Net Insight
Annual Report 2018


netinsight

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THIS IS NET INSIGHT

Reliable innovation

Net Insight is a global leader in media networks, resource optimization and streaming solutions. With more than 20 years' experience, Net Insight is a reliable key partner to its customers, but also a leader in the industry's transition towards a continuously improved media experience. With its deep market knowledge and insight, genuine customer focus and world-leading innovative technology, Net Insight makes it easier and more cost-efficient to create and deliver better content. Net Insight is driven by the idea that everything can always be done smarter both for its customers and consumers.

20 More than 20 years' experience of the biggest live events	**452** Sales of SEK 452 million	**5** Five offices globally
500 500+ customers	**31** 31% of sales invested in product development	**240** Approx. 240 coworkers

THE YEAR IN BRIEF

The year was characterized by major changes, both in the industry as a whole and for the company. The ongoing technology shift coupled with changing consumer behavior increase the need for a more customer-oriented approach. In order to work more closely with its customers and partners, Net Insight adapted its operations and introduced a number of changes during the year. The company appointed a new CEO, management and Chairman in the year. Net Insight is well prepared for the future, with a strong market position based on innovative and resource-efficient solutions.

KEY FIGURES

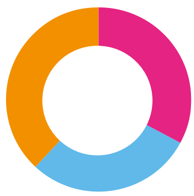
Share of sales by geographical segment

Americas 33% (31)

Western Europe 46% (46)

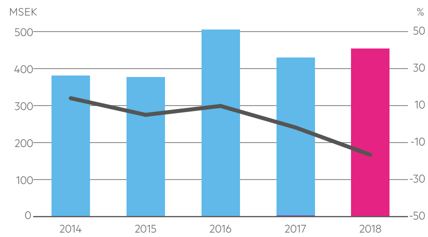
Rest of World 21% (23)

Revenues by product area



- **Hardware** 33% (38)
- **Software licenses** 29% (24)
- **Support & services** 38 % (38)

Net sales & operating margin



Net sales — Operating margin

Key figures[2]	2018	2017[1]	2016
Net sales by segment, SEK million			
Western Europe	207.3	194.4	231.4
Americas	147.3	133.8	163.2
Rest of World	97.0	98.8	108.9
Net sales, total	**451.6**	**427.0**	**503.5**
Net sales, adjusted, SEK million	452.3	429.2	510.1
Operating earnings, SEK million	-75.1	-7.5	49.4
Operating earnings, adjusted, SEK million	-71.5	-2.6	58.8
Net income, SEK million	-58.2	3.5	35.2
Earnings per share, SEK	-0.15	0.01	0.09
Total cash flow, SEK million	-85.5	-36.8	20.9
Equity/assets ratio, percent	76.0	78.3	77.3
Shareholders' equity per share, SEK	1.29	1.42	1.46
Average number of employees	205	208	208

[1] The transition to IFRS 15 implied adjustments to the comparative year, see Note 1 Accounting policies and Note 32 Restated Financial Statements. Only 2017 has been restated retroactively.

[2] Five year summary, definitions and calculations, see pages 90-96.

AWARDS IN THE YEAR

2018 Emmy® Award for Technology & Engineering

Winner: Nimbra VA

TVBEurope Best of Show Award IBC 2018

Winner: Nimbra 1060

TV Technology's Best of Show Award NAB 2018

Winner: Nimbra 1060

CEO'S STATEMENT

A year characterized by change

2018 was characterized by change, both for Net Insight and the market as a whole. The ongoing technology shift, coupled with changing customer behavior and new players, are redefining the traditional value chain of content owners, TV companies and distributors. This raises both challenges and opportunities for Net Insight.

Customer focus

My initial period at Net Insight has been both eventful and stimulating. It's a great privilege to work with such interesting customers and technology, and alongside such competent and committed staff.

In order to better understand the market, the company and our offering, I've spent considerable time getting to know our customers and partners around the world. I'm incredibly proud to see the great confidence they have in Net Insight and our solutions. At the same time, it's clear that they want a closer dialog with us about how we can become more successful together. Becoming much more receptive to our customers' needs is key to our success. To achieve this, and increase our growth and profitability, we've introduced a number of organizational changes and restructured operations to clarify responsibilities and authorizations. A new executive management team was appointed during the year. We've also streamlined a number of group functions and implemented a savings program aimed at becoming more cost efficient.

Eventful year for Nimbra

2018 was a strong and eventful year for Nimbra. The year started with the launch of the next generation IP-based platform, Nimbra 1060, which has generated significant market interest and resulted in a number of deals. We've also seen positive progress in our internet-based Emmy® Award-winning solution Nimbra VA, which experienced its strongest year in terms of sales, and our reliable Nimbra transport solutions for remote production. In February 2019, Swedish TV, SVT, completed the world's largest remote production broadcast at the

> The year started with the launch of the next generation IP-based platform, Nimbra 1060, which has generated significant market interest and resulted in a number of deals.

Alpine World Ski Championships in Åre in northern Sweden. The broadcast was enabled by Net Insight's solutions, particularly the recently launched Nimbra 1060. This achievement demonstrates how far we've come, and alongside SVT we've set a new benchmark for remote production for major sporting events.

Modernization of the ScheduALL portfolio

Significant changes were made in the ScheduALL area during the year. Schedu-ALL is our solution for media industry resource optimization and is being used by some of the world's largest and most prestigious TV companies amongst its customers. As the media industry seeks to manage and optimize its resources in an increasingly complex environment with increasing needs for efficiency, we're seeing growing demand for intelligent resource optimization in line with our offering. During the year we've added new business competences and appointed a new management to the product area. With a sharp customer focus to ensure that we deliver the right solutions for our customers' needs, we're updating and modernizing the ScheduALL portfolio by adding cloud-based services and mobile, social and analytical functionality. We'll be presenting a taste of the new solution at the NAB Show in April 2019.

Key milestones for Sye

Sye is the market's first and, to date, only solution for streamed media that can deliver a TV-like experience over the internet. However, the mass market commercialization of Sye has taken longer than expected. Live streaming viewing reached new records during last summer's Soccer World Championships, although viewers and broadcasters alike experienced significant problems with poor quality and spoiler effects. This clearly demonstrates the strength of the Sye solution, which enables live streaming with low latency and high quality.

Our cloud-based Sye Streaming Service also confirmed the functionality and potential of synchronized live solutions. The service's first customer, Sventertainment, launched a live Sye-based quiz, Primetime, in March, which has spread virally. The number of participants has grown quickly to average over 100,000 daily users in Sweden, and the quiz has now been launched in several European countries, indicating the attractiveness of engaging and interactive content.

In February 2019, we signed an important license agreement with a US Fortune 500 company relating to their live video streaming service, providing more evidence of the attractiveness of the Sye solution.

Strong potential on an expanding market

Overall, 2018 was characterized by significant changes, both in terms of Net Insight's future focus and the general market prospects. During the year, we made major changes in our organization and working methods aimed at improving efficiency and working more closely with our customers. This creates strong prospects for increased growth and profitability.

We have a strong product portfolio, committed customers and highly qualified and passionate employees. Demand for cloud-based solutions, IP migration and live production is increasing, which represents a close fit with Net Insight's offering. The changes we've made and our strong offering mean that I'm confident about engaging with the continuously changing media market.

Solna, Sweden, March 2019

Henrik Sund
CEO

Rapid market transformation continues

The global media market continues to change rapidly, driven by consumer behavior and new technology. In order to grow and achieve profitability in this changing landscape, market players must be able to respond to growing global competition and continued industry consolidation, as well as capitalize on innovative and resource-efficient solutions.

Increased competition over TV viewers

Accelerating prices for TV rights, changing viewer behavior, new technology and increased demand for resource-efficiency contribute to growing uncertainty and cost pressure on the media market. Given the changing market conditions, the traditional value chain of content owners, TV companies and distributors is being redefined. Distributors such as telecom operators are also increasingly buying rights, while there's a clear trend towards content owners offering services directly to consumers. One example of this is that relatively new media operators such as Netflix, Amazon and Facebook are adding exclusive content to their service offering, both their own productions and live content. For example, during the year Amazon acquired the rights to selected Premier League games in the UK.

Intensifying global competition over viewers and rising costs mean that TV companies need to increase revenue from broadcasts and improve operational efficiency. This also contributes to growing industry consolidation, where TV companies acquire other operators to create a more competitive offering and improve profitability. Comcast's acquisition of 21st Century Fox's stake in pay-TV company Sky last year is one example of this. TV companies are also looking for new opportunities to increase the efficiency of production and media transport further. At the same time, the viewer experience must be competitive across all platforms in order to attract and retain viewers.

More content, less resources

The extensive technological transformation of the media market affects the demands made on content, distribution and the viewer experience. Examples include the roll-out of 4K, streaming, virtual reality and new viewer services across multiple screens.

Increased competition and cost pressure, particularly for sporting events, mean that the TV companies need to create more content with the same or less resources.

There's also growing interest from some viewers in watching live broadcasts of smaller, more niche-oriented or local sporting events. Traditionally, this has required staff to be present on location, which has entailed high production and distribution costs. Modern technology such as streaming, cloud distribution and automated/intelligent production are gradually reducing these costs.

To summarize, the media market operators must be able to offer better and more cost-efficient content in order to remain attractive to viewers, advertisers and sponsors.

Net Insight's portfolio of competitive solutions largely meets these customer needs. ScheduALL is an efficient and intelligent resource and business optimization tool, including orchestration and booking of resources and network capacity. Sye allows Net Insight's customers to create a very competitive user experience for streamed content. Nimbra provides reliable cost-efficient and innovative solutions for media transport over various types of network, with remote production providing an example of a solution for producing more content at lower cost, and with increased efficiency.

Increased demands on streaming quality

The trend where traditional TV viewing is increasingly shifting towards internet-based, streamed viewing continues. It's also becoming increasingly clear that the demands on quality continue to rise. Today's viewers expect an equivalent experience, whether watching content on a computer, cell phone or TV. For example, there's extremely low tolerance for latency, as the customer value of live broadcasts is largely associated with the ability to watch the event in real time. Another clear market trend is the growing range of channels and content, which further intensifies competition and demand for a reliable and high-quality user experience.

Live sports continue to generate significant viewer interest. Viewing of live contents, for instance, more than doubled during 2018 compared to the previous year, both in terms of number of events and number of hours.[1)] The market for live streamed media is expanding sharply at around 45% annually until 2021.[2)] Sye allows Net Insight to provide synchronized live streaming with low latency and the opportunity to offer viewers a more interactive experience, including real-time interactivity. This creates a more competitive service and ultimately increases the value of broadcasts for content owners and advertisers.

