



Annual Report 2016

OPERATIONS

- 1 The year in brief
- 2 This is Net Insight
- 4 CEO's statement
- 6 Strategy
- 8 Targets and performance
- 10 Market trends and competitors
- 12 Our offering
- 14 Business model
- 15 Regions
- 18 Customers
- 20 Corporate social responsibility
- 22 Human resources
- 24 The share
- 26 Board of Directors
- 27 Executive management

ANNUAL REPORT

- 28 Administration Report
- 32 Group
- 36 Parent company
- 40 Notes
- 69 Signatures
- 70 Auditor's Report
- 76 The Board's Corporate Governance Report
- 81 Auditor's Report on the Corporate Governance Statement

OTHER INFORMATION

- 82 Five Year Summary
- 83 Alternative Performance Measures
- 84 Glossary
- 85 Shareholder information

We're creating the future of media

Net Insight is an innovator in the TV technology of tomorrow. Our offering stretches from the TV camera lens to the studio, right through to the TV viewer. The result is an improved viewing experience and cost-efficient complete solutions for our customers. Net Insight delivers products, software and services for effective, high-quality media transport coupled with effective resource management. We have 500 customers around the world and our customer portfolio includes network operators, TV and production companies. The Net Insight share is listed on Nasdaq Stockholm.

www.netinsight.net

The year in brief

2016 was one of Net Insight's most successful years, and we're now bigger and stronger than ever. Our growth is derived from a sharper customer focus and a broader product portfolio in combination with a more efficient organization.



SIGNIFICANT EVENTS BY QUARTER

Q1

- Net Insight wins major order for nationwide DTT network in central Asia.
- Net Insight awarded Career Company 2016, one of Sweden's top-100 most exciting employers.

Q2

- Sye, the company's solution for true live OTT, is launched commercially.
- Launch of Nimbra Media Gateway, a new media transport solution that supports migration to IP.

Q3

- SIS orders Sye for cost-efficient delivery of video content over the Internet.
- Net Insight wins major order from a leading network operator for a European sporting league.

Q4

- Sye receives several new awards.
- Net Insight receives major order from North American service provider.
- Net Insight moves up to Nasdaq's Mid Cap segment on January 2, 2017.

Key figures	2016	2015	2014
Net sales, SEK millions	503.5	375.8	379.1
Western Europe	231.4	193.1	173.7
Americas	163.2	115.1	168.4
Rest of World	108.9	67.6	36.9
Net sales, adjusted, SEK millions	510.1	379.4	379.1
Operating earnings, SEK millions	52.4	19.2	53.6
Operating earnings, adjusted, SEK millions	61.7	27.6	53.6
Net income, SEK millions	37.4	1.9	41.5
Earnings per share, SEK	0.10	0.00	0.11
Total cash flow, SEK millions	20.9	-101.1	90.4
Equity/assets ratio, percent	77	79	86
Shareholders' equity per share, SEK	1.47	1.37	1.38
Average number of employees	208	155	137

THIS IS NET INSIGHT

An innovator in a time of technological transformation

Net Insight's world-leading technology creates new TV market solutions that benefit producers and viewers alike. This generates new revenue streams on a market undergoing extensive transformation, with old consumption patterns being replaced by new behaviors. Our offering enables us to be a true partner to our customers, and our ambition is to become the market leader based on the new technology.

SOLUTIONS THROUGHOUT THE VALUE CHAIN

Offering

Net Insight's operations focus on three key offerings: Nimbra, ScheduALL and Sye. Nimbra is a solution for transport of professional media content over media networks. ScheduALL is a planning tool for automated scheduling, management, planning and booking of all types of resources required for production and distribution of TV content. Sye is the world's only solution to date for live and synchronized TV content distributed over the internet, live OTT. Our solutions stretch from the TV camera lens to the studio, right through to the TV viewer.

Customers

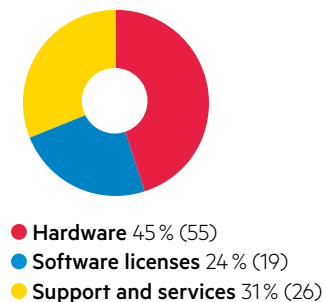
Net Insight's customer base consists of broadcasters and production companies, telecom, satellite, digital TV, cable TV and IPTV operators. The highest sales share is sourced from network capacity service providers. Net Insight gained several new customers in 2016, reaching over 500 customers in more than 60 countries by the end of the year. Net Insight's strategy is to expand its customer base efficiently by combining the company's salesforce with Net Insight's partner network.

Market

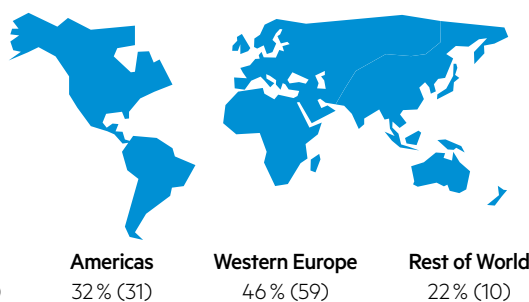
Net Insight has divided its sales organization into three geographical regions: Western Europe, Americas and Rest of World. Net Insight addresses the market in different ways depending on business segment and customer group. The company operates according to the principle that all business is local. This means that Net Insight's partner network is important, and mainly consists of system integrators and distributors. The company's global partner network has about 50 members. Revenues from Net Insight's partners were 30 percent of total revenue in 2016.

KEY FIGURES

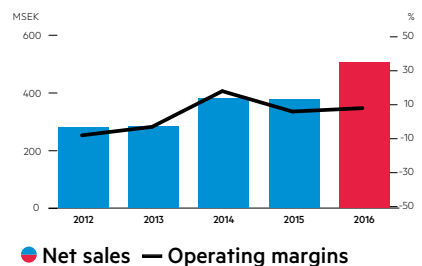
Net sales by product group



Sales share by region



Net sales & Operating margins



VALUE DRIVERS

The value drivers that affect Net Insight's progress can be divided into the following groups:

Market transformation

- Increased video traffic
- Increased live streaming
- Demand for increased productivity of content creation
- Expansion of file-based workflows
- Centralized production requires more network capacity
- TV distribution over the internet (OTT) driving more production of TV content

Innovative technology

- Reduced total cost of ownership (TCO)
- End-to-end orchestration
- Optimized broadband usage
- Enhanced the quality of services over IP networks
- Patents relating to QoS
- Synchronization, scalability

Global reach

- 500 customers
- 60 countries
- 50 resellers
- International brand recognition of 44%
- Loyal customers – cNPS 48

AWARDS THIS YEAR

- ★ **Fierce Innovation Awards 2016**
 - Sye:** Winner in the category "Multiscreen Delivery"
 - Sye:** "Best in Show" for "Best Service Agility Solution"

- ★ **TV Technology 2016 NAB Best of Show**
 - Sye:** Winner
 - ScheduALL Portal™:** Winner

- ★ **Streaming Media European Readers' Choice Awards 2016**
 - Sye:** Winner

CEO'S STATEMENT

A year of strategic growth and strong profit



The global TV market is undergoing a major transformation that requires entirely new technology solutions. Traditional market operators are being challenged by new consumer behavior, migration to IP networks, increased costs for broadcasting rights and alternative production and distribution channels.

Net Insight is at the center of this changeable media market. We sat down with the company's CEO, Fredrik Tumegård, to talk about the past year and what can be expected looking ahead.

The media landscape is changing and many traditional players are being pressured by changing consumer behavior. What role does Net Insight play in this transformation?

Overall, our role is to create better and more interesting TV alongside new and profitable business opportunities for our customers. To succeed, three main building blocks are needed: more effective utilization of existing resources, high quality video transmission regardless of distribution channel, and new business models that generate revenue streams.

Our three product lines Nimbra, ScheduALL and Sye provide solutions that meet these demands. Nimbra and ScheduALL allow our customers to control the production process and provide access to the right transmission capacity at the right time. I like to compare it to booking a flight, where the traveler can reserve a seat, add extra comfort options, choose different foods etc. online. It's just as easy to book video capacity with Nimbra and ScheduALL.

Sye, our solution for live OTT, was launched in April 2016. Sye provides TV consumers with entirely new opportunities for viewer participation, aimed at consumers that are already used to accessing simultaneous content on multiple screens. More viewer participation will generate increased revenue for content owners and operators in the future. Sye also effectively opens the door to sales of other Net Insight products.

What does Sye offer that isn't already available?

Sye offers live OTT content in an entirely new way. Traditional technology for live-streamed video content doesn't have the capacity to transmit content on multiple screens and with minimal delay – Sye solves this problem. This means that Sye doesn't only contribute to improving existing technology, it's an entirely new, innovative solution for delivering content that increases the interaction of today's consumers in a way that traditional TV doesn't.

I like to draw the comparison with when smartphones first came on the scene, because the technology behind Sye isn't just revolutionary, it consolidates new behavioral patterns that are already in the process of becoming established.

You used the word "revolutionary" – is that accurate?

Absolutely. Today, many people are turning into "digital loners" who watch content alone, also termed TV 2.0. This means that viewing figures for traditional TV have fallen dramatically for several years, and are continuing to fall.

Like many of our customers, we want people to share the TV experience again. Sye provides the right opportunities for creating the next generation of TV experience, or TV 3.0, where viewing on traditional TV screens is supplemented by content on secondary screens such as smartphones or tablets.

This enables a shared TV experience where viewers are also participants, by interacting on social media, betting, live chatting and using other time-sensitive applications. This generates entirely new revenue streams for our customers.

Apart from Sye, what other events stood out in 2016?

Off the cuff, I'm thinking sports. 2016 was a big year for sporting events, with the European Soccer Championship and summer Olympics. Many of our customers chose to upgrade their technology for these large-scale sporting events, which made a positive contribution to our sales growth. Many customers are now broadcasting TV in 4K Ultra HD. But I also want to emphasize the boost our solution for media over the internet received from Sky News Arabia, who used it to link news agencies around the world, and from France Télévisions, which replaced its satellite-based backup network with our solution.

Otherwise, 2016 was mainly characterized by the integration of ScheduALL which we acquired in October 2015. We've now completed the integration of the company with the Net Insight brand for our customer and product portfolio, and ScheduALL is now one of our three product brands. We consider the acquisition to be of strategic significance, and that the integration was successful. The process was very exciting, and many highly skilled professionals have joined Net Insight as a result.

Investors showed considerable interest in the acquisition when it was announced in 2015. What were the business results in 2016?

The acquisition has been very significant. ScheduALL is now an independent product line within Net Insight, providing efficient resource planning solutions for TV equipment, network capacity and staffing. One example is provided by NBC Olympics' broadcasts from the Olympic Games in Brazil. This involved several thousand people and many football fields of equipment, and the ScheduALL software allowed NBC to plan its resources for all aspects of production and distribution.

In 2016, we saw a huge increase in the number of transactions in the ScheduALL Connector Community. The Connector Community is an online market place where different players buy and sell services.

We have also gained access to ScheduALL's customer portfolio, and cross-sales have increased sharply. We're now more relevant to our customers and the Nimbra business wouldn't have grown as much without ScheduALL. Our strong core business provides the foundation of our operations and enables us to continue to focus on product development.

How would you describe the changes to Net Insight's position in 2016?

I would begin by stating our global market leadership. We now have global coverage, with more than 500 customers in over 60 countries. Since 2016, we divided our markets into three geographical regions: Western Europe, North and South America and Rest of World. All regions posted a strong year, and we can continue to build on a stable foundation.

The launch of Sye has allowed us to enter the expansive OTT market, which is experiencing high growth of over 17 percent. A broader customer offering means that we're now able to offer an integrated and automated flow all the way from camera lens to TV screen. We're extremely pleased with Sye's results to date, and progress is set to continue in 2017.

We've also recruited many new members of staff, close to 25 percent, mainly in sales and tech development. In conclusion, Net Insight has strengthened its position significantly in 2016.

What are the consequences of this strengthened position?

The clearest results can be seen in our high growth rate, with group operating earnings up by SEK 33.1 million and organic growth of 20 percent.

Growth has taken place across the board and throughout all product lines and market segments, and we've seen increased interest in the company generally. Some 80 percent of our customers are repeat customers, which is evidence of high customer satisfaction, something which is also clear from our annual customer survey. This provides us with a stable financial base and reduces risk in the company. The challenge is to raise awareness of what we do, and to continue to win market share globally. Although we've doubled brand awareness in five years, from 22 to 44 percent, we're maintaining that focus to show that Net Insight shapes the media of tomorrow.

For the second year running, Net Insight was awarded Career Company in Sweden. What does this mean to you?

On a personal level, it makes me happy and proud, but it's also strategically important for the company. It means that we're one of 100 select employers in Sweden that are seen as secure and attractive. Our staff are obviously critical to our success. The degree of innovation that Net Insight has shown in recent years wouldn't be possible without highly skilled professional staff who enjoy their work.

In conclusion, could you tell us something about Net Insight's main goals for 2017?

Without a doubt, our main objective is to put live OTT on the map by continuing the commercial rollout of Sye. This is a revolutionary technology that we're pioneering, and which we believe strongly in – not just for Net Insight's benefit but for the entire TV and entertainment industry. We obviously want this to happen as quickly as possible. At the same time, we also need to be humble and understand that technological change takes time. Even though we're already there in terms of the technology, time is also needed for other parts of the value chain to realign their business models, program formats and content.

The transformation of the media market is a journey we're making alongside our customers and partners. We see ourselves as educators and advisors to market operators who are looking to navigate the new landscape effectively. Although this might seem like bewildering times to many people, at Net Insight we see a future full of opportunities.

Stockholm, Sweden, March 2017

Fredrik Tumegård
CEO



STRATEGY

Strategy for growth

Net Insight has a clear growth strategy based on being the front runner and thought leader in the global media industry. We develop innovative and cutting-edge products based on an understanding of our customers' businesses and needs. We're forward-looking experts in media and a true partner to our customers.

BUSINESS CONCEPT

Net Insight delivers products, software and services for high-quality media transport coupled with effective resource management, all of which creates an enhanced TV experience. Net Insight's offerings stretch from the TV camera lens to the studio, right through to the TV viewer. Net Insight's solutions offer network operators, TV and production companies the benefit of lower total cost of ownership and the potential for effective new media service launches.

STRATEGY

- 1 Develop core business**
 - Maintain strong position and increase market share in North America, Western Europe and selected markets in Rest of World.
 - Operate and develop new innovative solutions in customer provisioned networks and resource planning, with good profitability.
 - Focused initiatives in the DTT business area.
 - Increase brand awareness on the market.
- 2 Establish leading position in live OTT**
 - Capitalize on leadership in live OTT, focusing on North America and Western Europe.
 - Create core foundation of patents, intellectual property rights and technology platform.
 - Build a sustainable and efficient organization that can support the continued growth globally.

Our vision

Our vision is to enable live and interactive media experiences for anyone on earth. We want to lead progress and provide a global media marketplace where people can exchange content and interact with each other in real time. We want to create the media experience of the future, centered on content.

Clear growth strategy

Net Insight has a clear growth strategy based on four clearly defined areas. Growth is driven by increasing the company's presence on select key markets, being the market leader in live OTT, enhancing its offering by strengthening the link between infrastructure and services, and by completing complementary acquisitions.

Increased presence and a stronger brand

Position Net Insight as a partner for total TV solutions from the camera lens to the TV viewer's device, "glass-to-glass", based on our three product lines – Nimbra, ScheduALL and Sye.

ScheduALL has been an independent product line under the Net Insight brand since September 2016. This strengthens our brand and contributes to the stability of our business through ScheduALL's software-based solutions for customer provisioning and resource planning.

Net Insight is an established player in the media market and a leading voice in trade media. Our customer base consists of 80 percent repeat customers, who act as positive brand ambassadors that raise brand awareness, which has doubled from 22 to 44 percent amongst broadcasters in the last five years. However, we want awareness about what we do to increase further, and are focusing on becoming more well known by presumptive customers.

Heavier service content adds value

A stronger link between infrastructure and services, and an increased service content, boosts the value of our Nimbra, ScheduALL and Sye offerings.

Software-based and customer provisioned networks pave the way for more services and strengthen the potential



3

Climb the value chain

- Enable software-based control of media networks.

- Market orchestration of virtual resources, functions and people.

- Deliver service provisioning all the way from the TV camera to the viewer's device, "glass to glass".

- Identify and develop new business models.

- Enter strategic partnerships.

4

Growth through acquisitions

- Complement organic growth and service offering through mergers and acquisitions.

VISION

Enable live and interactive media experiences for anyone on earth.

for more extensive service agreements. This contributes to broadening and stabilizing our core business. Providing total solutions also means that we assume the role of industry experts, and act as advisors and educators for our customers during the current sector transformation.

Leading position in live OTT

Net Insight's strategy includes market leadership in live OTT, mainly in North America and Europe. We are uniquely positioned to deliver the technology required to distribute TV content over the Internet with minimal delay and synchronized broadcasts on multiple screens, which paves the way for social interactivity amongst TV audiences. Net Insight launched Sye in 2016, our solution for true live OTT.

Sye allows operators to offer their customers a more advanced service, and provide a personalized and interactive TV experience. Surveys suggest that consumers are more willing to pay for services when participating more actively in the viewing experience. TV companies pay a high price for distribution rights, particularly for sporting events. Sye enables

them to generate more revenue from their investments. Sye also enables TV viewers to interact socially in more engaging and entertaining ways, by having a shared TV viewing experience.

The strategy also includes a strong core of patents, intellectual property rights and a technology platform that allows us to control technological progress and the commercial rights to Sye. We will also continue to establish partnerships and build sustainable and efficient operations to establish this groundbreaking technology to the market.

Prepared for complementary acquisitions

Net Insight closely follows market progress and has the capacity to accelerate growth through strategic acquisitions that complement Net Insight's offering and business, when the company judges that conditions are right.



TARGETS AND PERFORMANCE

We have three overall targets

- 1 To grow faster than the market with good profitability.
- 2 To generate return on equity and earnings per share that make Net Insight an attractive investment.
- 3 To be perceived as a globally leading media company driving the next generation of TV and video.

