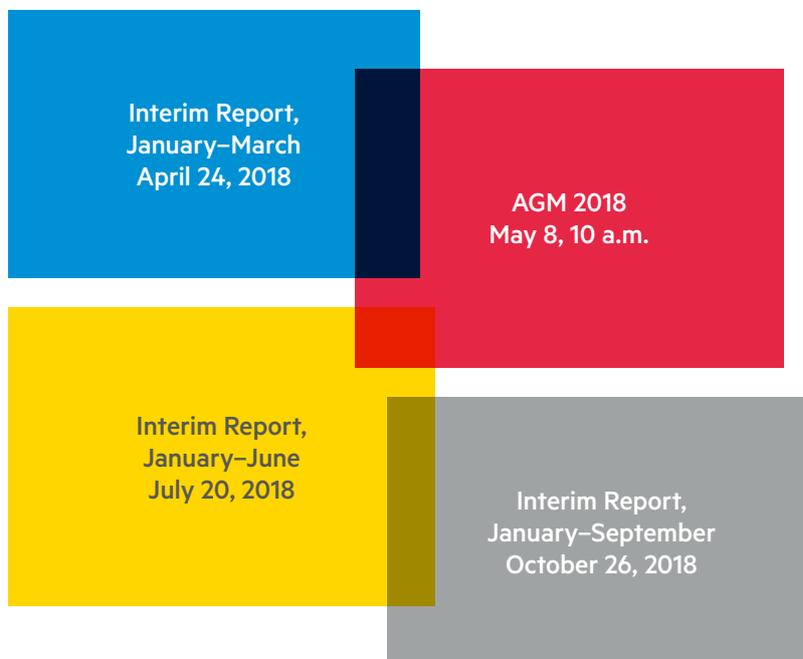
## Dividend

The Board of Directors is proposing to the AGM to resolve not to pay any dividend for the financial year 2017.

## Distribution of Annual Report

The Annual Report 2017 will be published on April 17, 2018 at [www.netinsight.net](http://www.netinsight.net). Printed versions of the Annual Report are available to order by e-mail: [info@netinsight.net](mailto:info@netinsight.net), or by telephone: +46 (0)8 685 0400.

Net Insight publishes financial information in Swedish and English. The Reports are available for download from Net Insight's website: [www.netinsight.net](http://www.netinsight.net) or to order by e-mail: [info@netinsight.net](mailto:info@netinsight.net), or by telephone on +46 (0)8 685 04 00.



**Adress:**

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

**Tel:** +46 8 685 04 00

**E-mail:** [info@netinsight.net](mailto:info@netinsight.net)

**Corporate identity no:** 556533-4397

**Visiting address:** Västberga Allé 9, 126 30 Hägersten

**Visiting address from August 27, 2018:** Smidesvägen 7, 171 41 Solna, Sweden

**Production:** Net Insight in cooperation with Narva

**Print:** Planograf

**Photo:** Mats Högberg

**Translation:** Kristina Turner

The Swedish annual report ("Årsredovisning") is the legally valid and original version and shall prevail in the event of any discrepancies. This is a translation of the Swedish original.