Technology shift transforms media networks

The transition to IP/IT and cloud-based technology is transforming media distribution towards a more flexible and software-oriented infrastructure, but also towards increasing complexity. Net Insight has delivered solutions for IP-based media networks for a long time. As part of this progress, satellite distribution is also increasingly being replaced by internet-based solutions for media transport.

1) Source: Limelight Networks, The state of online video 2018; Conviva, Census Report Q2 2018.

2) Source: ABI Research.

The Nimbra VA product line allows Net Insight to offer internet contribution with the same degree of simplicity, quality and reliability as for traditional media transport over fiber and via satellite. Market progress in areas such as remote production means that demands on networks are generally increasing, which favors Net Insight given the company's high degree of reliability and cost efficiency. Net Insight's Nimbra platform is continuously developed to meet customers' new and growing demands on high quality and future-proof media transport.

Resource planning and optimization increasingly important

Higher demands on efficiency, in combination with more extensive and complex production and transport flows, increase customers' need for planning and optimizing resources. Clear examples include the increased prevalence of new production methods such as remote and distributed production, with resources distributed across distinct physical locations. At the same time, new technology such as AI enables increasingly intelligent and automated resource optimization. This means that it's becoming more important to offer intelligent solutions that optimize resource management, increase control of production and transport workflows, and keep costs low.

Net Insight's ScheduALL platform, which can be integrated with Nimbra, provides media companies with a powerful tool for automated and efficient resource optimization and service orchestration. ScheduALL also improves booking of network capacity and generates production cost savings.

Net Insight's competitors

Net Insight's Nimbra platform competes with products from operators such as Evertz, Media Links, Cisco and Nevion. ScheduALL's competitors are operators that offer planning and resource tools for different parts of the media industry, such as Dataminer and Xytech. However, ScheduALL is alone to offer a company-wide solution for intelligent resource management that includes all parts of a media organization. Sye also enjoys a unique market position as no other service for live streaming can offer entirely synchronized TV broadcasts with low and constant latency. However, a number of operators offer live streaming with low latency such as Wowza and Phenix. Many major CDNs (Content Delivery Networks) such as Akamai, Limelight and Level 3 have realized the need for low latency.

NET INSIGHT'S CUSTOMER PROMISE

A reliable partner for the media experience of tomorrow

Net Insight offers reliable, innovative and future-proof solutions to the media industry. We work closely with our customers to provide solutions for better media experiences. We're driven by the idea that everything can always be done smarter, for both our customers and their customers.

The media industry of tomorrow

New technology and rapidly changing behavior lie behind the fundamental transformation of the consumption of high quality media content. Net Insight's vision is a connected world where technology enables seamless meetings between producers, distributors and consumers of content – regardless of geographical location, technical resources or distribution network. A world where consumers have access to more and better content, delivered in a continuously improving customer experience.

The ongoing technology revolution also implies intensifying global competition. To maintain competitiveness, media companies must produce more and better content as efficiently as possibly, or simply put: produce more for less

Net Insight's customer promise and purpose

Reliable innovation is Net Insight's guiding principle. Net Insight's products and services are developed to drive our customers' business, in partnerships focused on creating long-term, future-proof solutions.

Reliable innovation means that Net Insight creates safe delivery in the form of secure solutions with advanced technology on the inside that's easy to use and that our customers know will work – now and in the long term.

With extensive knowledge and insight into the industry, a genuine customer focus and reliable innovative technology, Net Insight makes it possible to create, deliver and consume better content more efficiently.

> The ongoing technology shift, coupled with changing customer behavior, is placing increasing demands on the industry to become even more customer-oriented.
>
> Henrik Sund, CEO

STRATEGY

Background to Net Insight's strategic priorities

Net Insight's long-term view of the media market of tomorrow is a global, fully connected world where new technology enables direct, intelligent and seamless exchange of content between producers, distributors and consumers.

The revolution currently underway is driven by changing viewer behavior which is in turn enabled by accelerating technological progress. Some of the key trends driving market progress include:

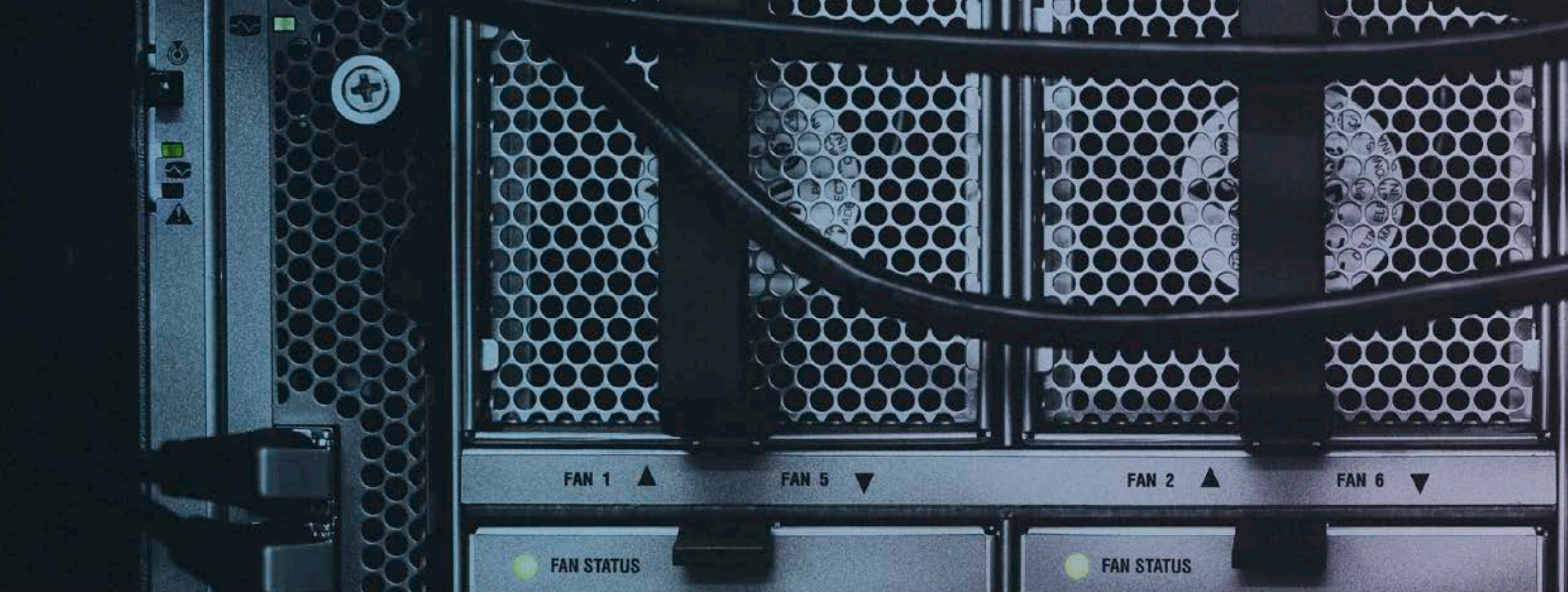
- **Continued rapid growth** in media content streaming, including the trend for content owners to launch streaming services directly to end customers.
- **Increased consumption** over a range of different technology platforms.
- **Live content** is becoming increasingly important at the same time as complexity is growing in both production and distribution.
- **The transition to IT** and cloud-based technologies.
- **Rapidly increasing use** of intelligent and automated processes (AI).

For the media sector and Net Insight's customers, this implies new opportunities in the form of new revenue streams and changes to the traditional value chain, including new types of players. It also means increased global competition, higher demands on efficiency, a major technology shift and managing more complex portfolios of live content.

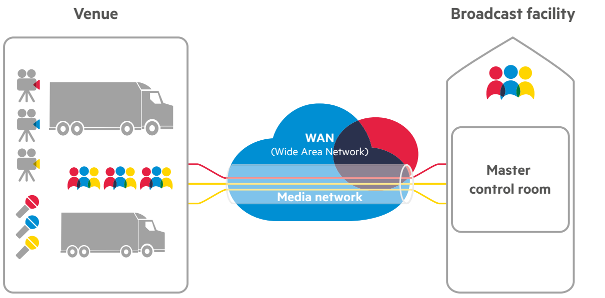
As a result, Net Insight's customers need the right conditions for meeting industry challenges and improving competitiveness, which means:

- Enabling customers to offer end-consumers attractive and relevant content, produced and delivered with a high degree of efficiency.
- Offering high quality and tailor-made customer experiences, across all types of platforms.
- Fully capitalizing on the opportunities provided by the new technology.

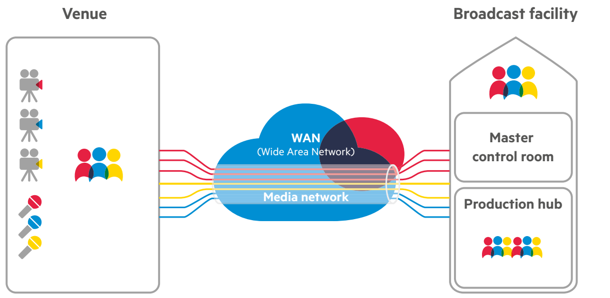
Net Insight's strategy is to offer competitive and future-proof solutions that meet these customer demands.



The past – Production on site



The present – Remote production



Tomorrow's methods for production and distribution of content

One way the media industry can capitalize on the potential provided by the new technology and meet the industry challenges is by increasingly implementing remote and distributed production. To improve efficiency and quality, live production will increasingly shift from traditional OB (Outside Broadcasting) buses, with production taking place on site, to solutions where production is carried out in a different geographical location. Camera feeds are transported from the event to a central production location over a media network. The Alpine World Ski Championships 2019 in Åre, Sweden, provide a recent example, where live content from some 80 cameras was transported to SVT's studio in Stockholm for production. Read more about it on page 13.

The next step in this progress includes distributed production, where the various elements of live production take place in multiple geographical locations. For example, video production (mixing and editing) can be carried out at a central production unit, while graphics, audio, commentary and other post production can be provided separately at various geographically distributed production sites.

The transition to remote and distributed production provides significant advantages for customers. The fact that production personnel no longer need to travel to the physical recording location increases efficiency, generating large cost savings. Optimized production resources and equipment also makes it possible to produce better and more content. Ultimately, operators can allocate more resources and focus to generating high-quality live content, and less to the technical aspects of production.