1	Measurable key figures	Outcome 2016	Outcome 2015	Outcome 2014
	Sales increase, %	34.0	-0.9	35.0
	Sales increase, currency-adjusted, %	31.1	-9.7	26.9
	Total cash flow, SEK millions	20.9	-101.1	90.4
	Operating earnings, SEK millions	52.4	19.2	53.6
	Operating earnings adjusted, SEK millions	61.7	27.6	53.6

2	Measurable key figures	Outcome 2016	Outcome 2015	Outcome 2014
	Return on equity, %	6.8	0.4	8.1
	Earnings per share, SEK	0.10	0.00	0.11

3	Measurable key figures	Outcome 2016	Outcome 2015	Outcome 2014
	Brand awareness, % ¹⁾	44	39	32
	Employee satisfaction index, EI% ²⁾	78	75	–
	Loyal customers, cNPS ³⁾	48	75	–

¹⁾ Devonscroft Big Broadcast Survey

²⁾ Employee survey, Engagement Index

³⁾ Customer Net Promoter Score, market 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 recognition, product quality and skills improvement.

Net Insight is not publishing forecast for 2017

As in previous years, Net Insight is not publishing a forecast for 2017. The reason is that as a supplier, Net Insight conducts business that is highly dependent on customers' internal decisions, their business results and regulatory decisions and that the market is undergoing extensive changes.

MARKET

Market trends and competitors

The sector is undergoing a transformation mainly driven by changing TV viewing habits. This affects the whole ecosystem of TV production, including business models, infrastructure and technology. Consumer behavior is changing as new technology is developed. This means that more efficient production processes and media networks are needed to handle increased content and functionality for TV production, to be delivered at the same or reduced cost.



New TV viewing habits

The changing viewing patterns of consumers, such as growth in play services and free content, puts pressure on TV companies to offer more and better content. Viewing figures for traditional TV have been in decline since 2009. Broadcasters need to be relevant to viewers and provide high quality TV experiences, including high resolution, sound and personalized TV content.

In parallel with this trend, industries such as play services are now moving into the entertainment sector, including production and distribution of media content. New technology such as virtual reality (VR) is also creating new opportunities for the industry. Furthermore, consumers are increasingly becoming their own producers through services such as YouTube, Periscope and Snapchat.

At the same time, internet-delivered TV, OTT, has increased sharply, with annual growth of 17.2 percent according to a 2016 report by Market-sandMarkets.

Live OTT, which Net Insight offers under the Sye brand, has the potential to attract more interactive viewers back to traditional TV, particularly the younger generation, where complementary content on mobile screens is attractive. Interactive services such as chat services, betting, voting and social media interactivity generate more interest and provide a stronger experience as a result of active audience participation. Viewers can also share their experiences in real time regardless of screen or location.

Studies have shown that the potential for live chat functionality during live events boosts participation and increases the likelihood of watching the entire event. This means that the possibility of making TV viewing a social experience again would imply huge potential for innovative digital solutions. People enjoy communicating, collaborating and sharing experiences.

We are convinced that a range of new services and payment solutions will generate new revenue streams will emerge.



More efficient workflows

Consumer expectations for high-quality, on-demand content, and increasing competition from internet-based alternatives, increases the need for producers and distributors to produce and deliver more content using the same or fewer resources. To optimize their resources, such as staff and equipment, efficient management and control of workflows and network capacity is becoming increasingly important.

Net Insight's ScheduALL software platform provides TV companies and service providers with a tool for efficient booking and resource management – ranging from staff, studios and equipment

to self-provisioning networks.

Remote production, or centralized production, is becoming increasingly common, as it saves time and reduces costs, resulting in more broadcasts.

The trend towards virtualization of studio resources is also continuing, as well as the transition from hardware to cloud services.

In 2016, we launched the services marketplace Connector Community. The continuing transition from hardware to software-based solutions means that service agreements and services are becoming increasingly important to providing customer support.



The transformation of media networks

The migration towards IP-based audio and video formats has been underway for a number of years. TV broadcasters' demands on video quality and reliability remain very high. Accordingly, the possibility of sharing a consolidated underlying IP network for media services is of considerable value to global media operators and telecom companies.

Intelligent, or software-controlled, networks enable increased network automation. This improves customers' ability to control and book network capacity of the required quality, also known as self-provisioning or customer-provisioned networks. The ScheduALL software solution enables customer-provisioned networks to operate alongside Net Insight's proprietary Nimbra network products, which are designed to handle current and future standards and customer requirements.

Another trend affecting physical networks is the need for handling much larger formats. More broadcasts are now being made in 4K Ultra HD, and the market has started to look at 8K as the next step. Japan, for example, is planning to broadcast the 2020 Olympics in 8K. This will place high demands on the viewing experience from an audio and video perspective, and is associated with substantial costs for content rights, while demand is increasing for stable and robust media networks able to handle heavy and capacity-intensive content.

New infrastructure generates increased revenues and higher returns on investments as it becomes easier to provision services as a result of more intelligent networks.



Competitors

Net Insight has several competitors for its product lines. The main competitors for the Nimbra network offering are Cisco, Evertz, Media Links and Nevion. For ScheduALL's efficient resource planning offering, competitors include Farmerswife and Xytech.

Net Insight's live OTT solution is unique as it offers synchronization coupled with minimal latency. However, some competitors also offer low delay over OTT, and all major CDN operators such as Akamai, Limelight and Level 3 offer live OTT services, albeit with increased latency and without synchronized broadcasting.

OUR OFFERING

Efficient TV production from camera to studio and beyond creates interactive viewing experiences

Net Insight creates value by increasing productivity and generating new revenue streams through innovative business models.

Sye is a game-changing TV solution that creates new revenue streams

Net Insight launched Sye in April 2016. Sye is the first and, to date, only solution in the world for live TV content distributed over the internet (live OTT) that can be synchronized with satellite or terrestrial TV and with minimal delay. Sye is aimed at content and service providers who want to offer TV consumers impactful and interactive TV experiences.

Sye enables users to complement their regular TV content with enriching content on other screens. The content is synchronized across the different screens, which provides viewers with a complete experience, making Sye unique.

The Sye solution implies significant potential to create the next generation TV experience, as it provides opportunities for interaction in social media, betting, live chat and other time-sensitive applications in real time. This means that TV viewing can become a more social activity once more.

Sye is a software-based solution that can be installed on regular servers or virtually in cloud-based services. The pricing model is based on user numbers and data traffic volumes.

The offering is mainly aimed at two customer groups: Cable TV/IPTV operators and CDN operators. Cable TV/IPTV operators can create a uniform viewing experience regardless of platform, providing the opportunity to enter the value chain for advertising, while CDN operators are able to offer a new premium live OTT service to content owners, who can in turn create more impactful viewing experiences and increase viewer numbers. CDN operators offer services to TV companies, content providers and betting companies, who then use Sye's advantages to create better and more engaging experiences for their users.

Synchronized content also opens up the possibility of advertising, where OTT screens can complement or extend advertising on primary screens.

Nimbra optimizes transmission quality

The Nimbra product line is a hard and software-based platform for the transmission of professional media content. Nimbra is available in a range of series where each product type has been adapted to optimize high quality media transport over different kinds of infrastructure. Customers are largely telecom operators and specialized media network operators.

From lens to screen



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

Net Insight's offerings

For TV viewers: **Sye**

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.

For service providers: **Nimbra and ScheduALL**

By combining Nimbra and ScheduALL, network operators are given a powerful tool that ensures automated and efficient service orchestration, and provides an overview of media networks, service levels and performance.

For TV companies: **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 network owners: **Nimbra**

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.

Nimbra provides network owners with very competitive infrastructure for robust, fast and high quality transmission of media content. The platform enables easy service provisioning, service and fault handling, which provides a low total cost of operation and ownership of media networks. Nimbra's unique service separation, which means that media services operate independently of each other, makes Nimbra suitable for automation and transport of multiple video flows, e.g. in centralized production.

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

During the year, we also launched a new series, Nimbra Media Gateway, for live video in a multi-provider environment.

ScheduALL offers efficient service orchestration and automated resource management

ScheduALL is a 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, studios, cameras, producers etc.

The offering is aimed at content owners, TV companies,

production companies and service providers of media who ScheduALL helps access resources regardless of studio location, contributing to more efficient utilization of resources.

Intelligent scheduling improves the efficiency of re-source 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, while also gaining full control over transmission capacity.

Our services help our customers to grow

30 percent of Net Insight's revenue is derived from the company's service offerings. This ranges from support to advanced services provided by professionals across all customer segments. Examples include project management, implementations and training programs.

Our expertise allows us to help our customers to select the right solutions according to their individual needs, and to improve and rationalize infrastructure, production flows and service content.

BUSINESS MODEL

Long-term growth on a market undergoing transformation

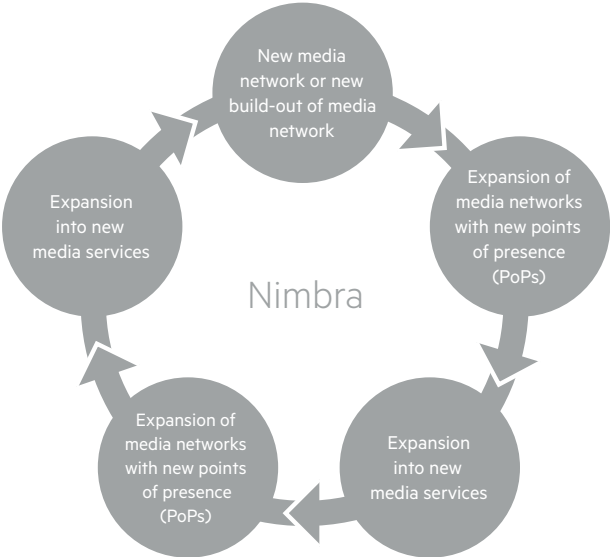
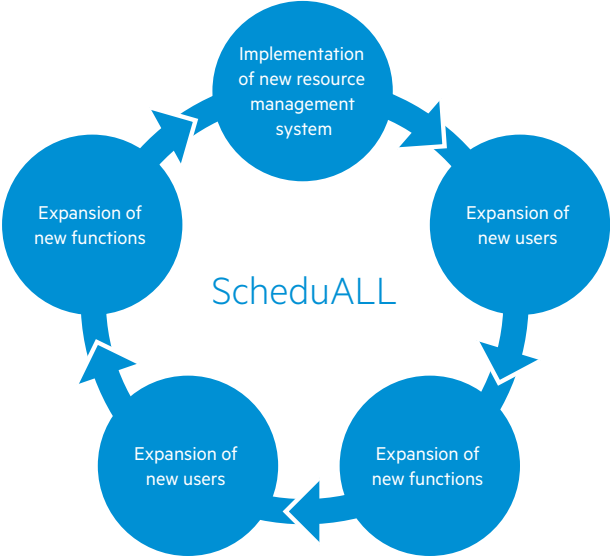
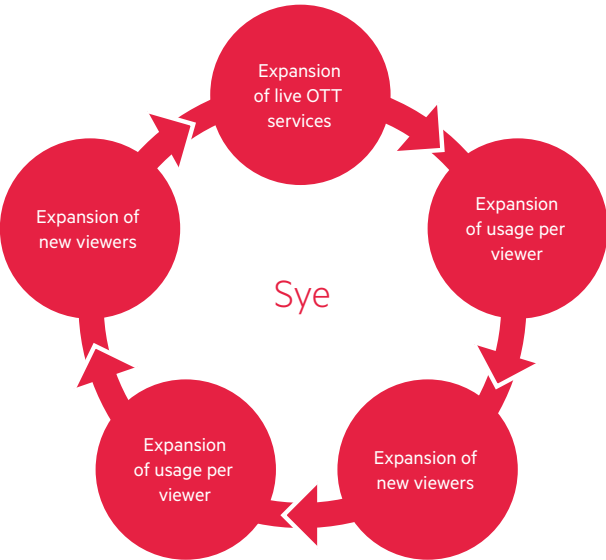
In 2016, we extended our solutions portfolio further with the launch of Sye for live OTT. We're now attracting an even broader customer base. Net Insight's business model makes the partnership with our customers explicit, which helps customers to improve their offerings to end consumers. This results in real business advantages.

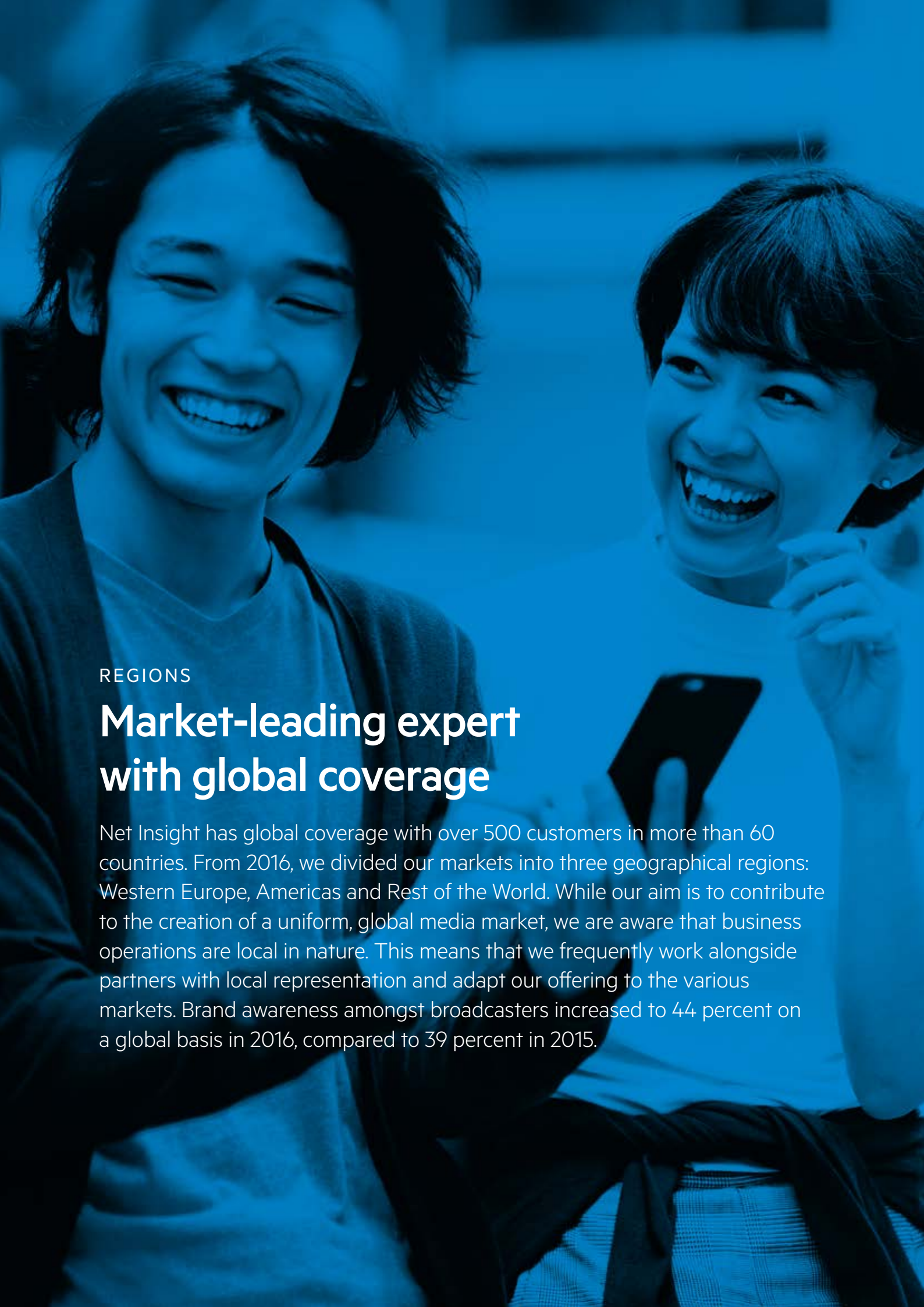
Our customers' purchasing patterns are structured as follows: Nimbra customers frequently expand their networks across multiple locations, starting with a limited number of locations which are gradually extended to include other regions, countries or continents. As customers launch new media services in their networks, more equipment is needed to support services such as 4K Ultra HD, compression or audio. We offer the following pricing structures: "pay-as-you-grow", which facilitates first-time purchases, and "software as a service" which means that customers purchase a subscription.

We receive revenue from hardware, software licenses, support and consulting services. Support revenues take the form of regularly recurring quarterly or annual income streams.

ScheduALL customers implement the system in the form of several modules which can be extended to include functionality in new modules, or connect more users. We receive income from software licenses, support and consulting services, with support services generating regularly recurring quarterly or annual income streams.

For live OTT, the business model focuses more on capacity utilization. The more video content TV viewers stream through our solution, the more revenue is generated. We receive income streams from software licenses, installations and integration services. Repeat income streams are based on media streams or users.





REGIONS

Market-leading expert with global coverage

Net Insight has global coverage with over 500 customers in more than 60 countries. From 2016, we divided our markets into three geographical regions: Western Europe, Americas and Rest of the World. While our aim is to contribute to the creation of a uniform, global media market, we are aware that business operations are local in nature. This means that we frequently work alongside partners with local representation and adapt our offering to the various markets. Brand awareness amongst broadcasters increased to 44 percent on a global basis in 2016, compared to 39 percent in 2015.

Americas

With 24 percent of global sales, the US is the single largest market for our products and solutions. Even if the US market is homogenous, it is differentiated from a needs perspective and is currently undergoing a major transformation.

Market progress and trends

Americas is a mature market with large, well-established operators. 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 the world's largest media market, with regard to TV content, production, content, distribution and technical solutions. Even if the US market is homogenous, it is differentiated from a needs perspective and is undergoing major transformation. TV viewing is increasingly shifting to online platforms and, like in Western Europe, TV is continuing to migrate to IP.

Since the establishment of OTT, internet-delivered TV, we have seen both business models and the traditional roles of producers, distributors and service providers change. Sports are a huge driver with regard to progress in live OTT, both in terms of technology solutions and business opportunities. Here too, the US is in the lead. While most countries have a couple of national sports that attract large TV audiences, the US has at least ten, both at professional and college, which attract millions of viewers.

Even though satellite-based distribution is still the most commonplace means of reaching large, global audiences, an increasing number of players are relying on the internet for contribution, which generates substantial cost savings. Centralized production also cuts costs, and grew in 2016, driven largely by the summer Olympics in Brazil.

Operational progress in 2016

We continued to invest in the region, for example by expanding the sales force and our service functions. In the US, our brand is becoming more well-known and surveys showed that market operators consider our brand to be respected, reliable and future-proof.

In 2016, we also saw a huge increase in the number of transactions in the community of ScheduALL users. Cross sales between ScheduALL and Nimbra also increased sharply.

163 MSEK
Net sales

32%
Share of total sales

42%
Growth



Western Europe

In Western Europe, 4K Ultra HD is just about to break through. This also applies to live transmissions of sporting events, for example, via the internet. These market factors generate increased potential for market growth in Western Europe for Net Insight over the coming years.

Market progress and trends

Europe is a heavily fragmented market where legislator frameworks and market conditions vary between countries and where new technology is being implemented at different speeds in the various parts of the continent.

The market factors that provide Net Insight with the main growth opportunities in Western Europe over the coming years are the transition from HDTV to Ultra HDTV (4K), the transition to the upgraded standard for digital TV, DVB-T2, TV over the internet (OTT), particularly live broadcasts, and the establishment of a joint digital market according to the EU commission's proposal in 2015. Net Insight's Sye and Nimbra solutions enable the internet to be used for contribution and distribution with minimal latency and retained quality. This makes the internet an increasingly promising medium for live broadcasts, which news agencies and content owners for sporting events in particular are starting to develop.

Operational progress in 2016

2016 was a very good year for Net Insight in Western Europe with growth running into double digits. Net Insight also entered the market for live OTT with Sye during the year.

Close collaboration with a number of network owners provides Net Insight with a strong and stable position in Western Europe. Direct sales and sales through partners continued to increase throughout the year.

Our partners provide us with a strong local presence on a diversified market, which means we can offer sales channels, services and support that is adapted to local conditions. In Germany and Italy, for example, we only operate through partners, and our largest transactions in France were made through partners in 2016.

The acquisition of ScheduALL in 2015 meant that we were able to offer advanced complete solutions including both Nimbra and ScheduALL, for the entire production and distribution chain in 2016.

Broadcasters associate the Net Insight brand with terms such as 'reliable', 'sector leaders' and 'experts' to a greater extent than our competitors.



Rest of World

Net Insight's brand awareness has increased around the world, and we're mainly growing through collaboration agreements with local partners, which we depend on outside Western Europe and North America.

Market progress and trends

Rest of World, countries outside Western Europe and Americas, naturally comprises a very differentiated market segment. Some regions marginally lag behind Western Europe and North America in terms of market maturity, while others lack much of the basic infrastructure required. However, digitalization is increasing further and 2016 was a really good year in Rest of World, too.

In this segment, we're entirely dependent on our partners in order to reach customers locally. The more stable and mature markets that we mainly focus on include China, South East Asia, South Africa, Australasia and the Middle East. Progress in other national markets is largely dependent on economic progress in the individual countries or regions.

Operational progress in 2016

Brand awareness has increased around the world, and Net Insight is growing mainly through collaboration agreements with local partners. We're continuing to invest in the region and are recruiting new staff, and in South Africa we've strengthened our position with the help of our partners. We're continuing to consolidate our operations in China.



CUSTOMERS

Sky News Arabia relies on Net Insight for wide spectrum of media solutions

Sky News Arabia is a 24-hour, Arabic-language rolling news channel from Abu Dhabi to the Arab world. Its facility is one of the largest and most advanced news centers in the Middle East.



By selecting Net Insight we have improved the availability and quality of our global bureau production.

Samir Mekhazni,
Technical
Operations
Manager at Sky
News Arabia

Solution

Sky News Arabia has, since many years, used Net Insight's ScheduALL for resource scheduling and the interoperability platform ScheduALL Chorus, which enables independent control systems to effectively communicate and work together. One system can talk to the mix of devices brought into use and the Net Insight software easily creates the level of automation that is desired.

In 2016 Sky News Arabia also selected Net Insight's media contribution over internet solution, the Nimbra VA series, to connect ten news bureaus globally. They also implemented Nimbra Vision, for an easy at-a-glance overview of the network, service health and performance.

Throughout both implementation projects, Net Insight's professional services team has been a vital part of implementing the solutions to create world class media operations.

Results

The implementation of ScheduALL Chorus has streamlined the increasingly complex environment

of a modern file based workflow as used at Sky News Arabia's network operation center (NOC). The solution prevents duplication of data, in turn reducing human errors, automating workflow and giving a small team of operators the ability to process large numbers of bookings. This now enables Sky News Arabia to react to breaking news stories faster than ever before.

Sky News Arabia is in the process of interfacing the ScheduALL core system with back-office human resource and ERP systems, creating a 360-degree cost control and reporting functionality that drives unparalleled business analysis and increased efficiencies.

Net Insight's Nimbra VA has offered Sky News Arabia a solution that lets them build, launch and manage broadcast quality, cost-efficient media transport over the internet. The Nimbra VA uses a combination of Sky News Arabia's MPLS infrastructure as well as internet to provide a reliable, flexible and bandwidth efficient protection scheme for the video services brought to the news center from the remote offices.

CUSTOMERS

Customers and deals this year



- **Net Insight wins significant DTT network order in Central Asia**

March 1, 2016 A national service provider in Central Asia selected the company's media transport solution for and expansion of a nationwide Digital Terrestrial TV (DTT) network. The state of the art media network will provide reliable and efficient distribution of TV content from the head-end to transmitter sites. The total order value, spanning over the four phases, is EUR 1.5 million.

- **NBC Olympics selects ScheduALL as its solution to manage transmission feeds and resources during 2016 summer Olympics**

April 15, 2016 NBC Olympics, a division of the NBC Sports Group, selected ScheduALL to provide resource and transmission management for its production of the summer Olympics in Rio de Janeiro. NBC Olympics turned to ScheduALL for an eighth consecutive Games to deliver advanced resource management solutions to orchestrate the logistics of people, equipment, locations and transmission feeds.

- **Eurovision scores with Net Insight for live coverage of Euro 2016**

June 9, 2016 Net Insight partnered with Eurovision for live coverage of the UEFA European football championships. Net Insight's media transport will be used for contribution and primary distribution services of media services, including for the 4K produced matches. Major sporting events require quality and reliability as well as the ability to meet ever growing requirements in high bandwidth and switching capabilities, which Net Insight's solution provides.

- **Net Insight wins significant order from a leading network operator for a European sporting league**

July 1, 2016 A leading global network operator selected Net Insight's media transport solution for an arena contribution network that will broadcast league games. The new network will connect 20 arenas over optical fiber to enable 4K and HD video broadcasts to TV consumers and business customers. The value of the first phase is estimated at over EUR 1 million.

- **Sky News Arabia selects Net Insight for global news bureau network**

August 22, 2016 The Arabic news and current affairs broadcaster Sky News Arabia selected Net Insight's award-winning media over Internet solution to connect new bureaus globally. Sky News Arabia is building a new global content contribution platform connecting 10 global news bureaus with its main hub in Abu Dhabi, and turned to Net Insight for the company's cost-effective media contribution over Internet solution.

- **Net Insight Sye solution selected by SIS to deliver live content to global bookmakers**

September 30, 2016 SIS, a leading supplier of products and services to the online and retail betting markets, selected Net Insight's Sye solution to provide delivery of live betting content with minimal latency to betting shops and bookmaker trading rooms worldwide. This provides clients with a cost effective, highly-reliable and differentiated product set that allows them to compete in various markets. SIS's decision to implement Net Insight's Sye solution ensures a more cost-effective video delivery over the internet than traditional satellite services.

- **Net Insight's solution replaced France Télévisions satellite back-up network for overseas territories**

November 28, 2016 France Télévisions Réseau Outre-Mer, the network of TV and radio stations operating in France's overseas territories around the world, has deployed Net Insight's internet media transport solution, Nimbra VA 220, for a new media contribution and distribution network. The solution increases flexibility, generates significant cost savings and maximizes service availability and reach.

- **Net Insight wins substantial order from North American service provider**

November 28, 2016 Net Insight wins a substantial order for an expanded media network in North America from a service provider, who is a long-standing Net Insight customer. The value of the order exceeds SEK 13 million.



CORPORATE SOCIAL RESPONSIBILITY

Respect for our stakeholders

Net Insight's operation is characterized by respect for the company's customers, business partners, share holders and employees, but also for the wider society. This is what social responsibility means to us.

Code of Conduct

Operations should always be conducted in accordance with applicable legislation and accepted principles of good business ethics. Net Insight's basic principles for corporate social responsibility are set out in our Code of Conduct. The Code of Conduct deals with managing environmental, ethical and social considerations in a way that creates value-added for customers. Management arranges strategic initiatives for corporate social responsibility and sets guidelines and directives for the environmental, social, ethical and accounting controls.

As a supplement to regular reporting paths, all Net Insight employees can report serious impropriety involving senior executives or key individuals anonymously through a whistleblower function.

Net Insight's anti-corruption policy

Net Insight has a zero-tolerance approach to undue advantage, improper influence and other types of corruption. As part of reinforcing its anti-corruption work, Net Insight has implemented an anti-corruption policy. This policy, which applies to all employees within the group and many of our business partners (such as resellers, agents, 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).

There were no cases of corruption in 2016.



Environmental considerations

As all manufacture is contracted to external business partners, Net Insight's environmental impact is limited to office operations and our employees' business travel.

Working in collaboration with our customers is key to ensuring that our products are manufactured sustainably. The company's suppliers are subject to the requirement of ISO 14001 environmental certification, and compliance with the EU RoHS directive limiting the usage of certain hazardous substances in electrical and electronic products. Net Insight sets standards for its whole manufacturing chain, so its main suppliers' subcontractors also comply with this directive. The company has a highly developed product return and repair organization, and for recycling scrapped equipment.

Net Insight's Nimbra platform supports wider usage of digital communication, which reduces the environmental impact of Net Insight's customers. Centralized production and workflows enables broadcasters to reduce the numbers of technical staff that travel to various news and sporting events. The Nimbra solution also means reduced power consumption compared to other network equipment on the market.

Equal opportunities and diversity

Net Insight guarantees equal rights and opportunities regardless of gender, transgender identity or expression, ethnic origin, religion or other belief system, disability, sexual orientation or age. One of the challenges we face is recruiting more women. Accordingly, Net Insight requires recruiting agencies to present equal numbers of female and male candidates. The shortage of female engineers remains a major challenge. During the year, Net Insight participated in several career fairs at universities and institutes of higher education to attract new talent. Net Insight is also focusing on its corporate culture to strengthen the company's brand amongst new and existing employees.

For more information about our equal opportunities and diversity work, see the Employees section.

HUMAN RESOURCES

Focus on cultural development

Net Insight has continued its important journey towards becoming a company focused on the market and its customers' needs, with both undergoing increasingly rapid and continuous transformation. In order to succeed, our organization needs to be ready to change and our corporate culture plays a key role in this. We've already taken several important steps in leadership development, and have strengthened our employer brand both internally and on the labor market. We are now continuing the work to build Net Insight's corporate culture.

We carried out a far-reaching 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. Since that time, Net Insight has also worked to strengthen its employer brand, both internally within the organization and on the market. This work proceeds from the existing brand platform that was renewed in 2015.

Cultural transformation and strengthening our employer brand

We started our journey in 2016, by defining the corporate culture we're aiming for according to our vision, strategy and brand. We need a strong shared culture to align our efforts and create the right conditions for achieving our corporate goals and vision.

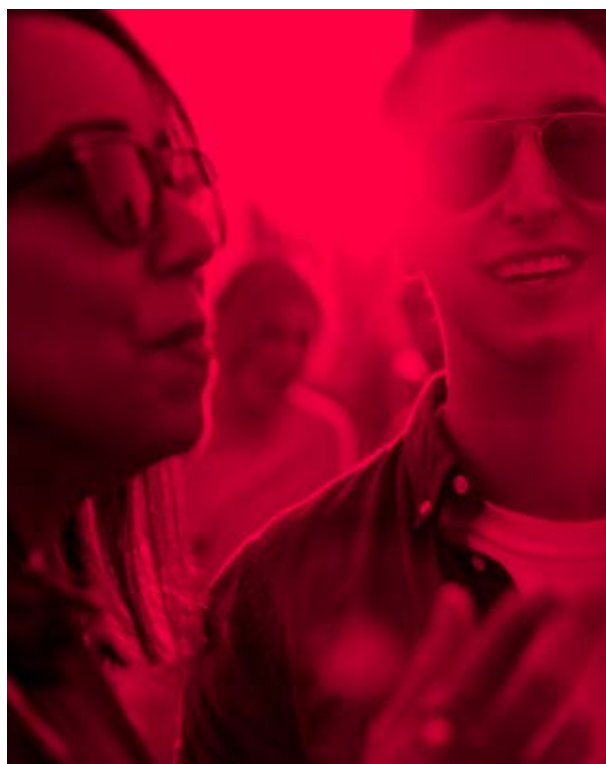
During the year, Net Insight presented a new set of values as part of its corporate culture work, and a group of staff received training and assigned the task of acting as change units throughout the company to engender a spirit of participation and commitment. Our shared values, Visionary, True Partner and Expert, were discussed throughout Net Insight to further a sense of participation and commitment. The work also aimed to contribute to optimizing the integration of ScheduALL.

The work of transforming Net Insight's corporate culture towards a customer and market-focused organization includes using a Net Promoter Score (NPS). The higher the NPS, the more ambassadors the organization has, which generates more loyal customers. Net Insight's NPS improved further in 2016 and is now well above the benchmark.

Our efforts throughout the year built internal bridges that increased the efficiency and pace of transformation towards a sharper customer focus and a high level of commitment amongst our employees. A strong internal culture is the leverage we need, internally and externally, to attract, retain and develop talented staff in a highly competitive labor market. The company was awarded Career Company 2016, which can be seen as confirmation of our successful brand work across the board.

Diversity

Diversity is a natural part of our operations. The organizational resources of a global company need to reflect its customers, and incorporate an understanding of local markets and cultures. Diversity brings a range of perspectives and contributes to creativity, spawning innovation, which in turn, is a prerequisite of success. Net Insight benefits from considerable ethnic diversity as a result of its global operations which include staff from many different cultures. The work to create an attractive workplace for both genders continues, and includes the ambition to attract more women, mainly to positions in tech development.



Our core values

- Visionary
- True partner
- Expert

– how do these values influence your day-to-day work?

”

Take the time to reflect and re-evaluate



It comes naturally to me to live according to our core values, although it's good to take the time to reflect and re-evaluate this, too. Will my customers recognize these values? How can we become even better? **Roel Dedecker, Sales Manager**

”

I want our customers to feel safe



As a programmer, I work to make our programs as simple and intuitive as possible. I want our customers to feel safe when they use our software. **Henrik Bladh, Software Developer**

”

Fast and secure delivery flows



In Logistics, we use our expertise to create fast and secure delivery flows in partnership with our customers. **Marcus Bång, Logistics Manager**

”

Performing outside my designated responsibilities



To me, being a true partner means performing outside my designated responsibilities and working hours, and working as 'one company' alongside my colleagues to support our customers. **Jackson Fontilus, Support Engineer**

”

It influences my work every day



Living according to our core values influences my work every day. It's helped me make the right decisions when assisting our customers and being a true partner. **Karen Houlli, Accounting Manager**

”

Success as part of a team



The key part has been to learn to disregard short-term and personal gains, and to focus on success as part of a team and fulfilling our part of Net Insight's promise. **Rickard Molin, Software Developer**

”

We make a difference to our customers



We make a difference to our customers. Our expert engineers ensure that sporting events are broadcast, our pre-configured platform reduces the time to network roll-out, and our simulated scenarios improve the reliability of decision-making data for network design. **Evabritt Orest, Project Manager**

”

Migration of testing to a cloud-based environment



The Quality Assurance team has completed the migration of testing to a cloud-based environment. This allows us to carry out testing continuously and collaborate to solve our customers' critical problems, letting us address any issues that arise more efficiently and quickly. **Priya Muthuraja, Quality Assurance Engineer**

”

They know they can rely on us



Net Insight has huge media expertise and competences, and I think this is what makes us a true partner to our customers. They know they can rely on us. **Kenth Andersson, Senior Developer**

”

Our core values inspire and direct our efforts



The development team actively and continuously seeks to improve and fine-tune our working methods. Our core values are the corner stone in this process and inspire and direct our daily efforts. **Mikael Wånggren, Software Developer**

”

We guarantee competences that our customers can rely on



In support, customer interaction is a daily activity. It's important to build trust and take the time to create a relationship that guarantees competences that our customers can rely on. **Ghazanfar Paracha, Support Engineer**

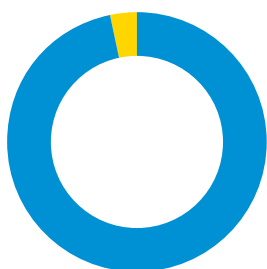
The share

Ownership structure, as of Dec 31, 2016 (capital %)



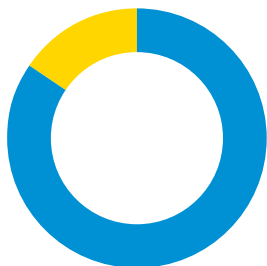
Swedish banks and institutions	34.5%
Other Swedish legal entities	18.5%
Swedish physical persons	31.8%
Foreign investors	15.3%

Proportion of owners, as of Dec 31, 2016 (concentration, %)



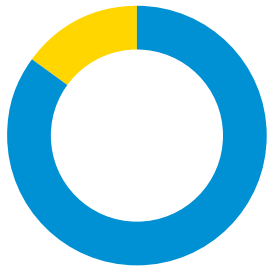
Sweden	96.9%
Other	3.1%

Proportion of owners, as of Dec 31, 2016 (capital, %)



Sweden	84.8%
Other	15.3%

Proportion of owners, as of Dec 31, 2016 (votes, %)



Sweden	85.1%
Other	14.9%

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 11,926 shareholders on December 31, 2016, compared to 12,136 in the previous year. As of December 31, 2016, the 20 largest shareholders account for 61.5 percent of the capital and 62.4 percent of the votes. The major shareholders are mainly financial institutions and mutual fund managers. Foreign ownership represented 15.3 percent of capital, compared to 17.8 percent in the previous year.