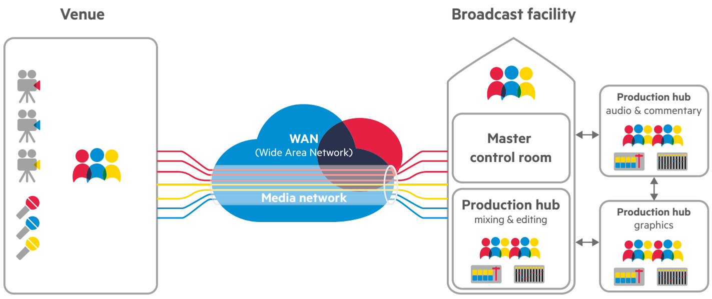
The technology shift towards remote and distributed production also means that the network becomes increasingly important in terms of reliability, capacity and flexibility. Network technology is currently undergoing rapid transformation, with increased transport over the internet and 5G in the near future, which continuously increases capacity. Network capacity is frequently satisfactory, even if it has primarily been developed to handle large volumes in consumer applications, and doesn't normally provide the quality and reliability required for TV content. Traditionally, adaptations between networks and media production relates to conversion between interface standards. When production migrates to IT/IP-based technology, optimized services are required to meet the media industry's demands on quality and reliability.

Net Insight solves future demands

Capitalizing on the advantages associated with the new methods for production and transport of live content requires efficient management of continuously increasing technological complexity. Complexity is increasing for multiple reasons, including more physical locations and resources, greater geographical distances, and because IT/IP technology is inherently more complex than traditional technology. To realize the potential benefits, there are some essential requirements on customer operations:

- Production and transport workflows need to be consistent across geographical locations, production assets and contribution technologies.
- Customers must be able to manage and optimize resources in a more complex environment (more resources spread over a large number of locations).

The future – Distributed production



- Workflows have to be intelligently automated.
- Networks must satisfy growing demands on capacity, scalability, efficiency, reliability and flexibility

Net Insight's solutions satisfy these requirements very well. The underlying transport technology in the Nimbra solutions enables extremely reliable and scalable networks with consistent workflows and very high efficiency. ScheduALL, Net Insight's solution for intelligent resource optimization, enables control and efficient resource utilization in an increasingly complex production and transport environment. This involves more than just charting and management, and includes intelligent automation with full financial visibility and optimization. Net Insight's solution for live streaming, Sye, enables an enhanced customer experience which increases customer competitiveness and creates new revenue streams.

Net Insight's strategic priorities

Net Insight is driven by the idea that everything can always be done smarter, for our customers and their customers. As a result, Net Insight strives to continuously develop solutions that make customers even more relevant and competitive in the media landscape of tomorrow.

Strategic focuses:

Innovation and development

- Implement new solutions for technologies and standards (e.g. ST 2110, IP, cloud-based technologies, AI) and drive product development in close partnership with customers.
- Actively contribute to developing new industry standards.

Customer focus

- Structure and processes for close customer collaborations and dialog.

Market leadership in live streaming

- Continue to drive the commercialization of Sye by emphasizing unique functionality and customer benefits.

Increased profitability

- Efficient, flexible and cost-conscious organization.

Accelerated growth

- Improved sales strategies
- Strategic partnerships with companies that complement Net Insight's offering and increase reach.
- Increase market awareness of Net Insight and continue to increase brand recognition among relevant decision makers.

PRODUCT AREA: NIMBRA

Nimbra for high quality live media transport

The Nimbra product line is aimed at network owners and media companies and provides a very competitive network solution for robust, efficient and high-quality processing and transport of media content. This creates the right conditions for improved and more efficient production and distribution of media content, which contributes to a better live TV viewing experience.

Through the Nimbra portfolio, Net Insight offers hardware and software-based platforms that include intelligent functionality for managing individual media streams. This includes compression and conversion, as well as managing, monitoring and transportation of professional video, audio and data across media networks. By providing a high-quality and efficient solution, Nimbra enables media companies to create better live experiences for TV viewers.

The media market is undergoing major transformation driven by changing viewer behavior. While traditional TV viewing is decreasing, more video than ever is consumed driven by the use of more devices and at higher resolution in full HD and 4K UHD. This drives video content on networks, and live content in particular is becoming increasingly important for media companies. This market transformation is opening up new opportunities, as old networks and production units need to be upgraded over the coming years.

In line with the media market transformation from media-specific solutions towards IT infrastructure, the Nimbra platform has been further developed to meet customer requirements. In February 2018, Net Insight launched Nimbra 1060 to meet increased demands on capacity and new media transport requirements. The solution is based on Net Insight's extensive expertise and experience together with the next generation Nimbra technology, which provides networks with terabit capacity for transport of IP-based media services across national and global networks. This means that the platform meets the requirements for transport of large video streams to multiple locations.

The combination of offering more content, and more niched content such as sporting events for smaller audiences, both locally and globally, and with increased cost-consciousness, is what drives progress in media transport over the internet. With its Emmy Award®-winning Nimbra VA solution, Net Insight has been one of the drivers behind this development, which is expected to significantly outgrow the rest of the media market. Nimbra VA enables cost-efficient distribution and production of high quality media content, which creates new opportunities for TV and production companies to broadcast events and sports that were previously too expensive to offer to end consumers. This expands the overall market for media transport in production. The significant cost benefits also mean that many media companies are now shifting traffic from traditional satellite networks to the internet. This trend is likely to accelerate over the coming years, as frequencies used for media transport via satellite are being closed down and transferred to 4G and 5G cellular networks.

Nimbra enables high quality live experiences:

- **Nimbra MSR -** Nimbra 1060, the next generation IP platform was launched in 2018.
- **Nimbra VA -** Net Insight won several large orders and a Technical Emmy Award®.
- **Remote production -** Net Insight won new customers and established new partnerships to simplify TV production.

Business model: **Nimbra**

A Nimbra customer frequently extends its media network in several steps. The customer starts with a limited number of locations, and gradually extends the network to include other regions, countries, or by establishing a presence on new markets. As the customer launches new media services in its network, more equipment is needed to support technologies such as 4K Ultra HD, compression or audio.

These services are offered as software licenses for an installed base, or as new hardware. Net Insight generates revenue from sales of hardware, software licenses support and consulting services. The share of revenue from software licenses and support compared to hardware sales has increased significantly in recent years.

CUSTOMER CASE: NIMBRA

Net Insight enables largest remote production ever at Alpine World Ski Championships 2019

Net Insight's solution reduced costs and minimized equipment and personnel during the event, enabling the broadcast of more live sport at higher quality.

Net Insight's technology enabled broadcasting of the Alpine World Ski Championships in Åre and the Biathlon World Championships in Östersund in February and March 2019, events hosted by Swedish TV, SVT. The Alpine World Ski Championships alone generated over 600 hours of TV, reaching 700 million viewers over 25 days. This was made possible by remote production, transmitted from the slopes of Åre to SVT's studios in Stockholm, more than 600 km away. The production used the largest number of cameras and video, audio and data feeds ever, making it the world's largest remote production to date.

Remote production enabled the championships to be produced with cameras and technology on location in Åre and Östersund, while the technological heart of the operations and other infrastructure was based in Stockholm. The main reason for choosing remote production was based on cost, as it means that less personnel and equipment are required on site. By centralizing personnel and technical resources, production staff are able to manage more productions.

SVT are at the forefront and has focused closely on pushing the boundaries of flexible and efficient production technology for a number of years, with Net Insight as a key partner. The first remote production collaboration between SVT and Net Insight was at the London Summer Olympics in 2012.

The TV production of the Alpine World Ski Championships required increased bandwidth and very close collaboration in order to create the flexible and reliable workflow able to manage the unique conditions of the live broadcasts.

> The Alpine Word Ski Championships 2019 illustrate how far we have come in remote production.
>
> Adde Granberg, CTO at SVT

PRODUCT AREA: SCHEDUALL

Intelligent resource management reduces cost and increases efficiency

ScheduALL offers a leading solution for resource optimization in the media industry. ScheduALL's intelligent scheduling and effective resource management enables Net Insight's prestigious customers to produce better and more cost-efficient media content.

ScheduALL is a centralized business control system that delivers live event planning and resource scheduling. This includes planning, management and booking of all types of resources required for production and distribution of media content, such as network capacity, satellite links, studios, cameras and personell. The customer base include production facilities, post-production companies, broadcasters and network providers generating business benefits through resource management, improved utilization of capacity and financial benefits.

Net Insight's close collaboration with customers forms the foundation for long-term partnerships and sustainable revenue streams. This is because customers do not just view ScheduALL as a solution for resource planning, but as a centralized strategic enabler for effective day-to-day operational management. ScheduALL allows customers to increase productivity and maintain control of projects by optimizing capacity, utilization and costs.

ScheduALL can be integrated with Nimbra, which provides network operators with a powerful tool for automated service orchestration. This end-to-end automation results in streamlined workflows, reduced redundancy and improved efficiency, while increasing collaboration across the enterprise.

In 2018, NBC Olympics, a division of NBC Sports Group, used ScheduALL solutions in its resource and transmission planning for their TV production of the Winter Olympics in South Korea. This was the ninth consecutive time that NBC Olympics chose ScheduALL for advanced resource management. The Schedu-ALL platform, alongside Net Insight's highly experienced onsite professional services team ensured flawless delivery for NBC Olympics.

To increase ScheduALL's business potential further, Net Insight strengthened ScheduALL's management team during the year. Over the coming year, the focus will be on establishing new strategic partnerships that ensure improved revenue streams. Net Insight will also continue to develop the product portfolio to capitalize on new opportunities generated by growing production volumes and more operators entering the market.

By adding cloud services and mobile, social and analytical functionality to the portfolio, Net Insight provides improved resource optimization through mobile predictive analytics. This offers users of ScheduALL new revenue streams, where more content can be created even more efficiently and at even lower cost.

ScheduALL offers cost-efficient resource optimization

- **A strategic tool** of key significance to day-to-day efficiency .
- **Company-wide solution,** in contrast with competitor's tools.

Business model: **ScheduALL**

Customers implement the ScheduALL solution with the help of Net Insight's support and professional services. The ScheduALL platform consists of business-critical modules that can be extended with new functionality or by connecting more users to the system. Net Insight's revenues are derived from sales of software licenses, support and consulting services provided through contracts over one or several years.

CUSTOMER CASE: SCHEDUALL

ScheduALL - Nimbra solution enables live TV to 22 countries around the clock

In 2018, a large broadcasting network on the east coast of the US selected Net Insight's ScheduALL solution and integrated with Nimbra VA. The background was the broadcaster's rapid expansion of coverage, production of live news and international video flows. The combined ScheduALL and Nimbra solution enabled the customer to organize, optimize and centralize operations during expansion.

The expansion generated a threefold increase in demand in news production alone, and the customer compared the dramatic growth to the implementation of an entirely new media network.