Price movements

The share price increased by 7 percent throughout the year from SEK 8.30 to SEK 8.90. The high in the financial year, of SEK 9.15, was set on December 23, 2016, and the low, of SEK 4.42, was set on April 5, 2016. Net Insight's total market capitalization was SEK 3,462 million on December 31, 2016, up 7 percent on the previous year, when market capitalization was SEK 3,228 million.

Trading volume – Nasdaq Stockholm

A total of 351 million shares were turned over for a total value of almost SEK 2,462 million, corresponding to a turnover rate of 98 percent, in 2016.

An average of some 1,500,000 shares were traded per trading day in the financial year, up 7 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 0.9 million shares were traded with a total value of nearly SEK 5.4 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 page 52.

Share capital

Share capital was SEK 15,597,320 as of December 31, 2016. 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, 2016, the parent company had a total of 4,275,000 of its own class B shares (corresponding to 1.1 percent of the total number of shares), of which 1,500,000 shares has been repurchased during 2016. There were 1,000,000 class A shares and 384,658,009 class B shares, a total of 385,658,009, shares outstanding as of December 31, 2016. For more information, see note 25 on page 64.

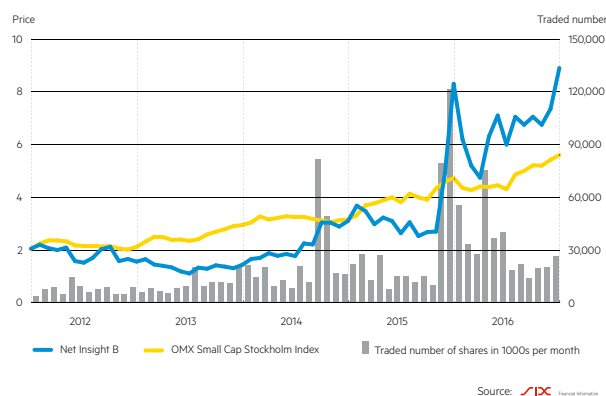
Dividend policy

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 2016.

Distribution of share capital

Year	Transaction	Class A shares	Class B shares	Number of shares	Par value (SEK)	Share capital (SEK)
2006		3,600,000	364,157,010	367,757,010	0.04	14,710,280
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	Conversion of Class A share to Class B share	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

Share price movements 2012–2016



Class of stock as of December 31, 2016

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
	389,933,009	398,933,009	100.00%	100.00%

Ownership structure – class B shares, as of Dec 31, 2016

Shareholding, Number of Shares	Percentage of shareholders	Percentage of share capital
1–1,000	46.3	0.6
1,001–10,000	39.0	4.9
10,001–15,000	3.5	1.4
15,001–20,000	2.3	1.3
20,001+	8.9	91.9
Total	100.0	100.0

20 Largest shareholders as of December 31, 2016

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	427,667
2 Lannebo fonder	0	38,965,495	10.0	9.8	346,793
3 Försäkringsaktiebolaget, Avanza Pension	0	24,107,082	6.2	6.0	214,553
4 Alecta Pensionsförsäkring, Ömsesidigt	0	24,000,000	6.2	6.0	213,600
5 Banque Internationale a Lux	0	17,440,095	4.5	4.4	155,217
6 Handelsbanken fonder	0	16,180,371	4.2	4.1	144,005
7 Nordnet Pensionsförsäkring AB	0	13,939,853	3.6	3.5	124,065
8 AMF - Försäkring och Fonder	0	8,718,205	2.2	2.2	77,592
9 Banque Internationale, Luxembourg SA	0	8,318,427	2.1	2.1	74,034
10 Nordea Investment Funds	0	7,136,173	1.8	1.8	63,512
11 Clearstream Banking S.A., W8IMY	0	4,635,680	1.2	1.2	41,258
12 Net Insight AB	0	4,275,000	1.1	1.1	38,048
13 Barsum, Rafi	0	4,002,000	1.0	1.0	35,618
14 The Board and Management*	400,000	2,956,726	0.9	1.7	26,315
15 Jaculator Förvaltning AB	0	3,215,893	0.8	0.8	28,621
16 CBNY-DFA-INT SML CAP V	0	3,169,602	0.8	0.8	28,209
17 Lars Gauffin	600,000	2,529,930	0.8	2.1	22,516
18 Nordhus, Otto	0	2,680,000	0.7	0.7	23,852
19 Karl Otto Wikander and company	0	2,315,228	0.6	0.6	20,606
20 Nordea Livförsäkring Sverige AB	0	2,274,642	0.6	0.6	20,244
Total of the 20 largest owners	1,000,000	238,912,893	61.5	62.4	2,126,325
Total other owners	0	150,020,116	38.5	37.6	1,335,179
Total	1,000,000	388,933,009	100.0	100.0	3,461,504
Total number of shares		389,933,009			
Total number of votes		398,933,009			

*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), vice chairman of Norma Group (Frankfurt) and board member of BioElectric Solutions (Stockholm). 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 2016: 6/6

2 Jan Barchan
Board member since 2015.
 Born: 1946. Jan Barchan holds a B.Sc. in Business Administration and is CEO in Briban Invest AB, Chairman of the Board in Audiodev AB, in Västraby Gård AB and in Västraby Gård Energi AB and is member of the Board of Directors in Assistera AB, Studsvik AB, Trianon AB and Trialbee 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 2016: 5/6



3 Cecilia Beck-Friis
Board member since 2013.
 Born: 1973. Cecilia Beck-Friis studied the Executive Management Program at IFL at the Stockholm School of Economics and Marketing & Sales at Berghs School of Communication. Founder and CEO of Ravyr AB. Currently works as an advisor and consultant in digital business development and transformation. Cecilia was previously Executive Vice President of the TV4 Group and Chief Digital Officer of Bonnier Broadcasting. Formerly holding several executive positions in the TV4 Group, as Digital Media Director, Business Area Manager of Niche Channels TV4 AB, Executive Vice President of TV4 Vision AB and Business Area Manager of Licensing & Publications for TV4 AB. Cecilia is Board member of Paradox Interactive AB. Independent of the company and management, independent of the company's major shareholders.
Shareholdings in Net Insight: 20,000 class B shares.
Attendance at Board meetings in 2016: 6/6



4 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 Ideon Open, 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 2016: 4/6

5 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. Gunilla is also CEO 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 2016: 6/6



6 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. 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 2016: 6/6

7 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 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 2016: 5/6

Executive Management



1 Fredrik Tumegård
CEO
 CEO Born: 1972. Fredrik Tumegård holds a B.Sc. in Electrical Engineering from the Royal Institute of Technology in Stockholm (KTH) and has also studied 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 Thomas Bergström
CFO
 Born: 1968. Thomas Bergström holds an M.Sc. (Econ) from Linköping University, Sweden. Appointed as Net Insight's CFO in 2009. Prior to this, Thomas has long international experience from various finance and accounting roles, mainly in the Ericsson group. Thomas joined Net Insight from a position as CFO of Aastra Telecom Sweden.
Shareholdings in Net Insight: 55,000 class B shares.



3 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

4 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 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.



5 Martin Karlsson
CTO and Vice President Product Portfolio
 Born: 1977. Martin Karlsson has a Ph.D. in Computer Science from Uppsala University, Sweden. 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 16 patents.
Shareholdings in Net Insight: 100,000 class B shares.

6 Per Lindgren
Senior Vice President Strategy & Business Development (founder)
 Born: 1967. Per Lindgren holds a D.Tech. in Telecommunication from the Royal Institute of Technology in Stockholm (KTH). As a co-founder of Net Insight, Per has been an employee since 1997. Previous experience includes Associate Professor at KTH. Per is CEO of Net Insight Intellectual Property AB.
Shareholdings in Net Insight: 400,000 class A shares, 1,300,000 class B shares.



7 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.

8 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

Changes to Net Insight's management

Anna Karin Verneholt resigned as Vice President Communications & Marketing in January 2017.

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 ID no. 556533-4397, with its registered office in Stockholm, Sweden, hereby present the annual accounts of the parent company and group for the financial year 2016. Numerical information stated in brackets in these annual accounts are comparative figures with the financial year 2015 or the reporting date of December 31, 2015. Rounding deviations may occur in these annual accounts.

Operations

Net Insight delivers products, software and services for high-quality media transport coupled with effective resource management, which creates an enhanced TV experience. Net Insight's offering stretches from the TV cameras to the TV studio, right through to the TV viewer. Net Insight's solutions offer network operators, TV and production companies the benefit of lower total cost of ownership and the potential for effective new media service launches. Revenues are generated through direct and indirect sales of hardware and software solutions and services.

Net Insight has more than 500 customers in 60 countries. Founded in 1997, Net Insight had 215 (205) employees at year-end, primarily stationed in Stockholm, Miami, 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 (36) percent in 2016. The company is listed (NETI B) on Nasdaq Stockholm.

Significant events in 2016

Implementation of strategic plans

2016 was largely characterized by the strategy presented in 2014 and the strategic investments and activities in 2015: the launch of a new brand platform, the acquisition of ScheduALL and initiatives in a new market area, Live OTT.

Strengthened market position

Net Insight's sales were SEK 503.5 (375.8) million, up 34.0 percent on the previous year. Organic growth was 19.8 percent, against the figure of 9.4 percent for the market as a whole in the first half-year 2016 predicted by media technology market researcher Devoncroft. Market growth was due to investments in technology for TV coverage of events such as the Olympic Games in Brazil, the UEFA European Championship in France and the US presidential election. The company also achieved global brand awareness of

44 percent in the year according to Devoncroft. This means that brand recognition doubled compared to 2011.

Growth occurred across all three of Net Insight's regions, Western Europe, Americas and Rest of World. Growth was driven by an increased customer base, a broader offering and a stronger brand, but also by the events listed above. The company has mainly grown through increased sales of Nimbra-based network solutions, where ScheduALL's complementary services have attracted growing customer interest, which also fueled sales of Nimbra. The launch of Sye, our true Live OTT solution, has strengthened the company's position and contributes to creating an exchange with our customers about our visions.

Integration of ScheduALL

ScheduALL's operations were acquired in the fourth quarter of 2015. In 2016, we focused on integrating the offering, operations, organization and brands into Net Insight. This led to the creation of a new organizational structure that ensures a clearer customer interface, training programs for our sales force across the product portfolio and the introduction of ScheduALL as a Net Insight product brand.

Solutions, products and services

In the fourth quarter of 2015, Net Insight announced that the company was entering the OTT market to provide solutions to problems associated with Live OTT streaming. Sye was launched in the second quarter of 2016, and offers a commercial solution that enables content to be delivered in real time over the Internet with image synchronization on all types of screens, including linear TV broadcasts, with low latency. Sye is being tested with a range of customers throughout the year, and in the third quarter we announced that SIS, a leading provider of products and services to the online and betting markets, has selected Sye to deliver live content to bookmakers and trading rooms worldwide. Net Insight also won a number of awards for Sye, and the solution has generated considerable interest throughout the global TV industry.

In network solutions, we've delivered a number of customer provisioned network (CPN) solutions. The solutions reduce our customers' costs by increased automation of bookings and allocation of network resources. The solution is provided by a combination of products from our ScheduALL and Nimbra product lines. We also launched a media gateway at the NAB trade show in Las Vegas,

which is an important step in our work to support open standards.

The ScheduALL product line now offers many of ScheduALL's functionality as web-based solutions. We've also made improvements in ScheduALL Connector, allowing users to purchase services between ScheduALL systems, a key component for achieving Net Insight's vision of a global media market.

Development

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

- i) greater capacity in the Nimbra family and developing standard interfaces for transport over IP,
- ii) orchestrating network services and scheduling resources in workflows and transmission capacity and,
- iii) solutions for video distribution over the Internet, including Sye, our new product for synchronized Live OTT.

Net Insight's development is carried out in Stockholm and Miami. Total development expenditures were SEK 149.1 (96.6) million. The increase is mainly a result of the consolidation of ScheduALL in the full year 2016, compared to one quarter in 2015, but also increased investments in Live OTT.

Much of Net Insight's competitiveness lies in 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 four patent applications in 2016 and two earlier applications were granted. The company has a total of 30 patents granted and eight patent applications.

Production, quality and the environment

The manufacture of the company's products is primarily carried out by subcontractors, mainly in Sweden. Net Insight's main suppliers are required to hold ISO 14001 certification. Production processes and products comply with applicable safety and environmental legislation and directives include RoHS, CE marking, WEEE and other international directives and legislation. Net Insight's products and software undergo rigorous quality testing as part of development, production and when delivered at warehouses.

Human resources and organization

2016 was an intensive year in terms of transformation. The organization has been adapted to complete the integration of ScheduALL and to create a joint customer interface. The journey

of transformation towards a more customer-oriented company continued, including actively pursuing change work relating to the corporate culture in line with the brand initiatives launched in 2015. Workshops and training initiatives relating to the company's core values of being a visionary, expert and true partner were held on a global basis with the aim of driving this change.

Shareholders and the share

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

Net sales and results of operations

In 2016, the group's net sales increased by 34.0 percent, amounting to SEK 503.5 (375.8) million. Organic growth was 19.8 percent.

In 2016, net sales for Western Europe were SEK 231.4 (193.1) million. Americas saw net sales of SEK 163.2 (115.1) million and Rest of World SEK 108.9 (67.6) million.

Net sales by business area as a proportion of total net sales were 88 (82) percent for Broadcast & Media (BMN), 12 (15) percent for terrestrial digital TV (DTT) and 1 (3) percent for Cable TV & IPTV.

Operating earnings were SEK 52.4 (19.2) million, equating to an operating margin of 10.4 (5.1) percent. The improved operating earnings are largely due to increased net sales.

Net income was SEK 37.4 (1.9) million, equating to a net margin of 7.4 (0.5) percent. Excluding the operating earnings effects indicated above, net income was burdened by SEK -3.2 (-11.8) million in value changes in synthetic option programs, see note 1.2.

Cash flow and investments

Cash flow for 2016 was SEK 20.9 (-101.1) million. The comparative period includes the acquisition of ScheduALL at SEK -98.2 million. Repurchases of own shares were made totaling SEK -10.3 (-7.7) million in 2016.

Investments were SEK 82.0 (57.3) million for the full year, of which SEK 77.2 (52.7) million related to capitalized development expenditure. Full-year depreciation and amortization was SEK 63.5 (56.8) million, of which SEK 57.1 (54.0) million related to amortization of capitalized development expenditure.

At the end of the period, the net value of capitalized development expenditure was SEK 228.9 (208.8) million. Capitalization principles are described in note 2.6.

In addition to the above investments, the company acquired

ScheduALL last year, with a net cash effect of SEK -98.2 million. For more information about the acquisition, total assets and liabilities received and the impact on consolidated cash flow, see notes 24 and 30.

Cash and cash equivalents, financial position

At year-end, cash and cash equivalents were SEK 214.9 (193.6) million. Equity was SEK 565.3 (531.6) million, with an equity/assets ratio of 77.4 (79.3) percent. In the year, equity decreased by SEK -10.3 (-7.7) million attributable to the value of repurchased own shares. As in 2015, there were no interest-bearing liabilities.

Parent company

In 2016, parent company net sales were SEK 568.0 (452.9) million and net income was SEK 46.6 (21.9) million. At year-end, the parent company had 128 (126) employees.

At year-end, cash and cash equivalents were SEK 194.4 (165.0) million.

Seasonality

In the past three calendar years, average seasonality has been fairly modest. Of annual net sales, the first quarter represented 22 percent, and the second, third and fourth quarters represented 26 percent each.

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, operational risks and financial risks. Financial risks are described under the accounting policies section and in the notes.

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. 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

The majority of Net Insight's customers are located in Western Europe and the US. Net Insight does not consider the countries in which it currently does most of its business to present any significant political risks. 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.

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. Since 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.

Risk assessment summary

The following table assesses the likelihood of Net Insight being affected by the various operational risks described in this section and their impact. 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	High
Adverse political changes in politically unstable countries	Medium	Low
Long-term supply disruption	Low	Medium

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 9, 2017. A new proposal will be submitted to the AGM 2017 which essentially corresponds to the guidelines adopted at the AGM 2016.

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 2016.

Proposed appropriation of earnings

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

Share premium reserve	51,296
Retained earnings	434,754
Net income	46,595
Total	532,645

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

Brought forward: SEK 532,645 thousands

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. The Corporate Governance Report is on page 76-80.

Group Financial Report

Consolidated Income Statement

Amounts in SEK thousands	Note	2016	2015
Net sales	5	503,522	375,773
Cost of sales	9,11,17,18	-187,872	-149,719
Gross earnings		315,650	226,054
Sales and marketing expenses	9,11,17,18	-137,094	-122,379
Administration expenses	9,11,12,17,18	-54,249	-40,498
Development expenses	8,9,11,17,18	-71,953	-43,957
Operating earnings	6,7,10	52,354	19,220
Result from financial investments			
Financial income	13	183	518
Financial expenses	13	-5,612	-13,081
Result from financial investments		-5,429	-12,563
Profit before tax		46,925	6,657
Tax	14,15	-9,483	-4,733
Net income		37,442	1,924
Net income for the year attributable to the stockholders of the parent company		37,442	1,924
Earnings per share, basic (SEK)	16	0.10	0.00
Earnings per share, diluted (SEK)	16	0.10	0.00

Consolidated Statement of Comprehensive Income

Amounts in SEK thousands	2016	2015
Net income	37,442	1,924
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Translations differences	6,619	466
Total other comprehensive income for the year, after tax	6,619	466
Total comprehensive income for the year	44,061	2,390
Total comprehensive income for the year attributable to the stockholders of the parent company	44,061	2,390

Consolidated Balance Sheet

Amounts in SEK thousands	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
Intangible assets			
Capitalized expenditure for development	5,17	228,867	208,792
Goodwill	5,17	64,136	59,242
Other intangible assets	5,17	26,037	25,590
Tangible fixed assets			
Equipment	5,18	3,123	3,743
Financial assets			
Deferred tax asset	15	15,520	23,322
Deposits	31	309	379
Total non-current assets		337,992	321,068
Current assets			
Inventories	19	47,065	56,037
Accounts receivable	20,22	111,121	84,620
Other receivables	20,22	10,911	6,555
Prepaid expenses and accrued income	20	8,287	8,496
Cash and cash equivalents	21,22,30	214,943	193,616
Total current assets		392,327	349,324
TOTAL ASSETS		730,319	670,392
EQUITY AND LIABILITIES			
Equity attributable to parent company's shareholders			
Share capital	25	15,597	15,597
Other paid-in capital		1,192,727	1,192,727
Translation difference		6,392	-227
Accumulated deficit		-649,412	-676,547
Total equity		565,304	531,550
Non-current liabilities			
Other non-current liabilities	22,26	33,734	15,829
Other provisions	27	9,488	7,369
Total non-current liabilities		43,222	23,198
Current liabilities			
Accounts payable	22	14,996	21,410
Current tax liabilities	22	304	135
Other liabilities	22,28	3,556	6,109
Other provisions	27	2,687	1,895
Accrued expenses and deferred income	29	100,250	86,095
Total current liabilities		121,793	115,644
TOTAL EQUITY AND LIABILITIES		730,319	670,392

Consolidated Statement of Cash Flow

Amounts in SEK thousands	Note	2016	2015
Ongoing activities			
Profit/loss before tax		46,925	6,657
Income tax paid		-701	-79
Depreciation and amortization	9	63,468	56,774
Other items not affecting liquidity	30	17,859	6,013
Cash flow from operating activities before changes in working capital		127,551	69,365
Changes in working capital			
Increase (-)/Decrease (+) in inventories		2,419	-11,830
Increase (-)/Decrease (+) in receivables		-31,836	-2,014
Increase (+)/Decrease (-) in liabilities		13,972	5,715
Cash flow from operating activities		112,106	61,236
INVESTMENT ACTIVITIES			
Investments in intangible assets	17	-79,772	-55,478
Investments in tangible assets	18	-2,203	-1,872
Acquisition of group companies, net effect on cash	30	-	-98,217
Investments in financial assets, net		70	49
Cash flow from investment activities		-81,905	-155,518
FINANCING ACTIVITIES			
Option premium	26	1,001	860
Repurchase of own shares	25	-10,307	-7,726
Cash flow from financing activities		-9,306	-6,866
Net change in cash and cash equivalents		20,895	-101,148
Exchange differences in cash and cash equivalents		432	446
Cash and cash equivalents at the beginning of the year		193,616	294,318
Cash and cash equivalents at the end of the year	21,22	214,943	193,616

Changes in Consolidated Equity

Amounts in SEK thousands	Attributable to parent company's shareholders				Total share-holders' equity
	Share capital	Other paid-in capital	Translation differences	Accumulated deficit	
January 1, 2015	15,597	1,192,727	-693	-670,745	536,886
Comprehensive income					
Net income	-	-	-	1,924	1,924
Translation differences	-	-	466	-	466
Total comprehensive income	15,597	1,192,727	-227	-668,821	539,276
Transactions with owners in their capacity as owners:					
Repurchase of own shares	-	-	-	-7,726	-7,726
Total transactions with owners	0	0	0	-7,726	-7,726
December 31, 2015	15,597	1,192,727	-227	-676,547	531,550
January 1, 2016	15,597	1,192,727	-227	-676,547	531,550
Comprehensive income					
Net income	-	-	-	37,442	37,442
Translation differences	-	-	6,619	-	6,619
Total comprehensive income	15,597	1,192,727	6,392	-639,105	575,611
Transactions with owners in their capacity as owners:					
Repurchase of own shares	-	-	-	-10,307	-10,307
Total transactions with owners	0	0	0	-10,307	-10,307
December 31, 2016	15,597	1,192,727	6,392	-649,412	565,304

Parent Company Financial Report

Parent Company Income Statement

Amounts in SEK thousands	Note	2016	2015
Net sales	5	567,951	452,948
Cost of sales	9,11,17,18	-241,440	-181,011
Gross earnings		326,511	271,937
Sales and marketing expenses	9,11,17,18	-113,361	-109,651
Administration expenses	9,11,12,17,18	-44,407	-31,705
Development expenses	8,9,11,17,18	-117,883	-89,612
Operating earnings	6,7,10	50,860	40,969
Result from financial investments			
Result from participation in group companies	13	-	-2
Financial income	13	165	471
Financial expenses	13	-3,869	-13,202
Result from financial investments		-3,704	-12,733
Profit before tax		47,156	28,236
Tax on net income	14,15	-561	-6,391
Net income		46,595	21,845

Parent Company Statement of Comprehensive Income

Amounts in SEK thousands	2016	2015
Net income	46,595	21,845
Other comprehensive income		
Items that may be reclassified subsequently to the income statement	-	-
Total comprehensive income for the year	46,595	21,845
Total comprehensive income for the year attributable to the stockholders of the parent company	46,595	21,845

Parent Company Balance Sheet

Amounts in SEK thousands	NOTE	Dec 31, 2016	Dec 31, 2015
ASSETS			
Intangible assets			
Other intangible assets	5,17	5,477	3,493
Tangible fixed assets			
Equipment	5,18	2,918	3,494
Financial assets			
Participations in group companies	23	299,243	248,243
Deferred tax asset	15	185	154
Deposits	31	161	205
Total non-current assets		307,984	255,589
Current assets			
Inventories	19	47,065	56,037
Accounts receivable	20	100,883	77,983
Receivables from group companies	20	111,348	162,926
Other receivables	20	15,356	6,385
Prepaid expenses and accrued income	20	6,049	6,528
Cash and cash equivalents	21	194,423	164,955
Total current assets		475,124	474,814
TOTAL ASSETS		783,108	730,403
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	25	15,597	15,597
Statutory reserve		112,822	112,822
Non-restricted equity			
Share premium reserve		51,296	51,296
Retained earnings		434,754	423,216
Net Income		46,595	21,845
Total equity		661,064	624,776
Non-current liabilities			
Other non-current liabilities	26	24,995	13,663
Other provisions	27	9,488	7,369
Total non-current liabilities		34,483	21,032
Current liabilities			
Accounts payable		13,269	20,288
Other liabilities	28	3,108	4,376
Other provisions	27	2,687	1,895
Accrued expenses and deferred income	29	68,497	58,036
Total current liabilities		87,561	84,595
TOTAL EQUITY AND LIABILITIES		783,108	730,403

Parent Company Statement of Cash Flow

Amount in SEK thousands	Note	2016	2015
Ongoing activities			
Profit/loss before tax		47,156	28,236
Income tax paid		-592	-
Depreciation and amortization	9	3,328	2,043
Other items not affecting liquidity	30	11,816	16,228
Cash flow from operating activities before changes in working capital		61,708	46,507
Changes in working capital			
Increase (-)/decrease (+) in inventories		2,419	-11,830
Increase (-)/decrease (+) in receivables		-32,001	-262
Increase (+)/decrease (-) in current liabilities		11,301	-9,465
Cash flow from operating activities		43,524	24,950
INVESTMENT ACTIVITIES			
Investments in intangible assets	17	-2,585	-2,752
Investments in tangible assets	18	-2,150	-1,770
Acquisition of group companies	23	-	-115,915
Liquidation of group companies		-	113
Investments in financial assets, net		44	84
Cash flow from investment activities, net		-4,691	-120,240
FINANCING ACTIVITIES			
Option premium	26	942	860
Repurchase of own shares	25	-10,307	-7,726
Cash flow from financing activities		-9,365	-6,866
Net change in cash and cash equivalents		29,468	-102,156
Cash and cash equivalents at the beginning of the year		164,955	267,111
Cash and cash equivalents at the end of the year	21	194,423	164,955

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, 2015	15,597	112,822	51,296	507,528	-76,586	610,657
Total comprehensive income						
Redistribution previous year net earnings	-	-	-	-76,586	76,586	-
Net income	-	-	-		21,845	21,845
Total comprehensive income	15,597	112,822	51,296	430,942	21,845	632,502
Transactions with owners in their capacity as owners:						
Repurchase of own shares	-	-	-	-7,726	-	-7,726
Total transactions with owners	0	0	0	-7,726	0	-7,726
December 31, 2015	15,597	112,822	51,296	423,216	21,845	624,776
January 1, 2016	15,597	112,822	51,296	423,216	21,845	624,776
Total comprehensive income						
Redistribution previous year net earnings	-	-	-	21,845	-21,845	-
Net income	-	-	-		46,595	46,595
Total comprehensive income	15,597	112,822	51,296	445,061	46,595	671,371
Transactions with owners in their capacity as owners:						
Repurchase of own shares	-	-	-	-10,307	-	-10,307
Total transactions with owners	0	0	0	-10,307	0	-10,307
December 31, 2016	15,597	112,822	51,296	434,754	46,595	661,064

Notes

Note 1 General information

Net Insight develops products, software and services for high-quality media transport in combination with efficient resource management which creates a better TV experience. Net Insight's offering stretches from TV camera to TV studio, and beyond all the way to the viewer. Net Insight's solutions provide network operators, TV and production companies the advantage of lower costs and the opportunity to efficiently launch new media services. Revenues are generated through direct and indirect sales of hardware and software solutions and services. Net Insight has more than 500 customers in 60 countries. Founded in 1997, Net Insight had 215 (205) employees at year-end, primarily stationed in Stockholm, Miami, 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 (36) percent in 2016. Net Insight had its initial public offering on the Stockholm Stock Exchange in 1999 and has been listed on NASDAQ OMX Stockholm since July 1, 2007. Parent company Net Insight AB (publ), corporate identity number 556533-4397, is a Swedish limited liability company whose registered office is in Stockholm.

1.1 Significant changes in the current reporting period

- Development expenses in the first quarter of 2016 were 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.
- During the second quarter, after decision at the AGM, the group and parent company introduced a synthetic option program (see note 7). To hedge the future cash flow of the synthetic option program, the parent company repurchased its own shares (see note 25).

1.2 Material profit or 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 mostly related to the changes stated in 1.1 above, this year and previous years, and are listed separately here to provide a better understanding of the financial performance of the group:

Material profit and loss items Amounts in SEK thousands	Note	2016	2015
Accounting effects due to the acquisition of ScheduALL in the fourth quarter of 2015			
Revenues	(a)	-6,549	-3,579
Amortization on intangible assets	(b)	-2,842	-1,419
Acquisition related costs	(c)	-	-4,141
		-9,391	-9,139
Effects of the Net Insight share price development during the period			
Share-based benefits	(d)	-956	-2,827
Synthetic options, change in value	(e)	-3,156	-11,766
		-4,112	-14,593
Other			
Restructuring	(f)	-3,370	-
		-3,370	-

All items in the table above effects operating earnings, except for (e) 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 - trade mark 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 effect the income over time.
- (c) Acquisition related third-party advisory expenses. These costs are one-time expenses.
- (d) Share-based benefits are value changes in amounts held in escrow for participation in the synthetic share program, see note 7.

- (e) During the second quarter of 2015 and 2016, after decisions at the AGM, Net Insight introduced synthetic option programs. The synthetic options are revaluated on a current basis to fair value by applying an options valuation model. The changes in value during the term of the options are presented as a financial item. See also note 7 for more information regarding the programs. 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.
- (f) Development expenses in the first quarter of 2016 were 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.

For a discussion about the group's performance and financial position please refer to our operating and financial review on pages 28 to 31.

Note 2 Summary of significant accounting policies

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.

2.1 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 convention, except regarding financial assets and liabilities (including derivative instruments), which have been 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 4.

Changes in accounting policies and disclosures

After review, Net Insight has altered its judgement of which IFRS standard is applicable for the revaluation of synthetic options. Its previous judgement was that revaluation should be treated in accordance to IAS 39 *Financial Instruments*, and its new judgement is that IFRS 2 *Share-based Payment* is the applicable standard. This did not imply any changed valuation method, the options are still being valued at fair value. There is no guidance in IFRS 2 to where in the Income Statement the value change should be presented. Net Insight considers that continued presentation of the value change in net financial items, similar to the previous treatment pursuant to IAS 39, provides the most relevant information to a user of the company's financial statements. This since the revaluation is not dependent on the individual performance as an employee, but rather, it's related to how the market values the Net Insight share. However, the change in principles implies more supplementary disclosures in note 7.

Net Insight introduced a new global sales organization in January 1, 2016, which divides the CEO review of the business into new geographical regions. Hence, the segment reporting has changed to Western Europe (WE), Americas (North and South America, AM) and Rest of World (RoW). Comparable periods have been converted to reflect the new segments. See note 5.

The Company has applied the new guidelines issued by European Securities and Markets Authority (ESMA) on APMs (Alternative Performance Measures). In summary, 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 83.

New standards, amendments and interpretations adopted by the group

A number of new standards and amendments to interpretation statements and standards are effective for annual periods beginning after January 1, 2016, and have been applied in preparing these consolidated financial statements. None of these had a significant effect on the consolidated financial statements.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretation are effective for annual periods beginning after January 1, 2016, and have not yet been applied in preparing these consolidated financial statements. None of these had a significant effect on the consolidated financial statements of the group, except the following set out below:

IFRS 9 *Financial Instruments* replaces the multiple classification and measurement models in IAS 39 with a single model that has initially only two classification categories: amortized cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

In IFRS 9, there is a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 also amends the principles for hedge accounting.

Note 2, continued

This standard is effective as from January 1, 2018. The Company has not yet finalized the evaluation of any impact on financial result or position.

IFRS 15 *Revenue from contracts with customers* is a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognized:

Step 1: identify contracts with customers

Step 2: identify the separate performance obligation

Step 3: determine the transaction price of the contract

Step 4: allocate the transaction price to each of the separate performance obligations, and

Step 5: recognize the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognized if they are not at significant risk of reversal.
- The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, taxes and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Company has, during 2016, reviewed the new principles for revenue recognition in accordance to IFRS 15. The review didn't show any significant differences compared to the current principles for revenue recognition. The Company has not yet gone through any specific agreements. The Company has not decided on the transition method to be adopted at January 1, 2018 but will consider factors such as materiality of the impact on prior reporting periods (when reliably estimated), practicalities and costs of data gathering, in arriving at the decision.

IFRS 16 *Leases* 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 as at the same time.

The Company evaluates that the biggest effects from the new standard will relate to the office leases, where the main contracts are up for renegotiation.

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

2.2 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.

2.3 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).

2.4 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.

2.5 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 in 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.

2.6 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 this year's 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 expected useful life for other intangible assets is three to five years.

Note 2, continued

2.7 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.

2.8 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.

2.9 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 under the receivables' original terms. The reserved amount is recognized in the Income Statement as Sales and marketing expenses.

2.10 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.

2.11 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.

2.12 Cash and cash equivalents

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

2.13 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.

2.14 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.

2.15 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.

2.16 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 relates 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.

Note 2, continued

2.17 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.

2.18 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.

2.19 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.

2.20 Accounting policies – parent company

Investments in subsidiaries are recognized at cost less impairment. Cost is adjusted to reflect changes to compensation resulting from contingent consideration arrangements. This cost also includes direct expenses relating to the investment.

The parent company's annual accounts were prepared in ac-

cordance 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.

Segment reporting

Net sales are reported by geographical market.

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. 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 3 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:

3.1 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)

Note 3, continued

- 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 70 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 2016, with all other variables constant, the group's revenues and earnings/equity after tax for 2016 would have been positively/negatively affected by some SEK 13.0 million and SEK 9.6 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 2016, with all other variables constant, the group's revenues and earnings/equity after tax for 2016 would have been positively/negatively affected by some SEK 11.9 million and SEK 5.0 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, 2016, Net Insight had hedged USD 2.2 (1.7) million and EUR 4.9 (2.6) million.

As of December 31, 2016, Net Insight had unhedged accounts receivable of USD 3.8 (3.3) million and EUR 0.4 (1.5) 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, 2016, the parent company had net exposure of SEK 61.1 (35.2) million and SEK 48.1 (41.1) 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, 2016, consolidated earnings/equity after tax would have been affected positively/negatively by some SEK 2.4 million. If the exchange rate of the USD had been 5 percent higher/lower compared to the exchange rate on December 31, 2016, consolidated earnings after tax would have been affected positively/negatively by some SEK 1.9 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, 2016, some SEK 78.2 (80.5) 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, 2016, consolidated earnings/equity after tax would have been positively/negatively affected by some SEK 2.4 million.

3.2 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, 2016, accounts payable were SEK 35.6 million and cash and cash equivalents were SEK 214.9 million, and accordingly, the liquidity risk is low. For more information, see note 22.

3.3 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.

3.4 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.

3.5 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 20.

Note 4 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 2.16 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, 2016, the total inventory reserve was SEK 24.8 (19.2) million.

C. Impairment testing of goodwill

Each year, the group examines whether goodwill is impaired, in accordance with the accounting policy reviewed in 2.7. The recoverable amount of the company's cash-generating units has been measured by computing value in use. Some estimates are necessary for these computations (note 17).