The large volume increase meant that each member of staff and every resource needed to be optimized as far as possible. Critical transmissions, live coordination and other details relating to each program could no longer be transmitted to separate systems in different departments.

By introducing ScheduALL as a central operating hub for optimizing transmission and production planning, operations, price and cost tracking, as well as analysis and reporting, the boradcaster was able to guarantee seamless broadcasts around the clock to its 25.7 million viewers in 22 countries.

The broadcaster also uses Net Insight's Nimbra VA for live video transport over the internet between the company's global offices and head office.

The implementation of Net Insight's solutions generates direct financial and operational benefits for the broadcaster. It's been able to stop using expensive international satellite links and reduce costs and minimize problems with satellite connections. The ScheduALL - Nimbra solution provides the broadcaster with the efficiency and speed it needs to plan, schedule an deliver its international broadcasts using its own equipment.

Sye enables media streaming of the highest quality

Sye is the world's first, and to date only, solution for media streaming that can deliver an experience similar to TV over the internet – Sye enables rapid channel changes, instantaneous playback and synchronization of video, audio and metadata.

Sye is a solution for CDNs (Content Delivery Networks) aimed at content providers and content owners that want to offer consumers a better and more interactive TV experience, while also enabling new revenue streams and business models throughout the value chain. Sye allows viewers to enjoy a similar experience regardless of location or media consumption platform. Sye also makes it possible to complement the linear content with expanded content on mobile screens to offer an exciting and engaging viewer experience. Viewers can follow their favorite soccer players on handheld devices, for example, or select different camera angles and replays, as well as view more statistics and information about the event and participants.

In 2018, Net Insight launched the cloud-based Sye Streaming Service, which means that Sye can be offered directly through various cloud operators without customers requiring their own technical infrastructure. Interest in the simple and user-friendly cloud-based solution has been significant, and the service's first customer Sventertainment experienced huge interest in its live quiz Primetime. The number of unique participants in the quiz increased during the year to reach a daily average of over 100,000, indicating the attractiveness of interactive content. Sye Streaming Service is offered on Microsoft Azure, and Net Insight has a strong partnership with Microsoft.

Sye enables the TV experience of tomorrow through:

- **Low latency –** Sye offers TV content over the internet with the same or lower latency than traditional TV.
- **Synchronization –** Sye also offers a fully synchronized solution that enables TV viewers all over the world to share the same live experience.
- **Streamed video of the highest quality –** Sye offers a fully synchronized solution with low latency and no drift. This creates an extremely high-quality experience similar to TV on handheld devices.

Business model: **Sye**

Sye has an OPEX-based business model with monthly payments. Revenues largely depend on the volume of video content streamed through the platform. Net Insight also charges for additional services, such as ad insertion and synchronized metadata. Net Insight also charges for implementation services and support. Sye Streaming Service offers a cloud-based service with rolling payments, which suits small and medium-sized customers who want quick access to a complete solution.

CUSTOMER CASE: SYE

High demands when Primetime chose Sye Streaming Service

Primetime is an interactive quiz app based on Net Insight's Sye Streaming Service launched at the beginning of 2018 by Stockholm-based company Sventertainment.

Sventertainment focuses on launching the next generation interactive app experiences. When developing Primetime – Sweden's first live quiz in a mobile app – one of the challenges was guaranteeing that all participants would receive the questions simultaneously. Traditional streaming solutions don't provide a simple solution for this.

Sventertainment also wanted to include chat functionality in the app to enable dialog between the host and audience. A success factor for the new format was getting participants to interact socially in the app in order to create a sense of community and belonging. However, this increased the demands on the streaming solution – to ensure seamless dialog it was critical that the video was delivered instantaneously to viewers.

Quizzes such as Primetime are extreme in that hundreds of thousands of users log into the app simultaneously to participate. The show has a duration of 10-15 minutes, after which all the users log out again. The large number of users places enormous demands on the stability and scalability of the underlying streaming services. Sye Streaming Service is based on the cloud solution Microsoft Azure, and has been designed to be dynamically scaled up or down to match demand before, during and after each competition, which means that it only uses resources when they're needed.

> We wanted three things: perfect synchronization, ultralow latency and scalability. Sye was the only solution that could guarantee all three
>
> Daniel Weilar, founder of Sventertainment

Primetime chose Net Insight's Sye Streaming Service to guarantee high quality and manage the challenges in terms of scalability, low latency and synchronization of sound, video and metadata – across all types of device, network and location.

Sventertainment's goal is to become the premium platform for interactive experiences. The Primetime app has been very successful in Sweden, with exponential growth. Primetime is ranked as number one in its category in the Swedish app store and Sventertainment is now expanding the concept across Europe.

Sustainability Report

Net Insight's ambitions for its sustainability work are high. By working in an ethical and environmentally responsible manner, Net Insight creates long-term business relationships and is a credible partner to all its stakeholders.

Net Insight's sustainability work is a pre-requisite for the company's future growth and profitability. In order to identify the sustainability aspects of primary significance to the company and its stakeholders, Net Insight carried out a materiality analysis in 2017. The analysis was based on stakeholder dialog with investors, employees, customers and Net Insight's Board and management.

The results of the materiality analysis form the foundation of Net Insight's prioritized sustainability areas.

- **Providing** a healthy working environment for all staff, physically and socially.
- **Working** in a moral, responsible and ethical manner.
- **Reducing** the environmental and climate impact.

Information about the report

The Sustainability Report has been prepared in accordance with Chapter 6 of the Annual Accounts Act, and comprises pages 18-25 and 38-40 of the Annual Report. The ambition is to expand sustainability reporting over the coming years.

The questions assigned the highest priority in the materiality analysis are Net Insight's ability to attract and retain competent employees, opportunities for professional development, health and well-being, anti-corruption, information and data security, good business practice, product efficiency and energy consumption, product life cycles and materials choices.

EMPLOYEES

Shared values and teamwork – Net Insight's key to success

For Net Insight, it's important that all employees know that they are making a contribution to the company's success. With strong values as the foundation, Net Insight has created a corporate culture characterized by substantial personal commitment, openness and teamwork.

Net Insight is a company with Swedish head offices, international operations and a global presence. The company employs close to 250 people at its offices in Stockholm, London, Miami, Dubai and Singapore. Driven and committed employees are key to the company's success, and Net Insight seeks to offer opportunities for personal and professional development within the company.

Founded on strong values

In recent years, Net Insight has undergone a major transformation – from being a Swedish company with a single product area to becoming a global operator with three solution areas for the TV market. The company is also active on a market undergoing continuous transformation. In these conditions, a strong corporate culture based on shared values is key to success. In recent years, Net Insight has actively worked to strengthen the company's values. Based on these values, Net Insight strives to retain the commitment of its employees, and attract experienced and competent employees on behalf of its customers.

Focus on attracting top talent

The overall competencies of the company represent a significant competitive advantage. This means that it's important to provide Net Insight's current and potential employees with the right conditions for professional development. Based on the aim of being the first choice employer, Net Insight works to enhance its in-house development and career opportunities. This makes it particularly pleasing that Net Insight was appointed Career Company for the fourth year running in 2018. This makes Net Insight a top-100 employer in Sweden, with the country's strongest employer branding and excellent career prospects. Net Insight also continuously reviews and improves its employees' development prospects within the company. During the year, Net Insight introduced a program for succession planning. The program facilitates Net Insight's work associated with recruiting successors to key positions.

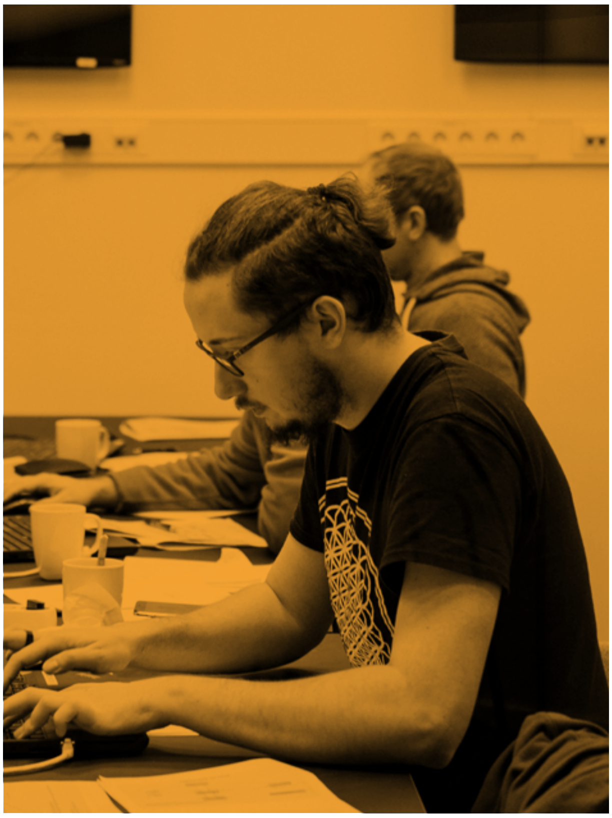
Encouraging and contributing to developing key talent is critical to the industry. In 2018, Net Insight chose to make its annual Christmas donation to Hello World, a charitable organization that strives to make digital creativity more accessible to young people regardless of background and circumstances. During the year, Net Insight also participated in several career fairs at universities and institutes of higher education to attract future employees of the company. To encourage young talent, Net Insight also invites students to collaborate with the company on their master thesis.

Transparent culture and teamwork

Net Insight's inclusive leadership aims to create an open and flat organization. Every employee should feel that they are contributing to the company's success, and find it easy to ask colleagues for help and to work as a team. To increase transparency, Net Insight reviewed its routines during the year with the aim of offering better and more accessible information. This was one of the desired improvements to emerge from last year's employee survey. Net Insight completes an annual employee satisfaction survey to follow-up on for instance its cultural transformation work towards becoming a more customer and market-oriented organization. The survey also measures the well-being of the company's employees. One measure in the employee satisfaction survey is a Net Promoter Score (NPS). A high NPS score means that the company has more ambassadors and more satisfied employees, which generates more loyal customers. Net Insight's NPS decreased slightly in 2018 compared to the previous year. This was due to extensive organizational changes. Despite the downturn, Net Insight achieved a result of 8 (11), which is well within the benchmark range. Net Insight also perceives good opportunity for improvement in 2019. It was also positive that a high 78% (58) of respondents indicated that management provides good and transparent information, which was one of Net Insight's focus areas in the year. A high proportion of employees, 71% (68), indicated that they enjoyed a good work-life balance. Many employees also emphasized that the relocation to new premises is an important factor contributing to increased well-being in

> ” During the year, Net Insight moved into new offices in Stockholm and Florida. The relocations are an important step in Net Insight's cultural journey from a product-oriented company towards becoming an international customer and market-oriented operator. The employee survey showed that these initiatives play an important part in increasing well-being at work.
>
> Henrik Sund, CEO

the workplace. Net Insight has focused on creating a workplace that makes it easy to collaborate and exchange experience, with measures including providing height-adjustable desks for all staff. The company also subsidizes bicycle garage space at its Stockholm offices, with the aim of encouraging staff to cycle to work, an initiative that has been well received.