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 2016, Net Insight utilized deferred tax assets on tax loss carry-forward of SEK 5.6 (4.2) 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 5 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). 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, 2016. 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, 2016, is as follows:

Note 5, continued

Segment report	2016				2015			
Amounts in SEK millions	WE	AM	RoW	Total	WE	AM	RoW	Total
Net sales	231	163	109	504	193	115	68	376
Regional contribution	94	60	25	179	66	31	6	104
Regional contribution	41%	37%	23%	35%	34%	27%	9%	28%
Regional contribution	94	60	25	179	66	31	6	104
Administration expenses				-54				-40
Development expenses				-72				-44
Net financial items				-5				-13
Profit/loss before tax				47				7

Net sales per product group	Group		Parent company	
Amounts in SEK thousands	2016	2015	2016	2015
Hardware	224,011	205,953	224,011	205,953
Software licenses	122,749	72,476	104,624	69,883
Support and services	154,126	96,550	100,337	84,618
Other revenue	2,636	794	2,949	794
Services, group companies	–	–	136,030	91,700
Total	503,522	375,773	567,951	452,948

Net sales per region	Group		Parent company	
Amounts in SEK thousands	2016	2015	2016	2015
Sweden	18,771	20,561	137,910	112,261
Western Europe (WE) excl. Sweden	212,621	172,517	196,518	168,910
Americas (AM)	163,187	115,058	139,378	106,091
Rest of World (RoW)	108,943	67,637	94,145	65,686
Total	503,522	375,773	567,951	452,948

For the group, net sales of SEK 120.1 (89.3) million derived from USA and SEK 43.4 (44.1) million from Great Britain.

During 2016 and 2015, there were no single external customer of with revenues of ten percent or more of the group's total revenues.

Tangible and intangible assets per region	Group		Parent company	
Amounts in SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Sweden	247,073	225,988	8,395	6,987
Western Europe (WE) excl Sweden	171	176	–	–
Americas (AM)	74,919	71,203	–	–
Rest of World (RoW)	–	–	–	–
Total	322,163	297,367	8,395	6,987

Parent company's transactions with group companies	Parent company	
Amounts in SEK thousands	2016	2015
Sales to group companies	136,030	91,700
Purchase from group companies	-166,176	-111,853

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 6 Exchange rate differences

Operating exchange rate gains and losses are included in operating earnings.

Exchange rate differences of operations SEK thousands	Group		Parent company	
	2016	2015	2016	2015
Exchange rate gains	17,430	17,101	17,743	16,875
Exchange rate losses	-17,207	-17,719	-15,564	-17,440
Net exchange rate differences	223	-618	2,180	-565

Hedge accounting is not applied because the effect of exchange rate fluctuations has been recognized directly through profit or loss.

Note 7 Employees

Average number of employees	2016		2015	
	Average no. of employees	Of which men	Average no. of employees	Of which men
Parent company				
Sweden	122	82%	118	83%
Other countries	5	81%	6	99%
Total parent company	127	82%	124	84%
Subsidiaries				
Sweden	5	92%	6	83%
USA	60	77%	19	83%
Singapore	4	100%	4	100%
Great Britain	12	83%	2	78%
Total subsidiaries	81	80%	31	85%
Group	208	81%	155	84%

The acquisition of ScheduALL took effect as of October 1, 2015, hence it didn't have complete effect on the average number of employees for 2015.

Number of Board members and senior executives	Dec 31, 2016		Dec 31, 2015	
		Of which men		Of which men
Group (incl. subsidiaries)				
Board members	11	73%	11	73%
Chief Executive Officer and other senior executives	9	67%	11	73%
Parent company				
Board members	7	57%	7	57%
Chief Executive Officer and other senior executives	7	71%	10	70%

Remuneration to the Board of Directors

The amounts below are fees for the parent company as approved by the AGM 2016 (2015). The Board of Directors are not entitled to any variable remuneration or pension, only their Director's fee and remuneration for committee work.

Remuneration to the Board of Directors, SEK thousands	2016	2015
Lars Berg (Chairman)	590	520
Jan Barchan	220	230
Cecilia Beck-Friis *	220	200
Crister Fritzson*	220	200
Gunilla Fransson*	220	200
Anders Harrysson*	260	270
Charlotta Falvin*	220	–
Regina Nilsson	–	200
Total	1,950	1,820

* 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 2016 (2015).

Break-down between CEO, other senior executives and other employees Amounts in SEK thousands	Basic salary	Variable remuneration ¹⁾	Share-based benefits ²⁾	Other benefits	Pension expenses	Total
2016						
Fredrik Tumegård (CEO)	2,608	1,896	494	60	754	5,812
Other senior executives (10)	10,042	3,357	244	391	1,700	15,734
Other employees	141,514	16,380	–	4,963	16,752	179,609
Total	154,164	21,633	738	5,414	19,206	201,155
2015						
Fredrik Tumegård (CEO)	2,139	620	1,853	63	634	5,309
Other senior executives (10)	11,028	2,719	298	157	2,303	16,505
Other employees	93,679	12,308	–	3,592	15,742	125,321
Total	106,846	15,647	2,151	3,812	18,679	147,135

¹⁾ Variable remuneration includes SEK 1,494 (534) 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 1,607 (59) thousand. Descriptions and obligations of the different programs are presented in sections Share-based benefits and Synthetic options below.

²⁾ 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.

Break-down between the parent company and the subsidiaries Amounts in SEK thousands	Basic salary	Variable remuneration ¹⁾	Share-based benefits ²⁾	Other benefits	Pension expenses	Social security contributions	Total
2016							
Parent company	83,816	15,687	738	1,734	16,765	32,958	151,698
Subsidiaries	70,348	5,946	–	3,680	2,441	7,065	89,480
Group	154,164	21,633	738	5,414	19,206	40,023	241,178
2015							
Parent company	79,542	11,696	2,151	924	17,173	30,540	142,026
Subsidiaries	27,304	3,951	–	2,888	1,506	3,038	38,687
Group	106,846	15,647	2,151	3,812	18,679	33,578	180,713

¹⁾ Variable remuneration includes SEK 1,494 (534) 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 1,607 (59) thousand. Descriptions and obligations of the different programs are presented in sections Share-based benefits and Synthetic options below.

²⁾ 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**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			Commitments Dec 31, 2016	Payment year
			2014	2015	2016		
2013	1.76	164	124	484	56	828	2017
2014	3.34	1,578	–	2,343	284	4,205	2018
2015	5.06	831	–	–	630	1,461	2019
2016		1,965	–	–	–	1,965	2020
Total		4,538	124	2,827	970	8,459	

Synthetic options

During the second quarter of 2015 and 2016, after decisions at the AGM, Net Insight introduced synthetic option programs, 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 are 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 program 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.

Note 7, continued

Synthetic options, the calculation of the fair value on the grant date was based on the following conditions:	2016	2015
Averaged volume-weighted price paid for the Net Insight B shares, SEK	6.26	2.85
Strike price, SEK	7.50	3.80
Assumed volatility ¹⁾	31%	31%
Term	3 years	3 years
Risk-free interest	-0.54%	0.06%
Adjustment of fair value due to CAP, SEK	-0.01	-0.02
Fair value, SEK	0.87	0.31
Number of options issued, thousands	1,150	2,775

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

Synthetic options, SEK thousands (if not defined differently)											
Year issued/ Participant	Number, thou- sands	Premiums received	Change in value ¹⁾		Commit- ments Dec 31, 2016	Payment year	Variable remuneration, incl soc sec contr ²⁾				
			2015	2016			2015	2016	Paid remuneration	Commit- ments Dec 31, 2016	Payment year
2015											
Fredrik Tumegård (CEO)	1,000	310	4,240	540	5,090		28	169	–	197	
Other senior executives	1,625	504	6,890	877	8,271		46	274	–	320	
Other employees	150	46	636	82	764		4	25	–	29	
Summa 2015	2,775	860	11,766	1,499	14,125	2018	78	468	0	546	2017
2016											
Other employees	1,150	1,001	–	1,656	2,657		–	1,644	–	1,644	
Total 2016	1,150	1,001	0	1,656	2,657	2019	0	1,644	0	1,644	2018/2019
Total	3,925	1,861	11,766	3,155	16,782		78	2,112	0	2,190	

¹⁾ The change in value of the synthetic options is presented in net financials, see note 13.

²⁾ The variable remuneration is presented as an employee cost, see also the remuneration tables above.

The following principles are valid to the annual general meeting (AGM) 2017. A new proposal will be submitted to the AGM 2017 which essentially corresponds to the guidelines adopted at the AGM 2016.

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 percent, and for the Global Head of Sales at 220 percent, of basic salary. For other senior executives, variable remuneration is capped at between 25 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

Note 7, continued

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 percent 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.

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 2016 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 2016, related party transactions were conducted with subsidiaries only, as specified in note 5.

Note 8 Development expenses

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

Note 9 Depreciation and amortization of tangible and intangible assets

Depreciation per type of asset	Group		Parent company	
SEK thousands	2016	2015	2016	2015
Capitalized expenditures for development	-57,095	-53,964	-	-
Other intangible assets	-3,550	-1,134	-602	-409
Inventory	-2,823	-1,676	-2,726	-1,634
Total	-63,468	-56,774	-3,328	-2,043

Note 10 Operating leases

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

Operating leases Amounts in SEK thousands	Group	Parent company
2017	9,256	7,261
2018	836	647
2019	-	-
2020	-	-
2021	-	-
Total	10,092	7,908

Lease expenses for the year amount to SEK 11,315 (9,533) thousand for the group and SEK 7,288 (6,866) thousand for the parent company. No individual contract has a term of five years or more.

Note 11 Expenses by nature

Expenses by nature	Group		Parent company	
SEK thousands	2016	2015	2016	2015
Cost of goods and services	-129,733	-81,140	-257,427	-170,664
Other expenses	-86,709	-85,136	-97,629	-92,461
Employee expenses (note 7)	-248,428	-186,184	-158,707	-146,811
Capitalized expenditure for development (note 17)	77,170	52,681	-	-
Depreciation and amortization (note 9)	-63,468	-56,774	-3,328	-2,043
Total expenses	-451,168	-356,553	-517,091	-411,979

Reconciliation with comprehensive income statement	Group		Parent company	
SEK thousands	2016	2015	2016	2015
Cost of sales	-187,872	-149,719	-241,440	-181,011
Sales and marketing expenses	-137,094	-122,379	-113,361	-109,651
Administration expenses	-54,249	-40,498	-44,407	-31,705
Development expenses	-71,953	-43,957	-117,883	-89,612
Total expenses	-451,168	-356,553	-517,091	-411,979

Note 12 Fees and reimbursement

Audit services and other assignments	Group		Parent company	
SEK thousands	2016	2015	2016	2015
PwC				
Auditing	710	320	710	320
Audit business in addition to audit engagement	40	98	40	98
Tax consultancy	0	136	0	136
Other	74	360	74	360
Total	824	914	824	914
Other auditors				
Auditing	83	16	-	-
Audit business in addition to audit engagement	29	-	-	-
Tax consultancy	58	-	-	-
Other	17	13	-	-
Total	187	29	0	0

Note 13 Financial income and expenses

Financial income and expenses	Group		Parent company	
SEK thousands	2016	2015	2016	2015
Financial income				
Interest income	183	518	165	471
Exchange rate differences, net	–	–	–	–
Dividends from group companies	–	–	–	43,012
Financial income	183	518	165	43,483
Financial expenses				
Interest expenses	–45	–12	–42	–10
Exchange rate differences, net	–2,413	–1,299	–769	–1,422
Result from participation in group companies	–	–	–	–2
Impairment of participations in group companies (note 23)	–	–	–	–43,012
Synthetic options, change in value (note 26)	–3,155	–11,766	–3,058	–11,766
Other financial expenses	1	–4	–	–4
Financial expenses	–5,612	–13,081	–3,869	–56,216
Net financial income/expense	–5,429	–12,563	–3,704	–12,733

Note 14 Tax

Tax	Group		Parent company	
SEK thousands	2016	2015	2016	2015
Current tax				
Current tax on profits for the year	–870	–131	–591	–
Total current tax	–870	–131	–591	0
Deferred tax (note 15)				
Tax losses carry-forwards	–5,730	–4,204	31	–6,391
Deferred revenue	–2,281	–1,031	–	–
Intangible assets	–579	478	–	–
Other	–23	155	–	–
Total deferred tax	–8,613	–4,602	31	–6,391
Tax	–9,483	–4,733	–561	–6,391

Difference between reported tax expense and tax expense based on applicable tax rate,	Group		Parent company	
SEK thousands	2016	2015	2016	2015
Profit before tax	46,925	6,657	47,156	28,236
Tax at the Swedish tax rate of 22 (22)%	–10,324	–1,464	–10,374	–6,212
Effect of foreign tax rates	2,223	–311	–	–
Tax effect of non-deductible expenses and non-taxable revenues	–794	–4,392	–816	–3,479
Adjustments in respect of prior years	3	1,434	–	–
Tax related to business combinations	–591	–	–591	–
Tax effect of group contributions	–	–	11,220	3,300
Tax on income of the year according to Income Statement	–9,483	–4,733	–561	–6,391

Note 15 Deferred tax asset

Deferred tax asset SEK thousands	Group					Parent company
	Tax losses carry-forwards	Deferred revenue	Intangible assets	Other	Total	Tax losses carry-forwards
As of January 1, 2015	25,234	0	-1,691	0	23,543	6,545
– business combinations	–	4,414	–	–	4,414	–
– income statement	-4,204	-1,031	478	155	-4,602	-6,391
– other comprehensive income	-37	2	5	-3	-33	–
As of December 31, 2015	20,993	3,385	-1,209	152	23,322	154
As of January 1, 2016	20,993	3,385	-1,209	152	23,322	154
– business combinations	–	–	–	–	–	–
– income statement	-5,646	-2,394	-560	-13	-8,613	31
– other comprehensive income	732	152	-86	13	811	–
As of December 31, 2016	16,079	1,143	-1,855	152	15,520	185

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 2016, Net Insight reversed deferred income taxes recoverable of net SEK 5.6 (4.2) million. The capitalization is based on expected long-term profitability. Of the tax loss carry-forwards

SEK 4.5 (19.0) million are consisting of Swedish loss carry-forwards with indefinite useful lives and SEK 11.6 (2.0) million to tax loss carry-forwards in USA with definite useful lives, whereof the first expires in 2020.

Tax loss carry-forwards for which deferred tax is not reported SEK thousands	Group		Parent company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Tax loss carry-forwards	2	2	–	–

Note 16 Earnings per share

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

Earnings per share	2016	2015
Net income attributable to stockholders of the parent, SEK thousands	37,442	1,924
Average number of shares	386,582,410	389,137,506
Earnings per share before dilution, SEK	0.10	0.00
Earnings per share after dilution, SEK	0.10	0.00

The change in average number of shares relates to the parent company's repurchase of own shares, see note 25.

Note 17 Intangible assets

Capitalized expenditure for development SEK thousands	Group	
	Dec 31, 2016	Dec 31, 2015
Accumulated cost at beginning of year	618,752	529,012
Business combinations	–	37,059
New purchases	77,170	52,681
Total	695,922	618,752
Accumulated amortization at beginning of year	–409,960	–355,996
Amortization for the year	–57,095	–53,964
Total	–467,055	–409,960
Carrying amount	228,867	208,792
<i>Amortization included in:</i>		
Cost of sales	–57,095	–53,964
Sales and marketing expenses	–	–
Administration expenses	–	–
Development expenses	–	–
Total amortization	–57,095	–53,964

Goodwill SEK thousands	Group	
	Dec 31, 2016	Dec 31, 2015
Accumulated cost at beginning of year	59,242	4,354
Business combinations	–	55,098
Exchange differences for the year	4,894	–210
Total	64,136	59,242
Carrying amount	64,136	59,242

Other intangible assets SEK thousands	Group		Parent company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Accumulated cost at beginning of year	34,174	7,032	9,784	7,032
Business combinations	–	24,415	–	–
New purchases	2,602	2,797	2,585	2,752
Reclassification	–	–	–	–
Exchange differences for the year	1,750	-70	–	–
Total	38,526	34,174	12,369	9,784
Accumulated amortization at beginning of year	-8,583	-5,881	-6,290	-5,881
Business combinations	–	-1,584	–	–
Amortization for the year	-3,550	-1,134	-602	-409
Exchange differences for the year	-356	16	–	–
Total	-12,489	-8 583	-6,892	-6,290
Carrying amount	26,037	25,590	5,477	3,494
<i>Amortization included in:</i>				
Cost of sales	-5	-156	-5	–
Sales and marketing expenses	-2,964	-306	-16	-129
Administration expenses	-548	-184	-548	-72
Development expenses	-33	-488	-33	-208
Total amortization	-3,550	-1,134	-602	-409

Critical assumptions

Plans 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 59,782 thousand as of December 31, 2016, due to exchange differences), see note 24.

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. From time to time, the company applies a six-year period to reflect the long-term approach to customers' purchasing decisions. 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 10.5 (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 18 Tangible fixed assets

Tangible fixed assets SEK thousands	Group		Parent company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Accumulated cost at beginning of year	19,935	16,332	17,520	15,750
Business combinations	–	1,747	–	–
New purchases	2,203	1,872	2,150	1,770
Reclassification	–	–	–	–
Exchange differences for the year	108	–16	–	–
Total	22,246	19,935	19,670	17,520
Accumulated amortization at beginning of year	–16,192	–12,974	–14,026	–12,392
Business combinations	–	–1,554	–	–
Amortization for the year	–2,823	–1,676	–2,726	–1,634
Reclassification	–	–	–	–
Exchange differences for the year	–108	12	–	–
Total	–19,123	–16,192	–16,752	–14,026
Carrying amount	3,123	3,743	2,918	3,494
<i>Amortization included in:</i>				
Cost of sales	–221	–151	–192	–136
Sales and marketing expenses	–116	–103	–99	–97
Administration expenses	–933	–50	–919	–44
Development expenses	–1,553	–1,372	–1,516	–1,358
Total amortization	–2,823	–1,676	–2,726	–1,634

Note 19 Inventories

Inventories SEK thousands	Group		Parent company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Products in process	786	1,039	786	1,039
Finished goods	46,279	54,998	46,279	54,998
Total	47,065	56,037	47,065	56,037

The expensed inventories are included in cost of sales and amount to SEK 91,367 (73,671) thousand. Inventories with a value of SEK 71,828 (75,265) thousand were impaired to an estimated net realizable value of SEK 47,065 (56,037) thousand. This year's effect

in profit or loss of impairment and scrap of inventories for the year amounts to SEK –6,553 (995) thousand and is recognized in cost of sales.

Note 20 Accounts receivable and other receivables

Accounts receivable and other receivables SEK thousands	Group		Parent company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Accounts receivable	116,517	89,106	106,103	82,308
Provision for impairment of receivables	-5,396	-4,486	-5,220	-4,325
Accounts receivable, net	111,121	84,620	100,883	77,983
Receivables from group companies	-	-	111,348	162,926
Other receivables	10,911	6,555	15,356	6,385
Prepaid expenses and accrued income	8,287	8,496	6,049	6,528
Carrying amount of accounts receivable and other receivables	130,319	99,671	233,636	253,822

In 2016, the group reported SEK -529 (0) thousand as realized loss of accounts receivables, of which all were impaired in previous years. 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, 2016	Dec 31, 2015
Less than a month	5,733	13,190
1-3 months	15,754	15,285
3-6 months	2,933	4,998
More than 6 months	10,216	11,541
Total	34,637	45,015

Group's movements on the provisions for impairment of accounts receivables, SEK thousands	2016	2015
As of January 1	-4,486	-4,743
Reversed unused amounts	0	0
Used reserve	0	633
Provisions for receivables impairment	-910	-376
As of December 31	-5,396	-4,486

Group's accounts receivable and other receivables carrying amount/currency, SEK thousands	Dec 31, 2016	Dec 31, 2015
SEK	15,916	16,689
USD	59,350	46,860
EUR	54,716	34,778
GBP	337	728
SGD	0	617
Total	130,319	99,671

Group's accounts receivables SEK thousands	Dec 31, 2016		Dec 31, 2015	
	Amounts	Proportions	Amounts	Proportions
Accounts receivables < 1 SEK million per customer	25,233	23%	23,789	28%
Accounts receivables 1-5 MSEK million per customer	55,481	50%	39,972	47%
Accounts receivables > 5 SEK million per customer	30,407	27%	20,859	25%
Total	111,121	100%	84,620	100%

Note 20, continued

Current receivables contain the following major items SEK thousands	Group		Parent company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
VAT claims	3,220	3,489	10,409	3,325
Other	7,691	3,066	4,947	3,060
Total	10,911	6,555	15,356	6,385

Accrued income and prepaid expenses SEK thousands	Group		Parent company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Prepaid rent	1,965	1,807	1,718	1,638
Prepaid license/service fees	343	830	310	830
Prepaid employee-related expenses	2,272	1,677	322	1,265
Prepaid trade event	502	807	0	417
Accrued income	–	609	2,218	609
Other items	3,205	2,766	1,481	1,769
Total	8,287	8,496	6,049	6,528

Note 21 Cash and cash equivalents

Cash and cash equivalents SEK thousands	Group		Parent company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Cash and bank balances	214 943	193 616	194 423	164 955
Total cash and cash equivalents	214 943	193 616	194 423	164 955
Of which in blocked account	–	–	–	–

Note 22 Financial assets and liabilities

Group's financial instruments by category SEK thousands	Dec 31, 2016			Dec 31, 2015		
	Value-tier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss	Value-tier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss
Assets in Balance Sheet						
Derivative instruments	2	–	975	2	–	543
Accounts receivable and other receivables, excluding interim receivables		121,056	–		91,175	–
Cash and cash equivalents		214,943	–		193,616	–
Total		335,999	975		284,791	543

Group's financial instruments by category SEK thousands	Dec 31, 2016			Dec 31, 2015		
	Value-tier	Other financial liabilities	Liabilities measured at fair value through profit or loss	Value-tier	Other financial liabilities	Liabilities measured at fair value through profit or loss
Liabilities in Balance Sheet						
Synthetic options	2	–	16,782	2	–	12,626
Derivative instruments	2	–	–	2	–	–
Accounts payable and other liabilities, excluding non-financial liabilities		18,856	–		27,519	–
Total		18,856	16,782		27,519	12,626

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.

Not 23 Participations in group companies

Subsidiaries to the parent company and other major subsidiaries within the group as of December 31, 2016:

SEK thousands	Main 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	847
Q2 Labs AB, corp. ID. no. 556640-8570, registered office: Stockholm, Sweden	Holding company, IPR	100	100	223,062	142,319
Net Insigt Intellectual Property AB (NIIP AB), corp. ID. no. 556579-4418, registered office: Stockholm, Sweden	Development, IPR	–	100	–	26,078
ScheduALL EMEA Ltd; registered office: London, UK	Sales	100	100	0	885
VizuALL Inc; registered office : Florida, USA	Sales, development, support & services	100	100	75,680	78,218
Total				299,243	

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 thoudsands	Parent company	
	31 dec 2016	31 dec 2015
Accumulated cost at beginning of year	248,243	117,427
Shareholders' and group contributions	51,000	58,012
Impairment	–	–43,012
Purchase cost for the period ¹⁾	–	115,915
Liquidation	–	–100
Total participations in group companies	299,243	248,243

¹⁾ In October 2015, the parent company acquired VizuALL Inc, USA, see note 24. In connection to this, the parent company also acquired ScheduALL EMEA Ltd, UK, from VizuALL Inc.

Note 24 Business combinations

Acquisition 2015

On October 1, 2015, Net Insight acquired 100 percent of the shares in the privately held US software company VizuAll Inc, trading under the name of ScheduALL. The acquisition price of USD 14 million (approximately SEK 117 million) on a cash and debt free basis was paid in cash. The final purchase consideration, based on actual level of debt, working capital and cash, was transferred in December 2015. The payment was funded by using available cash. The acquisition will strengthen Net Insight's market position in media service and workflow orchestration.

ScheduALL, founded in 1989, is a provider of ERM (Enterprise Resources Management) software for media, broadcast and transmission businesses with its head office in Hollywood, Florida, US.

Net Insight and ScheduALL have had a strategic partnership for several years. Together they have implemented an SDN (Software Defined Networking) solution for service providers allowing them to offer their customers a unique, fully automated service provisioning over global wide area networks. By this solution service providers reduce operating cost and media companies gain from more flexible and efficient workflows. Net Insight can now broaden the solution with new services and applications.

The total consideration transferred for the acquisition amounted to SEK 111.8 million. In the purchase price allocation goodwill amounted to SEK 55.1 million. The goodwill recognized for the acquisition mainly reflects the increase in sales going forward. The goodwill will be deductible for tax purposes. Acquisition related costs amounted to SEK 4.1 million. These costs are recognized as other expenses in administration expenses in the consolidated statement of comprehensive income.

ScheduALL contributed revenues of SEK 14.5 million and loss before tax of SEK -4.5 million to the group for the period October 1 to December 31, 2015. Revenues of SEK 3.6 million that ScheduALL would have recognized if they had remained a stand-alone entity was not recognized by Net Insight as revenue in the fourth quarter under IFRS, as a result of business combination accounting rules. Business combination related amortization for technology, trademark and customer relations amounted to SEK -1.4 million. Adjusted for these business combination effects, ScheduALL would have contributed revenues of SEK 18.1 million and profit before tax of SEK 0.5 million to the group for the period October 1 to December 31, 2015.

If the acquisition had occurred on January 1, 2015, management estimates that ScheduALL would have contributed revenues of SEK 67.6 million and loss before tax of SEK -6.9 million for the year ended December 31, 2015. Adjusted for the business combination effects stated above, ScheduALL would have contributed revenues of SEK 77.4 million and profit before tax of SEK 15.0 million for the year ended December 31, 2015, if the acquisition had occurred on January 1, 2015 (the positive effect is partly a time effect between the capitalization of development expenditure and the amortization of these).

Definitive purchase price allocation of ScheduALL, SEK thousands	
Intangible assets	59,890
Tangible assets	193
Financial fixe assets	50
Deferred tax assets	4,415
Current assets	18,463
Cash and cash equivalents	13,558
Non-current liabilities	-6,540
Current liabilities	-33,352
Net identifiable assets acquired	56,677
Goodwill	55,098
Consideration transferred¹⁾	111,775

¹⁾ Cash. The effect of the acquisition on the group's cash flow, see note 30.

Note 25 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.

The division between share classes	No. of shares	
	31 dec 2016	31 dec 2015
Unrestricted class A shares	1,000,000	1,000,000
Unrestricted class B shares	388,933,009	388,933,009
Total	389,933,009	389,933,009

During the year, the parent company acquired a total of 1,500,000 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 10.3 million.

At the end of the reporting period, the parent company had a total of 4,275,000 of its own class B shares, at an average cost of SEK 4.22 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.

The division between outstanding share classes	No. of shares	
	31 dec 2016	31 dec 2015
Unrestricted class A shares	1,000,000	1,000,000
Unrestricted class B shares	384,658,009	386,158,009
Total	385,658,009	387,158,009

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

Note 26 Other non-current liabilities

Group, SEK thousands	Synthetic options	Other employee-related items	Deferred revenues	Total
As of January 1, 2015	0	0	0	0
- Additional items	860	–	9,732	10,592
- Synthetic options, change in value	11,766	–	–	11,766
- Business combinations	–	–	6,540	6,540
- Reclassification, current	–	–	–13,117	–13,117
- Exchange differences for the year	–	–	48	48
As of December 31, 2015	12,626	0	3,203	15,829

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

Parent company, SEK thousands	Synthetic options	Other employee-related items	Deferred revenues	Total
As of January 1, 2015	0	0	0	0
- Additional items	860	–	1,337	2,197
- Synthetic options, change in value	11,766	–	–	11,766
- Reclassification, current	–	–	–300	–300
As of December 31, 2015	12,626	0	1,037	13,663

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

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

Note 27 Other provisions

Group	Current provision		Non-current provisions			Total
	Warranty provisions ¹⁾	Variable incentive program ²⁾	Warranty provisions ¹⁾	Variable incentive program ²⁾	Other provisions	
SEK thousands						
As of January 1, 2015	1,337	0	1,337	1,828	0	4,502
– additional provisions	558	–	558	743	77	1,936
– used amount	–	–	–	–	–	0
– reversed unused amount	–	–	–	–2	–	–2
– share-based remuneration	–	–	–	2,827	–	2,827
As of December 31, 2015	1,895	0	1,895	5,396	77	9,263
As of January 1, 2016	1,895	0	1,895	5,396	77	9,263
– additional provisions	–37	–	–37	2,093	–	2,019
– used amount	–	–	–	–	–	0
– reversed unused amount	–	–	–	–	–	0
– share-based remuneration	–	56	–	914	–	970
– reclassification	–	773	–	–773	–77	–77
As of December 31, 2016	1,858	829	1,858	7,630	0	12,175

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

²⁾ 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	Current provision		Non-current provisions			Total
	Warranty provisions ¹⁾	Variable incentive program ²⁾	Warranty provisions ¹⁾	Variable incentive program ²⁾	Other provisions	
SEK thousands						
As of January 1, 2015	1,337	0	1,337	1,828	0	4,502
– additional provisions	558	–	558	743	77	1,936
– used amount	–	–	–	–	–	0
– reversed unused amount	–	–	–	–2	–	–2
– share-based remuneration	–	–	–	2,827	–	2,827
As of December 31, 2015	1,895	0	1,895	5,396	77	9,263
As of January 1, 2016	1,895	0	1,895	5,396	77	9,263
– additional provisions	–37	–	–37	2,093	–	2,019
– used amount	–	–	–	–	–	0
– reversed unused amount	–	–	–	–	–	0
– share-based remuneration	–	56	–	914	–	970
– reclassification	–	773	–	–773	–77	–77
As of December 31, 2016	1,858	829	1,858	7,630	0	12,175

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

²⁾ 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 28 Other current liabilities

Other current liabilities SEK thousands	Group		Parent company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Employee-related taxes	3,006	2,815	2,561	2,410
Other current liabilities	550	3,294	547	1,966
Total current liabilities	3,556	6,109	3,108	4,376

Note 29 Accrued expenses and deferred income

Accrued expenses and deferred income SEK thousands	Group		Parent company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Vacation pay liability	8,838	8,560	7,837	7,518
Social security contribution	5,136	5,629	4,903	5,334
Accrued remuneration to employees	14,178	11,946	9,506	9,452
Deferred income from customer	50,578	41,247	25,374	17,675
Other	21,520	18,714	20,877	18,056
Total accrued expenses	100,250	86,095	68,497	58,036

Note 30 Cash flow statement

Other items not affecting liquidity SEK thousands	Group		Parent company	
	2016	2015	2016	2015
Synthetic options, change in value	3,155	11,766	3,058	11,766
Dividends	–	–	–	–43,012
Capital gain/losses	1,140	–	1,140	2
Impairment of equities	–	–	–	43,012
Income realized from deferred income	6,549	–10,885	–	–300
Provisions	7,618	4,760	7,618	4,760
Unrealized exchange differences	–603	372	–	–
Total	17,859	6,013	11,816	16,228

Acquisition of group companies SEK thousands	Group	
	2016	2015
Intangible assets	–	114,988
Tangible assets	–	193
Financial assets	–	50
Deferred tax assets	–	4,415
Current receivables	–	18,463
Cash and cash equivalents	–	13,558
Total assets	0	151,667
Non-current liabilities	–	6,540
Current liabilities	–	33,352
Total liabilities	0	39,892
Net identifiable assets and liabilities	0	111,775
Consideration transferred	–	111,775
Minus:		
Cash and cash equivalents int the acquired operations	–	–13,558
Effect on group's cash and cash equivalents	0	98,217

More information, see note 24.

Note 31 Pledged assets and contingent liabilities

Pledged assets	Group		Parent company	
SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Deposits	309	379	161	205
Total	309	379	161	205

Contingent liabilities	Group		Parent company	
SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Total	None	None	None	None

Note 32 Operating leases

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

SEK thousands	2016	2015
Within 1 year	–	1,232
Between 1 and 5 years	–	–
Total	0	1,232

Note 33 Post balance sheet events

No events significant to the company occurred between the end of the reporting period on December 31, 2016, and the date of signing these annual accounts.

Note 34 Proposed appropriation of earnings

The following funds are at the disposal of the parent company, KSEK	
Premium reserve	51,296
Retained earnings	434,754
Net income	46,595
Total	532,645

The Board of Directors proposes that funds be appropriated as follows:	
Brought forward:	532,645
Total	532,645

The Consolidated Income Statement and Consolidated Balance Sheet will be submitted to the Annual General Meeting on May 9, 2017 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 21, 2017

Lars Berg
Chairman

Jan Barchan
Board member

Cecilia Beck-Friis
Board member

Crister Fritzson
Board member

Gunilla Fransson
Board member

Anders Harrysson
Board member

Charlotta Falvin
Board member

Fredrik Tumegård
CEO

Our Audit Report was submitted March 24, 2017
PricewaterhouseCoopers AB

Mikael Winkvist
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 year 2016. The annual accounts and consolidated accounts of the company are included on pages 28-69 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 parent company as of December 31, 2016 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 December 31, 2016 and their financial performance and cash flow for the year then ended in accordance

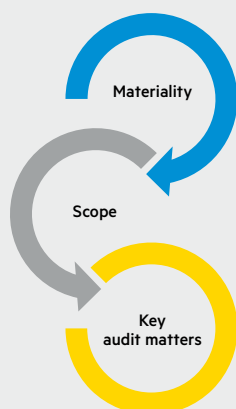
with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Our audit approach



SUMMARY

Materiality

- The scope and focus of the audit were affected by our assessment of materiality. We applied certain quantitative materiality thresholds and qualitative considerations to determine the focus and scope of the audit.

Scope

- The audit of the Group focused on the parent company, the largest Swedish entities and the subsidiary in the United States. All audit work has been carried out by the same audit team, which also visited the US subsidiary.

We have identified the following key audit matters:

- Capitalized development expenditure
- Accrual of revenue

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.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The majority of the Group's operations are conducted in the parent company, Net Insight AB, and the subsidiary companies Net Insight Intellectual Property AB in Sweden and VizuALL Inc. in the United States. These entities were included in the audit of the Group. As the operations of the Net Insight Group are largely

concentrated to these entities, all audit work has been carried out by the same audit team that also visited the subsidiary in the United States.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

Key audit matter

How the key audit matter was addressed in our audit

Capitalized development expenditure

As described the Administration Report on page 29 of the printed version of the Annual Report, Net Insight invests significant amounts in research and development with the aim of strengthening its competitiveness through its innovative technology. Total research and development expenditure in 2016 was SEK 149 million. Note 17 shows that SEK 77 million of total development expenditure in 2016 was capitalized during the year and has been recognized as an intangible asset. In total, capitalized development expenditure of SEK 228.9 million has been recognized in the balance sheet. We have focused on this area, partly because of the significant amounts involved but also because the recognition and measurement of these intangible assets involve a high degree of judgement. In particular, we have sought to assess whether the company's development expenditure meets the criteria for recognition as an asset in the balance sheet. This centres mainly on the company's process for assessing whether the project will be successful in view of its commercial and technical potential.

We have also assessed whether any of these assets are impaired, which involves estimating the economic life and profitability of the products.

We have studied the company's specification of ongoing development projects that were capitalized as intangible assets during the financial year. We have undertaken a random sampling of the largest projects and tested the correctness of the reported capitalized expenditure by:

- Examining the company's assessments of why the project should be considered eligible for capitalization based on IFRS requirements. We have engaged in discussions with project managers at the development department to confirm that the criteria for capitalization have been met. We found that the explanations provided were reasonable and support management's assessment that the expenditure can be capitalized.
- To determine whether the capitalized expenditure was directly attributable to the projects, we tested, through random sampling, the number of capitalized hours against timesheets and purchased consulting hours, and purchased components against invoices. We found no deviations.

We have also studied management's impairment test of capitalized development expenditure. We evaluated the company's process for forecasting cash flows and the mathematical correctness of the models used. We also compared forecasts with the budgets for the selected projects, and actual net sales for the year with forecasts from the previous year to assess the company's forecasting ability. We found that the company's method and assumptions have been applied consistently and in line with previous years' experience.

Accrual of revenue

As described in Note 5, Net Insight has three main categories of revenue: hardware, software licences, and support and services, of which hardware is the largest. In some cases the Group offers contracts with multiple components (see Note 2.16 D). On recognition, revenue is allocated among the various components based on the relative fair values of the components. Fair value is determined based on the market price of the components when sold separately. As stated in the description of the company's accounting policies in note 2.16, revenue from sales of hardware and software licences is recognized when the goods have been delivered and the risk and title have been transferred to the purchaser. In cases where a sale requires installations or integration, as well as final acceptance from the customer, revenue is recognised on acceptance.