Training – a key part of business

As soon as new members of staff join Net Insight, they are introduced to the company's performance and career development processes. To ensure that all employees feel that they are progressing, Net Insight also arranges annual performance development dialogues. Training and competence development are determined on the basis of individual competencies, professional role, departmental plans and the company's overall three-year plan. Dialogue and follow-up of the performance development dialogues are carefully analyzed, with the aim of documenting all meetings in the digital HR system which makes it easier to improve opportunities for professional development and to follow up individual performance. In 2018, 80% (86) of all employee performance reviews were held and documented. It's also important that all managers are provided with opportunities for continuous development. Since 2014, Net Insight has implemented a leadership program aimed at developing management competencies and ensuring that targets are met. During the year, the company hosted a leadership forum in Stockholm, where managers were able to develop and exchange experiences relating to values and strategies for optimized leadership in an industry undergoing continuous transformation.

Diversity and equal opportunities

Diversity is a natural part of Net Insight's operations. For a global company, it's critical that the organization reflects its customers, and that it has an understanding of local markets and cultures. Net Insight considers that diversity guarantees the creativity and innovation required to be successful. In 2017, the company presented a policy of equal opportunities and diversity, which aims to guarantee all employees equal rights and opportunities regardless of gender, transgender identity or expression, ethnic origin, religion or other belief system, disability, sexual orientation or age. Net Insight also seeks to ensure a positive gender distribution throughout the organization, and requires recruitment consultants to present diversified lists of candidates. Net Insight aims to recruit more women, as the company is currently male-dominated at 81% (81). Net Insight also actively seeks to create an attractive workplace for both genders, and aims to attract more women, mainly in tech development.

Whistleblower service spots irregularities

In order for Net Insight's staff to develop and thrive, the company is eager to spot potential irregularities quickly. No forms of discriminatory behavior are acceptable at Net Insight, and in cases where criminal activity or other irregularities are suspected, all employees are able to anonymously report incidents through the company's whistleblower service to the Board. All members of staff should also feel safe to report potential irregularities to the legal department, HR or the company's line managers. The goal is for no incidents to be reported in the year, which was the case in 2018.

A responsible partner for all stakeholders

Corporate social responsibility and good business ethics are pre-requisites for profitable and sustainable operations. Net Insight strives to engage its employees, customers and suppliers in its ambition to maintain high ethical standards.

Net Insight's values are the foundation of all the company's internal and external relationships. All employees should act in an ethical manner. The company's business ethics policy sets the tone for all its business activities. Net Insight has a zero-tolerance approach to corruption, including undue advantage, improper influence and other types of unethical behavior.

Code of Conduct for shared values

Net Insight's basic principles for corporate social responsibility are set out in the Code of Conduct. The Code encompasses all employees and describes the company's position on how it handles ethical and social aspects. The Code of Conduct also clarifies how employees should act to show respect for customers, business partners and colleagues.

Net Insight respects human rights in its various business relationships and considers it in relation to the company's value chain. Net Insight is guided by and follows regulations from the UN, government agencies and the EU on human right issues.

Bribes and anti-corruption policy

Reinforcing its anti-corruption work, Net Insight implemented an updated Anti-Corruption Policy in 2016. The guidelines are consistent with applicable legislation and the Swedish Anti-corruption Institute's code on gifts, rewards and other benefits in business. The goal of the guidelines is to reduce the risk of insider trading and other prohibited actions. The guidelines encompass all employees and also certain business partners, such as distributors, agents and suppliers.

In the event of criminal action that is in breach of the company's guidelines, employees are able to anonymously report such incidents through Net Insight's whistleblower service. There were no reported cases of corruption or other irregularities in 2018.

Continuous training in business ethics

Net Insight strives to maintain a continuous dialog regarding business ethics. This means that Net Insight provides staff with continuous training, with the sales department judged to be particularly exposed to the risk of non-compliance with the guidelines for anti-corruption and business ethics. During the year, Net Insight launched an web-based platform where new members of staff can access information regarding the Code of Conduct and receive training on issues relating to business ethics. In 2018, Net Insight also carried out an extensive review of its travel policy, clarifying the guidelines applying to gifts and entertainment in connection with business travel. Over the coming years, Net insight will intensify its efforts to systematically review all policies and directives to ensure they are updated, and add further information where required.

Information and security

It's important to Net Insight to improve security. This applies both to personal security and information security in the company's operations. During the year, Net Insight reviewed its handling and storage of personal data relating to its customers and staff. The company has also made significant investments in improving IT security. This is continuously followed-up through an extensive IT policy. It's also of considerable importance that all employees feel safe and secure at work.

Increased opportunities through reduced environmental impact

Reducing the company's environmental impact is important to Net Insight – particularly as environmental investments and profitability often go hand-in-hand. By taking responsibility for the environment, Net Insight is able to contribute to a sustainable world and simultaneously improve its business opportunities.

Net Insight's environmental impact is considered to be limited. This was reflected in the materiality analysis carried out in 2017. Net Insight actively seeks to reduce its climate impact, with the main impact judged to be associated with employee air travel, shipping and energy consumption in the hardware of the company's products.

Product responsibility and conscious supplier choices

More than half of Net Insight's sales consist of software and support, and to a lesser extent hardware. Manufacture is carried out by external partners, and partnerships with manufacturers are important for ensuring that products are produced sustainably.

Net Insight's main suppliers and subcontractors are subject to ISO 14001 environmental certification, and compliance with the EU RoHS directive limiting the use of certain hazardous substances in electrical and electronic products. The company also applies guidelines to its handling of 3TG (conflict minerals), where the main components in Net Insight's products are gold and tin. Conflict minerals are defined as minerals originating in countries with known human rights breaches. In order to ensure that minerals are not sourced from these areas, Net Insight inspects suppliers in connection with procurement. These inspections ensure that suppliers comply with the CFSI (Conflict-Free Sourcing Initiative) framework and that the CMRT (Conflict Mineral Reporting Template) is used. Net Insight also ensures that relevant policies are in place. In the design of its products, Net Insight takes into account environmental considerations based on guidelines for environmentally-friendly design and instructions according to the WEEE-directive (Waste Electrical and Electronic Equipment), with the aim of reducing waste and increasing recycling of electronic waste.

Reducing the energy consumption of its products is a prioritized area for Net Insight, and the launch of the new Nimbra 1060 platform reduces electricity consumption by at least 50% compared to older Nimbra platforms.

E-waste management and reuse

Waste from electrical and electronic equipment is one of the fastest-growing waste flows globally. This means that it's important that Net Insight minimizes waste, and the company has a well-established organization for the return and repair of its products, and recycling of e-waste. In 2018, 302 products were returned to Net Insight, of which 79 were found to be without fault. Net Insight also has detailed routines for managing e-waste.

The company has a proprietary warehouse for obsolete products that can potentially be reused in other operations. The error margin on Net Insight's products is low, below 0.01% in the year.

Reduced climate impact from travel and transport

A large proportion of Net Insight's climate impact is associated with its employees' air travel, which affects the company's carbon footprint. During the year, Net Insight reviewed the company's travel policy, including appointing a new business travel supplier. In this connection, Net Insight made a decision to invest half of the savings made from its changed business travel arrangements in climate offset initiatives during 2019. In 2018, the company decided to transport its products by sea and rail instead of air wherever possible.

Free cooling system reduces environmental impact

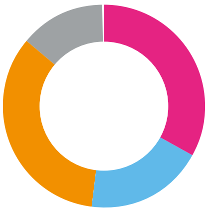
A key part of limiting the environmental impact relates to keeping down energy consumption in the company's offices and server halls. When Net Insight relocated to new premises, this made it particularly important that the new offices should be energy-efficient with minimal power consumption. This resulted in Net Insight moving into one of Sweden's most energy-efficient office spaces in 2018. The building's state-of-the-art cooling system allows the relatively cold outdoor temperature to cool the server halls for most of the year. At the same time, surplus heat can be harvested and transported for use by other tenants. This means that Net Insight can contribute to reducing the climate impact and simultaneously make operational cost savings, and the free cooling system is expected to be reinvested within a three-year period. The new office has received environmental classification under BREEAM-SE, an international standard with high demands on water management, energy use, indoor climate and waste management. The environmental aspect has also been significant for the evaluation of the new premises in Miami.

Shared goals for sustainable development

In December 2015, world leaders agreed on the 2030 Agenda and its 17 Sustainable Development Goals aimed at limiting climate change and global poverty. The business sector is assigned a high degree of responsibility these targets. During the year, Net Insight started the work of reviewing the goals to see how the company can contribute. Over the coming years, the work associated with the agenda will intensify, with the ambition of producing clear targets and processes for contributing to positive progress with a sustained focus on employees, responsible business and the environment.

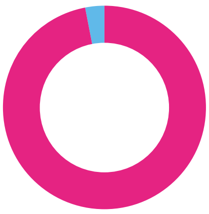
The share

Ownership structure, Dec 31, 2018 (capital, %)



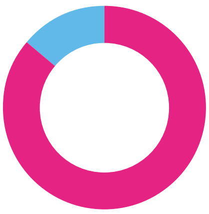
- Swedish banks and institutions 33.1%
- Other Swedish legal entities 19.1%
- Swedish physical persons 34.1%
- Foreign investors 13.8%

Proportion of owners, Dec 31, 2018 (numbers, %)



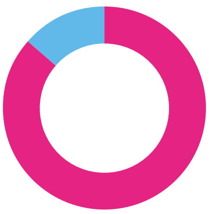
- Sweden 97.0%
- Other 3.0%

Proportion of owners, Dec 31, 2018 (capital, %)



- Sweden 86.2%
- Other 13.8%

Proportion of owners, Dec 31, 2018 (votes, %)



- Sweden 86.5%
- Other 13.5%

Net Insight had its initial public offering in 1999 and has been listed on 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 10,549 shareholders on December 31, 2018, compared to 11,650 in the previous year. As of December 31, 2018, the 20 largest shareholders accounted for 58.8 percent of the capital and 57.5 percent of the votes. The major shareholders are mainly financial institutions and mutual fund managers. Foreign ownership represented 13.8 percent of capital, compared to 13.6 percent in the previous year.

Share price performance

The share price decreased by 52 percent throughout the year from SEK 4.73 to SEK 2.78. The high in the financial year, of SEK 5.67, was set on January 11, 2018, and the low, of SEK 2.42, was set on December 20. Net Insight's total market capitalization was SEK 1,040 million on December 31, 2018, down by 43 percent on the previous year, when market capitalization was SEK 1,840 million.

Trading volume – Nasdaq Stockholm

A total of 117 million shares were turned over for a total value of almost SEK 426 million, corresponding to a turnover rate of 56 percent, in 2018.

An average of some 470,000 shares were traded per trading day in the financial year, down 46 percent on the previous year.

Trading volume – other

NETI B was traded on one marketplace apart from Nasdaq Stockholm: Turquoise. A total of 1.2 million shares were traded with a total value of nearly SEK 4.7 million on Turquoise.

Options

The company has four synthetic option programs, in which a synthetic option gives the option holder the right to receive a cash amount from Net Insight calculated on the basis of Net Insight's share price. For more information, see note 7 on pages 61-63.

Share capital

Share capital was SEK 15,597,320 as of December 31, 2018. There were 1,000,000 class A shares and 388,933,009 class B shares, a total of 389,933,009 shares.

The AGM 2018 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 exceeds the strike price, the parent company has repurchased its own shares.

As of December 31, 2018, the parent company had a total of 6,475,000 of its own class B shares (corresponding to 1.7 percent of the total number of shares), of which 160,000 shares have been repurchased during 2018. During the period December 21-28, the parent company repurchased an additional 470,000 of its own class B shares from Nasdaq Stockholm, for a total of SEK 1.2 million. Net Insight was not registered as owner of the shares until in 2019, and accordingly, the shares are accounted for as repurchased shares in 2019.

There were 1,000,000 class A shares and 382,458,009 class B shares, a total of 383,458,009, shares outstanding as of December 31, 2018. For more information, see note 25 on page 74.

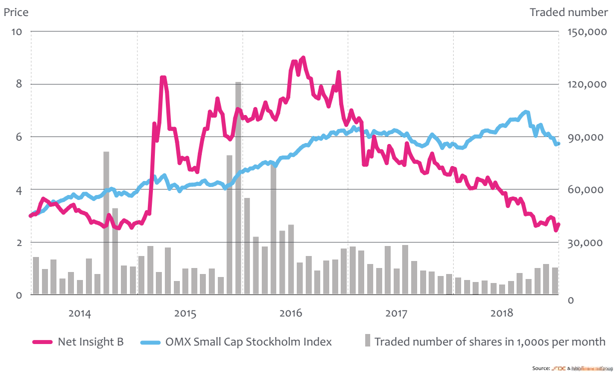
Dividend policy

A secure cash position is important for enabling the company to demonstrate long-term financial sustainability to customers, and for enabling initiatives in growth segments. The Board of Directors is proposing to the AGM that no dividend is paid for the financial year 2018.

Distribution of share capital

Year	Transaction	Class A shares	Class B shares	No of shares	Par value (SEK)	Share Capital (SEK)
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
2017		1,000,000	388,933,009	389,933,009	0.04	15,597,320
2018		1,000,000	388,933,009	389,933,009	0.04	15,597,320

Share price performance 2014-2018



Share class as of Dec 31, 2018

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**	**100.0%**	**100,0%**

Ownership structure – class B shares, as of Dec 31, 2018

Shareholding, Number of Shares	Percentage of shareholders	Percentage of share capital, %
1 -1,000	46.3	0.5
1,001 -10,000	36.6	4.0
10,001 -15,000	3.7	1.3
15,001 -20,000	2.6	1.3
20,001+	10.8	92.9
Total	**100.0**	**100.0**

20 largest shareholders as of Dec 31, 2018

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	128,500
2	Lannebo fonder	0	31,451,775	8.1	7.9	84,133
3	ALECTA PENSIONSFORSAKRING, OMSESIDIGT	0	24,000,000	6.2	6.0	64,200
4	Handelsbanken fonder	0	18,500,000	4.7	4.6	49,488
5	FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	0	17,899,334	4.6	4.5	47,881
6	BANQUE INTERNATIONALE A LUX	0	17,204,725	4.4	4.3	46,023
7	NORDNET PENSIONSFÖRSÄKRING AB	0	12,257,034	3.1	3.1	32,788
8	AMF - Försäkring och Fonder	0	8,718,205	2.2	2.2	23,321
9	BANQUE INTERNATIONALE, LUXEMBOURG SA	0	7,906,289	2.0	2.0	21,149
10	UBS SWITZERLAND AG, W8IMY	0	7,648,977	2.0	1.9	20,461
11	NET INSIGHT AB	0	6,475,000	1.7	1.6	17,321
12	BARSUM, MARIA	0	4,413,530	1.1	1.1	11,806
13	HANDELSBANKEN MICROCAP SVERIGE	0	4,000,000	1.0	1.0	10,700
14	BERGKVIST, LARS	0	3,747,000	1.0	0.9	10,023
15	NORDEA LIVFÖRSÄKRING SVERIGE AB	0	3,290,638	0.8	0.8	8,802
16	ÅLANDSBANKEN I ÄGARES STÄLLE	0	3,206,838	0.8	0.8	8,578
17	SKANDINAVISKA ENSKILDA BANKEN S.A., W8IMY	0	2,912,365	0.8	0.7	7,791
18	SEB Investment Management	0	2,854,081	0.7	0.7	7,635
19	NORDHUS, OTTO	0	2,600,000	0.7	0.7	6,955
20	MALKOUN, ABBOUD	0	2,115,126	0.5	0.5	5,658
Total, largest shareholders		**0**	**229,253,408**	**58.8**	**57.5**	**613,253**
Total other owners		1,000,000	159,679,601	41.2	42.5	427,143
Total		**1,000,000**	**388,933,009**	**100.0**	**100.0**	**1,040,396**
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

Gunilla Fransson
Chairman of the Board since 2018 and 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. Gunilla is a Board member of Trelleborg AB, Nederman AB, Eltel AB, Enea AB and some unlisted companies, including Chairman of the Board of Novare Peritos AB. Independent of the company and management, independent of the company's major shareholders.

Shareholding in Net Insight:
142,000 class B shares.

Attendance at Board meetings in 2018: 12/12

Jan Barchan
Board member since 2015.
Born: 1946. Jan Barchan holds a B.Sc. in Business Administration and is CEO of Briban Invest AB, Chairman of the Board of Adimo AB, Västraby Gård Energi AB and nok9 AB. Board member of Briban Invest AB, Studsvik AB, Trianon AB and Trialbee AB. Independent of the company and management, dependent of the largest shareholder Briban Invest AB.

Shareholding in Net Insight through Briban Invest AB:
48,052,491 class B shares.

Attendance at Board meetings in 2018: 12/12

Mathias Berg
Board member since 2018.
Born: 1975. Mathias Berg holds a B.Sc. in Business Administration from Stockholm School of Economics. Mathias is COO at Bonnier Broadcasting Sweden, TV4 and C More and has more than 20 years' of experience from businesses within the telecom and media industry, including TDC, MTG and several roles within the TV4 group. Mathias Berg was appointed a Board member on September, 1 2018. Independent of the company and management, independent of the company's major shareholders.

Shareholding in Net Insight:
30,000 class B shares.

Attendance at Board meetings in 2018: 5/12 (5/5 as a Board member)

Stina Barchan
Personal deputy for Jan Barchan
Deputy Board member since 2017.
Born: 1977. Stina has many years of experience from board work, and also experience from nomination committee work from listed companies. Currently, she is Board member of Briban Invest AB and member of the nomination committee in Studsvik AB. Independent of the company and management, dependent of the largest shareholder Briban Invest AB.

Shareholding in Net Insight:
0 shares.

Changes to Net Insight's Board of Directors
Lars Berg resigned as Chairman of the Board as of May, 2018.
Mathias Berg was appointed a Board member as of September 1, 2018.

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 AB, Invisio Communications AB, Boule Diagnostics AB and Tobii AB, and Chairman of Lund University and Handelsbanken's southern regional Board. Independent of the company and management, independent of the company's major shareholders.

Shareholding in Net Insight:
0 shares.

Attendance at Board meetings in 2018: 12/12

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, Almega Tjänsteförbunden, Svenskt Näringsliv and Järnvägsbranschens Samverkansforum as well as some unlisted companies. Crister is also Chairman of CER (Community of European Railway and Infrastructure Companies) and Deputy Chairman of UIC (International Union of Railways). Former CEO and President of Teracom Group and CEO of Boxer. Independent of the company and management, independent of the company's major shareholders.

Shareholding in Net Insight:
17,000 class B shares.

Attendance at Board meetings in 2018: 11/12

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 CEO of Birdstep Technology ASA. Anders has more than 30 years' international experience from senior positions in the IT industry, including 14 years at IBM with several years at the European Headquarters in Paris and the group's headquarters in the US. Between 1998 and 2010, he was Vice President at Sun Microsystems with responsibility for its activities in Northern Europe. Anders is Chairman of Hermes Medical Solutions AB, Qmatic AB and Easypark Group. Independent of the company and management, independent of the company's major shareholders.

Shareholding in Net Insight:
8,000 class B shares.

Attendance at Board meetings in 2018: 12/12

Executive management

Henrik Sund
CEO
Born: 1961 Henrik Sund holds a M.Sc. In Industrial Economics from Linköping Institute of Technology. Henrik was appointed Interim CEO in June 2018 and appointed CEO in December 2018. Henrik has extensive experience from senior assignments in a range of industries, he has held leading positions and CEO positions in a number of companies like Telia, Tieto, Semcon, Nokia and Capgemini. Henrik is a Board member of Pulsen Data AB, Vi Går i Mål AB and Professionell Ägarstyrning PÄAB II AB.

Shareholding in Net Insight:
250,000 class B shares through companies.

Synthetic options:
400,000.

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

Shareholding in Net Insight:
60,000 class B shares.

Synthetic options:
150,000.

Changes to Net Insight's management team
The following have left the management team:
Thomas Bergström resigned as CFO in February 2018.
Martin Karlsson resigned as CTO & Vice President Product Portfolio in August 2018.
Fredrik Tumegård resigned as CEO in June 2018.
Marina Hedman resigned as Vice President Human Resources in September 2018.
Gustav Grundström resigned as Vice President OTT in January 2019.
Alan Ryan resigned as Vice President Global Sales in January 2019.
Maria Hellström resigned as Chief Operations Officer in March 2019.