In our audit we have focused on revenue recognition, partly because this is the most significant item and partly because the amount, as well as the timing of the revenue recognition, involves judgements on the content of the contract and as to whether the criteria described in Note 2.16 have been met.

As sales of goods (hardware and software licences) account for the largest share of the company's revenue, particular attention in the audit has been devoted to assessing whether the criteria for revenue recognition have been met.

In our examination of revenue we have used a combination of the examination of internal controls and substantive testing.

Review of internal controls

Our review of the company's internal controls has involved obtaining an understanding of, evaluating and testing the key controls that have been introduced by the company to ensure that revenue is recognized in the correct period. These key controls involve verifying that confirmation of receipt of goods has been obtained and that approval has been obtained from the buyer where necessary. Our random sample checking of these controls revealed no deviations.

Substantive testing

We have selected a number of the recognized revenue items and have examined these transactions by verifying them against the invoice, the terms indicated on the invoice and other evidence of when the goods were delivered. In cases where specific terms and conditions of delivery apply, we have undertaken random sampling to verify that the criteria for revenue recognition, as described in the company's accounting policies, have been met.

We have also examined a number of sales transactions before the end of the year to confirm that the revenue was recognised in the correct period. This examination involved selecting a number of revenue transactions that were recognised before the end of the year and checking these against the invoices, as well as against other evidence as to when the goods were delivered. Our random sampling revealed no deviations in respect of the timing of revenue recognition.

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 1-27 and 82-85. 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 skepticism 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.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit 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 accor-

ding to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil 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 skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss 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 or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm March 24, 2017
PricewaterhouseCoopers AB

Mikael Winkvist
Authorized public accountant

The Board's 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 April 28, 2009. The full Articles of Association are available at www.netinsight.net.

No divergences from the Code were reported in 2016. Nor has the company contravened Nasdaq Stockholm's Issuer Rules or accepted practice on the stock market.

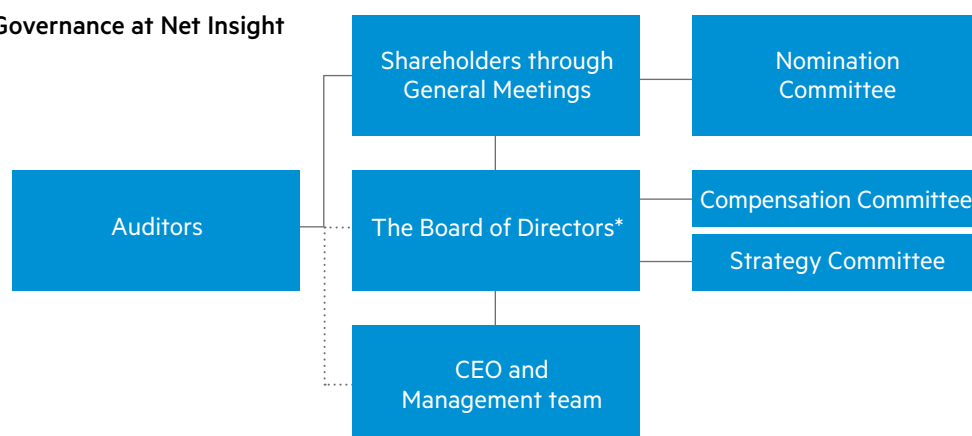
Annual General Meeting, AGM

The AGM of Net Insight AB (publ) was held on May 10, 2016. 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
- The number of Board members should be seven.
- Lars Berg, Gunilla Fransson, Anders Harrysson, Cecilia BeckFriis, Crister Fritzson and Jan Barchan were reelected as Board members and Charlotta Falvin was elected as Board member.
- Lars Berg was re-elected Chairman of the Board.
- PricewaterhouseCoopers AB was elected as the company's audit firm, with Mikael Winkvist as Auditor in Charge.
- The AGM decided that Directors' fees should amount to SEK 1,870,000 to be allocated with SEK 550,000 to the Chairman of the Board and SEK 220,000 to each of the other Board members not employed by the company. Remuneration for Committee work, payable to members appointed by the Board of Directors, is SEK 10,000 per meeting.

Corporate Governance at Net Insight



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

- Remuneration to the auditor, PricewaterhouseCoopers 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 a cash-based option program related to Net Insight's share price performance. The program will be completed by issuing synthetic options. Synthetic options will be offered to all the 140 or so Swedish-domiciled employees of the Net Insight group's Swedish organization.
- The AGM decided to authorize the Board of Directors to, in the period until the next AGM is held, repurchase own shares totaling up to 5 percent of all shares in the company, and to reach Board resolutions regarding the transfer of own 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 October 4, 2016. Net Insight's Nomination Committee for 2017 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 Lars Bergkvist (Lannebo Fonder) as its Chairman. The Nomination Committee held five meetings when minutes were kept in preparation for the AGM 2017.

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, PricewaterhouseCoopers AB, were re-elected at the AGM 2016 to serve in the period until the AGM 2017. Mikael Winkvist was appointed Auditor in Charge. In addition to regular audit work, PricewaterhouseCoopers AB also assists Net Insight with general advice relating to accounting and tax. PricewaterhouseCoopers AB is required to guarantee its independence in regard to carrying out its role as adviser.

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 six meetings during the year when minutes were kept, not counting six 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 the following up the acquisition of ScheduALL. 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 2016 was completed by an independent consultant through interviews and a survey. The consultant subsequently reported the findings to the Board, and then to the Nomination Committee.

The Nomination Committee then carried out its own evaluation on the basis of this information.

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. Six Board members are independent of the company's principal owners.

For information on Board members and the CEO, see page 26 and 27 respectively.

Remuneration Committee

The Board has instituted a Remuneration Committee charged with consulting on issues concerning salaries, compen-

sation 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 2015 to be decided by the Board; a decision on variable remuneration for 2015 for the rest of management; business goals and compensation structure for the CEO for 2016 to be decided by the Board and the remuneration structure for the rest of management.

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. One meeting was held in 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. 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 2016

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

Name	Attendance at Board meetings	Remuneration Committee
Lars Berg	6/6	5/5
Anders Harrysson	5/6	5/5
Gunilla Fransson	6/6	
Cecilia Beck-Friis	6/6	
Crister Fritzson	6/6	
Regina Nilsson ¹⁾	2/6	
Jan Barchan	5/6	
Charlotta Falvin ²⁾	4/6	

¹⁾ Regina Nilsson declined re-election at the AGM 2016.

²⁾ Charlotta Falvin was elected to the Board at the AGM 2016.

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's CFO serves as Board secretary. 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 page 27.

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 30-31 in the Administration Report.

External reporting

The Board monitors and evaluates quality assurance 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, 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 2016, the work associated with improving Net Insight's processes primarily focused on harmonizing accounting and reporting procedures relating to the acquisition of Schedu-ALL, the introduction of a global ERP system, bringing a new consolidation system on stream and improving documentation and routines for accounts payable. 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 2016. 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 annual meeting of the shareholders of Net Insight AB (publ),
corporate identity number 56533-4397

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2016 on pages 76-80 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 24, 2017

PricewaterhouseCoopers AB

Mikael Winkvist

Authorized Public Accountant

Five Year Summary

Five-year summary SEK millions (if not defined differently)	2016	2015	2014	2013	2012
Net sales by region					
Western Europe	231.4	193.1	173.7	179.1	169.1
Americas	163.2	115.1	168.4	72.0	55.3
Rest of World	108.9	67.6	36.9	29.7	55.9
Net sales	503.5	375.8	379.1	280.8	280.3
<i>Net sales YoY, change in %</i>	<i>34.0%</i>	<i>-0.9%</i>	<i>35.0%</i>	<i>0.2%</i>	<i>-4.8%</i>
Organic growth					
Net sales	503.5	375.8	379.1	280.8	280.3
Net sales from business combinations	-53.5	-14.5	-	-	-
Net sales, excluding business combinations	450.0	361.3	379.1	280.8	280.3
<i>Organic growth YoY, change in %</i>	<i>19.7%</i>	<i>-4.7%</i>	<i>35.0%</i>	<i>0.2%</i>	<i>-4.8%</i>
Income statement					
Net sales, adjusted	510.1	379.4	379.1	280.8	280.3
Gross earnings	315.7	226.1	232.0	156.5	167.3
<i>Gross margin</i>	<i>62.7%</i>	<i>60.2%</i>	<i>61.2%</i>	<i>55.7%</i>	<i>59.7%</i>
Operating earnings	52.4	19.2	53.6	-9.7	2.7
<i>Operating margin</i>	<i>10.4%</i>	<i>5.1%</i>	<i>14.1%</i>	<i>-3.4%</i>	<i>1.0%</i>
Operating earnings, adjusted	61.7	27.6	53.6	-9.7	2.7
<i>Operating margin, adjusted</i>	<i>12.1%</i>	<i>7.3%</i>	<i>14.1%</i>	<i>-3.4%</i>	<i>1.0%</i>
Profit/loss after financial items	46.9	6.7	55.1	-7.6	5.1
Net Income	37.4	1.9	41.5	-9.2	11.9
<i>Net margin</i>	<i>7.4%</i>	<i>0.5%</i>	<i>10.9%</i>	<i>-3.3%</i>	<i>4.2%</i>
EBITDA					
Operating earnings	52.4	19.2	53.6	-9.7	2.7
Amortization of capitalized development expenditure	57.1	54.0	51.9	46.1	39.2
Other depreciation and amortization	6.3	2.8	2.4	2.6	2.6
Capitalization of development expenditure	-77.2	-52.7	-40.9	-47.6	-65.7
EBITDA	38.6	23.3	67.1	-8.6	-21.2
<i>EBITDA margin</i>	<i>7.7%</i>	<i>6.2%</i>	<i>17.7%</i>	<i>-3.1%</i>	<i>-7.6%</i>
Total development expenditure					
Development expenses	72.0	44.0	40.9	38.4	29.9
Capitalization of development expenditure	77.2	52.7	40.9	47.6	65.7
Total development expenditure	149.1	96.6	81.8	86.0	95.6
<i>Total development expenditure/Net Sales</i>	<i>29.6%</i>	<i>25.7%</i>	<i>21.6%</i>	<i>30.6%</i>	<i>34.1%</i>
Balance sheet and cash flow					
Non-current assets	338.0	321.1	205.8	231.5	233.8
Current assets	392.3	349.3	417.7	327.5	333.3
Total assets	730.3	670.4	623.5	559.0	567.1
Shareholder's equity	565.3	531.6	536.9	494.2	503.4
Liabilities	165.0	138.8	86.6	64.8	63.7
Total equity and liabilities	730.3	670.4	623.5	559.0	567.1
Investments	82.0	57.3	42.2	48.6	70.3
Total cash flow	20.9	-101.1	90.4	17.9	-10.4
<i>Return on capital employed</i>	<i>9.6%</i>	<i>3.7%</i>	<i>10.8%</i>	<i>-1.4%</i>	<i>1.2%</i>
<i>Return on equity</i>	<i>6.8%</i>	<i>0.4%</i>	<i>8.1%</i>	<i>-1.9%</i>	<i>2.4%</i>
<i>Equity/asset ratio</i>	<i>77.4%</i>	<i>79.3%</i>	<i>86.1%</i>	<i>88.4%</i>	<i>88.8%</i>
The share					
Earnings per share basic and diluted, SEK	0.10	0.00	0.11	-0.02	0.03
Dividend per share, SEK	-	-	-	-	-
Cash flow per share, SEK	0.05	-0.26	0.23	0.05	-0.03
Equity per share basic and diluted, SEK	1.47	1.37	1.38	1.27	1.29
Average number of outstanding shares basic and diluted, thousands	386,582	389,138	389,933	389,933	389,933
Number of outstanding shares basic and diluted as of December 31, thousands	385,658	387,158	389,933	389,933	389,933
Share price as of December 31, SEK	8.90	8.30	3.10	1.44	1.56
Employees					
Number of employees as of December 31	215	205	134	142	156

For definitions, see Alternative performance measures and other definitions on next page.

ALTERNATIVE PERFORMANCE MEASURES AND OTHER DEFINITIONS

Western Europe (WE) Western Europe.

Americas (AM) North and South America.

Rest of World (RoW) Countries outside of Western Europe and Americas.

Alternative performance measures (APM) Non-IFRS financial measures are presented to enhance an investor's 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 similarly-titled measures used by other companies.

Change in Net sales in comparable currencies The relation between the Net sales for the period, excluding Other revenues, recalculated using the foreign currency rates from the comparative period and the corresponding sales for the comparative period. Other revenue are in all material respect related to translation differences on unhedged accounts receivable in foreign currencies. Only sales from business combinations that's been part of the Group for the whole comparative period are recalculated.

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. Reconciliations, see table Five-year summary on previous page.

Gross margin Gross earnings as a percentage of net sales.

Operating margin Operating earnings as a percentage of net sales.

Net margin Net Income as a percentage of net sales.

EBITDA Operating earnings before depreciation and amortization and capitalization of development expenditure.

Reconciliations, see table Five-year summary on previous page.

EBITDA margin EBITDA as a percentage of net sales.

Adjusted financial items 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 during 2016.

See table Consolidated Income Statement, Adjusted below. The

adjustments below refers to some of the items listed in the section Material profit and loss items in note 1.2 and the notes refers to this section.

Operating expenses Sales and marketing expenses, Administration expenses and Development expenses.

Total development (R&D) expenditure Development expenses and capitalized expenditures for development.

Reconciliations, see table Five-year summary on previous page.

Investments Investments in intangible and tangible assets.

Total cash flow/Cash flow Change in cash and cash equivalents during the period, excluding exchange differences in cash and cash equivalents.

Working capital Current assets less cash and cash equivalents, accounts payable and other interest-free current liabilities. The Company has no interest-bearing liabilities.

Changes in working capital in the cash flow statement also includes adjustments for items not affecting liquidity and changes in non-current operating assets and liabilities.

Equity/asset ratio Shareholders' equity divided by the balance sheet total.

Return on capital employed Operating earnings plus interest income, in relation to average capital employed. Capital employed is total assets less non-interest bearing liabilities, including deferred tax liabilities. The Company has no interest-bearing liabilities. Slightly updated definition from previous reports, comparable periods has also been updated. Reconciliations, see table below.

Return on equity Net income as a percentage of average shareholders' equity.

Earnings per share (EPS) diluted and basic Net income divided by the average number of outstanding shares during the period.

Cash flow per share Total cash flow, excluding acquisition of group companies, divided by average number of outstanding shares during the period.

Equity per share diluted and basic Shareholders' equity divided by number of outstanding shares at the end of the period.

Number of outstanding shares Total number of shares in the Parent company, less the number of group companies holdings of shares in the Parent company (own/treasury shares).

Consolidated Income Statement, Adjusted SEK millions (if not defined differently)		Note	2016	2015	2014	2013	2012
Net sales			503.5	375.8	379.1	280.8	280.3
Deferred revenue		(a)	6.5	3.6	-	-	-
Net sales adjusted YoY, change in %			510.1	379.4	379.1	280.8	280.3
<i>Net sales adjusted YoY, change in %</i>			34.5%	0.1%	35.0%	0.2%	-4.8%
Cost of sales			-187.9	-149.7	-147.2	-124.3	-113
Gross margin, adjusted			322.2	229.6	232.0	156.5	167.3
<i>Gross margin, adjusted</i>			63.2%	60.5%	61.2%	55.7%	59.7%
Operating expenses			-263.3	-206.8	-178.4	-166.2	-164.6
Amortization intangible assets, business combinations		(b)	2.8	0.7	-	-	-
Acquisition related costs		(c)	-	4.1	-	-	-
Operating margin, adjusted			61.7	27.6	53.6	-9.7	2.7
<i>Operating margin, adjusted</i>			12.1%	7.3%	14.1%	-3.4%	1.0%
Net financial items			-5.4	-12.6	1.5	2.0	2.4
Synthetic options, change in value		(e)	3.2	11.8	-	-	-
Profit/loss before tax, adjusted			59.5	26.8	55.1	-7.6	5.1
Return on capital employed SEK millions (if not defined differently)			2016	2015	2014	2013	2012
Operating earnings			52.4	19.2	53.6	-9.7	2.7
Interest income			0.2	0.5	2.3	2.6	3.3
Operating earnings + interest income			52.5	19.7	55.9	-7.1	6.0
Average capital employed			548.4	534.2	515.5	498.8	497.6
Return on capital employed			9.6%	3.7%	10.8%	-1.4%	1.2%

Glossary

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.

OTT

(Over-The-Top) Term for service utilized over a network that is not offered by that network operator. For example, viewers using their broadband connection to view 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.

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.

SERVICE ORCHESTRATION

Is the process of integrating two or more services together to automate a process.

SLA

(Service Level Agreement) Is a part of a service contract where the level of service is formally defined.

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 receiving live events over the Internet, for example.

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 9, 2017 at Net Insight's offices in Stockholm, Sweden. Shareholders recorded in the share register maintained by Euroclear Sweden AB on May 3, 2017, and who have notified the Company by 4 p.m. on May 3, 2017, 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, by fax to +46 (0)8 685 0420 or by e-mail to agm@netinsight.net.

DIVIDEND

The Board of Directors is proposing to the AGM to resolve not to pay any dividend for the financial year 2016.

DISTRIBUTION OF ANNUAL REPORT

The Annual Report 2016 will be published in the week ending April 21, 2017 (week 16) at www.netinsight.net. Printed versions of the Annual Report are available to order by e-mail: info@netinsight.net, or by telephone: +46 (0)8 685 04 00.

Interim Report,
January–March
May 2, 2017

AGM 2016
May 9, 10 a.m.

Interim Report,
January–June
July 21, 2017

Interim Report,
January–September
October 27, 2017

Net Insight publishes financial information in Swedish and English. The Reports are available for download from Net Insight's website: www.netinsight.net or to order by e-mail: info@netinsight.net, or by telephone on +46 (0)8 685 04 00.

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