During the year, the following members joined the management team:
Henrik Sund, Pelle Bourn, Judy Fick, Filippa Hasselström and Anna-Karin Berry.

Judy Fick
Vice President Resource Optimization
Born: 1959 Dr. Judy E. Fick has held senior positions at IBM Software and Professional Services, McKinsey Consulting, HP Software, Platinum Data Management & Analytics and Pitney-Bowes Data Analytics. Judy also held the CEO position at two Silicon Valley start-ups. Judy has held a variety of senior positions as CEO, EVP and managing partner within fintech, media and advertising. She started her career as a software engineer within global network connectivity. Judy has a PhD and an MBA in Business Administration and an M.Sc. in Engineering, Physics and Computing. Judy joined Net Insight in April 2018.

Shareholding in Net Insight:
0 class B shares.

Synthetic options:
0.

Filippa Hasselström
Vice President Streaming Solutions
Born: 1978 Filippa Hasselström holds an M.Sc. in Physics from the Royal Institute of Technology in Stockholm (KTH). Filippa joined Net Insight in 2016 and became a member of the management team in January 2018. Filippa has extensive international experience from the media industry, specifically within live video, and joins Net Insight from Telestream Inc in the US. Filippa also has experience from telecom B2B, at Tele2 Business.

Shareholding in Net Insight:
0 class B shares.

Synthetic options:
138,434.

Ulrik Rohne
Vice President Media Networks
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 most recently from Sony Ericsson, were he was Head of Software Development in Stockholm.

Shareholding in Net Insight:
50,000 class B shares.

Synthetic options:
150,000.

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

Shareholding in Net Insight:
37,000 class B shares.

Synthetic options:
150,000.

Anna-Karin Berry
Interim Head of People
Born: 1964. Anna-Karin Berry holds a B.Sc. in Human Resources from Uppsala University. Anna-Karin joined Net Insight in 2018 and became a member of the management team in January 2019. She has extensive experience as HR Director from a wide range of organizations and companies in different industries, including the telecom and media industry.

Shareholding in Net Insight:
0 class B shares.

Synthetic options:
0.

Administration Report

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

The Board of Directors and Chief Executive Officer of Net Insight AB (publ), corporate identity number 556533-4397, with its registered office in Solna, Sweden, hereby present the annual accounts of the parent company and group for the financial year 2018. Numerical information stated in brackets in these annual accounts are comparative figures with the financial year 2017 or the reporting date of 31 December, 2017. Rounding deviations may occur in these annual accounts.

SIGNIFICANT EVENTS IN 2018

January–March

- **Launch of** next generation Nimbra platform
- **NBC Olympics** chooses Net Insights' ScheduALL for the production of Winter Olympics.

April–June

- **First order** for Nimbra 1060
- **Large Nimbra orders** for live sports
- **Launch of** Sye Streaming Service

July–September

- **Several orders for** newly launched Nimbra 1060 Strong quarter for internet-based Nimbra VA
- **Strengthened management** for Resource Optimization (ScheduALL)

October–December

- **Record** Nimbra VA order
- **Reorganization** for efficiency and increased customer focus
- **Henrik Sund** appointed CEO

OPERATIONS

With extensive knowledge and industry insights, and with a genuine customer focus and reliable innovation, Net Insight enables its customers to create, deliver and consume better content more easily and efficiently. Net Insight is driven by the idea that everything can always be done smarter - both for our customers and their customers.

Based on its three product areas Nimbra, ScheduALL and Sye, Net Insight offers solutions that enables network operators and media companies the benefit of lower costs and the potential for effective new media service launches. Revenues are generated through sales of hardware and software solutions and services.

Net Insight has more than 500 customers in 60 countries. Founded in 1997, Net Insight had an avarage of 239 (245) employees and consultants in 2018, 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. The company is listed (NETI B) on Nasdaq Stockholm.

KEY FIGURES

	Jan–Dec 2018	Jan–Dec 2017
Net sales, SEK million	451.6	427.0
Gross margin	58.1 %	58.0 %
Operating margin	-16.6 %	-1.8 %

Five-year summary, see page 90.

ORGANIZATIONAL PROGRESS

Technological progress and changing customer behaviors are accelerating Net Insight's rate of change. At the beginning of October, Net Insight instated a more efficient organization focusing on increased growth and profit through clearer business and product responsibilities and a sharper customer focus. The new structure is based on a group-wide sales organization with more explicit sales responsibility for the company's various solutions, in order to better accommodate customer needs.

SOLUTIONS, PRODUCTS AND SERVICES

Net Insight offers solutions based on three product areas: Nimbra for transport of professional media content over media networks, ScheduALL is a planning tool for intelligent scheduling and efficient resource management for production and distribution of TV content and Sye for live and synchronized TV content with minimal latency distributed over the internet.

Nimbra

In February 2018, Net Insight launched the next generation media platform Nimbra 1060, one if its biggest launches to date. Nimbra 1060 offers a unique combination of terabit capacity for IP-based media services, like SMPTE 2110, guaranteed service quality for the most challenging live events and flexibility for customer-provisioned and automated real time service broadcasts. The product and network are both extremely easy to manage and operate.

During the year, interest in offering niche content alongside with increased cost awareness have driven progress in media transport over the internet. The Emmy® Award-winning Nimbra VA solution, which enables cost efficient distribution and production of high-quality media content, has made Net Insight a leading driver in this area, which is expected to significantly outgrow the rest of the media market.

ScheduALL

In 2018, NBC Olympics adapted ScheduALL solutions for its resource and transmission planning for its TV production of the Winter Olympics in South Korea. This was the ninth consecutive time that NBC Olympics chose ScheduALL for its advanced resource management.

To further expand ScheduALL's business opportunities, Net Insight strengthened its management team in the year. The focus will be on establishing new partnerships and developing the product portfolio further, with the aim of seizing new opportunities arising from increased production volumes and more operators. Further, an update and mordernization of the ScheduALL solution was initiated to meet future customer needs.

Sye

Sye is the first and, to date, only solution in the world for streaming media that can deliver a TV-like experience over the internet with rapid channel changes, instantaneous playback and synchronization of video, audio and metadata.

In 2018, Net Insight launched Sye Streaming Service, a cloud-based service which enables Net Insight to offer Sye directly through cloud operators without the customer needing their own technical infrastructure. The simple and user-friendly cloud solution attracted considerable interest, and the cloud service's first customer, Sventertainment, registered significant interest in its live streamed quiz 'Primetime'. The number of unique participants in the quiz increased over the year, reaching a daily average of over 100,000, which demonstrates the attractiveness of interactive content.

TECH DEVELOPMENT

Much of Net Insight's competitiveness is founded on its innovative technology. This technology offers unique benefits in segments including real-time image processing, secure data transmission and GPS-independent time synchronization. In total, Net Insight currently has 28 patent families and 18 registered patents. This is a decrease compared to the previous year, and is due to some early patents from the 90s expiring. During 2019, a limited number of older patents will expire. However, this will not impact Net Insight's market position.

Net Insight has simultaneously increased the number of patent applications, and currently has 10 active applications, of which nine relate to live streaming.

In 2018, one additional patent was registered and two new patent applications were submitted.

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

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

Net Insight's development is carried out in Stockholm and Miami. Total development expenditure amounted to SEK 140.3 (149.7) million.

EMPLOYEES AND RECRUITMENT

During the year, Net Insight had an average of 239 (245) employees and consultants primarily stationed in its offices in Stockholm, London, Miami and Singapore.

Net Insight operates on a highly competitive market in terms of skilled staff which accentuates the importance of having an attractive employer brand. Net Insight's employee survey revealed an eNPS (employee Net Promoter Score) of 8, in line with the benchmark of 9. During the year, Net Insight relocated its offices in both Stockholm and Miami to more modern and purpose-built premises.

Net Insight's management team changed during the year, including the appointments of a new CEO and CFO. Fredrik Tumegård resigned as CEO and was replaced by Henrik Sund. Henrik joined Net Insight as interim CEO in June, and was appointed CEO in December. Pelle Bourn joined the company as new CFO in April. Marcus Sandberg, VP Business Development, and Gustav Grundström, VP Live OTT joined Net Insight at the start of the year. Dr Judy Fick was appointed VP Resource Scheduling in August. Thomas Bergström, Martin Karlsson, Marina Hedman and Hanna Laurentz left their roles on the management team during the year. Following the reorganization of the company at the beginning of October, management comprised: Henrik Sund, CEO; Pelle Bourn, CFO; Maria Hellström, COO; Marcus Sandberg, VP Strategy & MarCom; Alan Ryan, VP Sales; Ulrik Rohne, VP Media Networks; Gustav Grundström, VP OTT and Judy Fick, VP Resource Optimization. Further reorganization took place at the beginning of 2019 and the management team since February 1, 2019 is presented on pages 30-31.

SUSTAINABILITY

Net Insight established sustainability guidelines during the year. For more details, see the company's Sustainability Report on pages 18-25, and Sustainability notes on pages 38-40.

SHAREHOLDERS AND THE SHARE

For information about the company's major shareholders, share price performance and share buy-backs, see pages 26-27.

NET SALES AND RESULTS OF OPERATIONS

The group's net sales were SEK 451.6 (427.0) million in 2018, an increase of 5.8%.

Net Sales for Western Europe totaled SEK 207.3 (194.4) million, an increase of 6.6 % compared to the previous year. Net Sales for Americas amounted to SEK147.3 (133.8) million, an increase of 10% compared to the previous year. Net Sales for Rest of World were SEK 97.0 (98.8) million, a decrease of -1.8% compared to the previous year. Net sales of hardware amounted to SEK 148.2 (162.5) million and net sales of software licenses totaled SEK 130.0 (103.5) million. Hardware sales decreased across all regions. Increased sales of software licenses in Western Europe and Americas were partly offset by decreased sales in Rest of World. Net sales from Support and Services amounted to SEK173.4 (161.1) million. Support and Services sales increased across all regions.

Operating earnings for the full year were SEK -75.1 (-7.5) million, corresponding to an operating margin of -16.6% (-1.8%). The loss was mainly attributable to items affecting comparability (impairment of intangible assets, redundancy costs and duplicate rents relating to office relocations) totalling SEK -48.3 (-0.9) million and investments in the company's Live OTT-solution Sye (see below). Excluding items affecting comparability of SEK -48.3 (-0.9) million, operating earnings were SEK -26.8 (-6.6) million. Development, sales and marketing of the company's live OTT solution Sye had a net effect on operating earnings and EBITDA of SEK -41.0 (-42.4) million.

Net income for the period was SEK -58.2 (3.5) million, corresponding to a net margin of -12.9% (0.8%). Net income benefited from SEK 2.6 (14.5) million in value changes in synthetic option programs, see note 13.

CASH FLOW AND INVESTMENTS

Cash flow for 2018 was SEK -85.5 (-36.8) million. In 2018 repurchases of own shares totalled SEK 0.7 (11.2) million.

Full-year investments were SEK 107.1 (93.0) million, of which SEK 75.4 (87.3) million related to capitalization of development expenditure. Depreciation, amortization and impairment losses was SEK 101.5 (71.2) million, of which SEK 58.4 (60.7) million related to amortization of capitalized development expenditure and SEK 35.9 (0.9) million related to impairment losses of intangible assets.

The net value of capitalized development expenditure at the end of the period was SEK 234.1 (251.6) million. Capitalization principles are described in note 1.6.

CASH AND CASH EQUIVALENTS, FINANCIAL POSITION

At year-end, cash and cash equivalents were SEK 92.9 (177.7) million. Equity was SEK 493.9 (546.1) million, with an equity/assets ratio of 76.0% (78.3%). In 2018, Equity decreased by SEK -0.7 (-11.2) million, attributable to the value of repurchased own shares. As in 2017, there were no interest-bearing liabilities.

PARENT COMPANY

In 2018, parent company net sales were SEK 514.9 (488.2) million and net income was SEK -44.2 (6.2) million. During the year, the parent company had an average of 146 (156) employees and consultants. At year-end, cash and cash equivalents were SEK 79.7 (166.2) million. Progress in the parent company substantially mirrors the group progress presented above.

SEASONALITY

In the past three calendar years, average seasonality has been fairly modest. In the first quarter, net sales were 24% of yearly sales, 25% in the second and third quarters, and 26% in the fourth quarter.

RISK AND SENSITIVITY ANALYSIS

Since a number of external and internal factors influence Net Insight's operations and earnings, the company relies on a continuous process of identifying existing risks and assessing how each risk should be managed. The risks the company is exposed to include market-related risks and operational risks connected to sustainability and financial risks. Sustainability risks are described in the Sustainability Report on page 40 and financial risks can be found under the accounting policies section and in the notes.

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

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

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

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

Political risks and international exposure
Net Insight has customers in more than 60 countries. A broad global presence is vital for running and growing the business, but also implies a certain number of risks. Rapid changes in the political climate, specifically in politically unstable countries can result in suspension of payments. Geographical expansion is preceded by a risk identification process on each relevant market that evaluates payment instruments and commercial conditions to mitigate risks as far as possible. Some countries are exposed to corruption which can significantly harm the company's brand. Net Insight has a zero-tolerance approach towards corruption and expects its collaboration partners to act accordingly. When Net Insight enters into a new partnership the company performs background checks and ensures that commercial terms in the partnership agreement are in line with global partnership agreements. Staff potentially exposed to corruption receive training in the matter.

Some countries have export prohibitions or export restrictions. Net Insight has well established routines and systems support to ensure compliance with these regulations and restrictions. Operating in, and exporting to, multiple markets involves compliance with a large number of laws and regulations which can make exports complicated. This specifically comprises tax, customs, employee rights, technology standards and reporting standards. Net Insight has extensive internal expertise in the areas above but often also consults external experts. See also the Sustainability Report on pages 18-25 and Sustainability notes on pages 38-40.

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, and accordingly direct risks are considered limited. Products also undergo extensive testing and verification in the development process and in the shipping process before products are sent to customers.

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

Customer dependency and contract risks

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

Supplier risk

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

Competence risks

Net Insight's operations involves advanced technology in complex global situations where skilled, competent and motivated staff is needed to ensure the company's competitiveness. The competition to attract the best resources is strong and the risk of losing skilled staff is always present. Similarly, the ability to continue attracting new competent staff is crucial. Net Insight has implemented processes and guidelines to ensure competence training and support in the form of staff appraisals, employee surveys, compensation packages and training. See also the Sustainability Report on pages 38-40.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The most recently adopted guidelines for remuneration to senior executives are described in Note 7 and apply until the Annual General Meeting (AGM) on May 8, 2019. A new proposal will be submitted to the AGM 2019 which essentially corresponds to the guidelines adopted at the AGM 2018.

DIVIDEND

Net Insight AB (publ) is a well-capitalized company with a good cash position. A good 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 2018.

PROPOSED APPROPRIATION OF EARNINGS

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

Share premium reserve	51,296
Retained earnings	475,596
Net income	-44,216
Total	**482,676**

The Board of Directors proposes that funds be appropriated as follows:
Brought forward: SEK 482,676 thousand

Regarding the Group's and Parent Company's results of operations and financial position otherwise, refer to the following Balance Sheets, Income Statements and Cash Flow Statements with the associated notes. The Corporate Governance Report is on pages 85-88.

Sustainability notes

About the report and our reporting principles

Net Insight AB (publ) Sustainability Report covers Net Insight AB and its subsidiaries for the financial year 2018 on pages 18-25 and the Sustainability notes below. The Sustainability Report has been produced to meet the requirements of the Swedish Annual Accounts Acts (ÅRL).

Materiality analysis and stakeholder dialogue

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

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

Net Insight's executive management team has completed a materiality analysis workshop defining the most important sustainability aspects for Net Insight based on the outcome of the dialogues, alongside an analysis of Net Insight's competitors and an overview of the business environment and global trends related to sustainability. The analysis was based on information from the stakeholder dialogues, and risks and opportunities related to sustainable business covering areas such as legislation, environment, social environment, employees, respect for human rights, anti-corruption and governance. The outcome has been presented to the Board. The results of the materiality analysis are shown in the graph on page 39, and the most important sustainability areas are reflected in governance, risk and outcome and performance indicators as presented in this report.

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

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

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

Governance related to Net Insight's most important sustainability aspects

The Board of Directors has overall responsibility for corporate governance at Net Insight. This governance also includes sustainability. The Board of Directors is responsible for policies related to many of the sustainability areas in this report. The Board of Directors has been informed about the results of the materiality analysis previously presented. Further information on this year's work by the Board is described in the Corporate Governance report on pages 85-88.

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

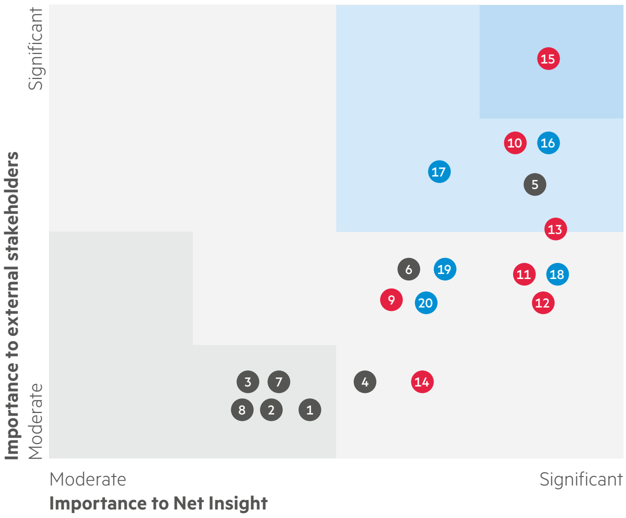
Steering documents and guidelines

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

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

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

Results of the materiality analysis



Environment

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

Employees and social environment

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

Economic/governance aspects

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

Important sustainability-related risks and risk management

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

Group Financial Report

Consolidated Income Statement

Amounts in SEK thousands	NOTE	2018	2017 [1]
Net sales	4,20	451,585	427,023
Cost of sales	9,11	-189,212	-179,415
Gross earnings		**262,373**	**247,608**
Sales and marketing expenses	9,11	-181,112	-144,685
Administration expenses	9,11,12	-54,933	-49,697
Development expenses	6,9,11	-64,912	-62,385
Other operating income and expenses	8	-36,510	1,611
Operating earnings	5,7,10	**-75,094**	**-7,548**
Result from financial items			
Financial income	13	3,007	14,749
Financial expenses	13	-1,620	-1,896
Profit/loss before tax		**-73,707**	**5,305**
Tax	14,15	15,520	-1,778
Net income		**-58,187**	**3,527**
Net income for the period attributable to the stockholders of the parent company		**-58,187**	**3,527**
Earnings per share, basic (SEK)	16	-0.15	0.01
Earnings per share, diluted (SEK)	16	-0.15	0.01

Consolidated Statement of Comprehensive Income

Amounts in SEK thousands	NOTE	2018	2017
Net income		**-58,187**	**3,527**
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Translations differences		6,702	-7,525
Total other comprehensive income for the year, after tax		**6,702**	**-7,525**
Total comprehensive income for the year		-51,485	-3,998
Total comprehensive income for the year attributable to the stockholders of the parent company		**-51,485**	**-3,998**

[1] 2017 has been restated due to the implementation of IFRS 15 and some other reclassificaitons, see note 1 Accounting policies and note 32 Restated income statements and balance sheets.

Consolidated Balance Sheet

Amounts in SEK thousands	NOTE	Dec 31, 2018	Dec 31, 2017 [1]
ASSETS			
Non-current assets			
Capitalized expenditure for development	4,17	234,064	251,622
Goodwill	4,17	63,307	58,452
Other intangible assets	4,17	14,246	19,458
Equipment	4,18	33,580	4,636
Deferred tax asset	14	30,247	14,285
Deposits	31	5,211	4,911
Total non-current assets		**380,655**	**353,364**
Current assets			
Inventories	19	46,388	43,598
Contract assets	20	4,578	753
Accounts receivable	21	106,067	106,186
Other receivables	21	10,124	6,133
Prepaid expenses	21	9,222	9,665
Cash and cash equivalents	22	92,893	177,745
Total current assets		**269,272**	**344,080**
TOTAL ASSETS	**23**	**649,927**	**697,444**
EQUITIY 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		5,569	-1,133
Accumulated deficit		-720,028	-661,102
Total equity		**493,865**	**546,089**
Non-current liabilities			
Contract liabilities	20	12,654	13,839
Other non-current liablities	26	299	283
Provisions	27	4,953	5,616
Total non-current liabilities		**17,906**	**19,738**
Current liabilities			
Accounts payable		36,009	21,841
Contract liabilities	20	52,038	51,406
Current tax liabilities		134	318
Other liabilities	28	4,126	6,317
Provisions	27	2,203	5,167
Accrued expenses	29	43,646	46,568
Total current liabilities		**138,156**	**131,617**
TOTAL EQUITY AND LIABILITIES	**23**	**649,927**	**697,444**

[1] 2017 has been restated due to the implementation of IFRS 15 and some other reclassificaitons, see note 1 Accounting policies and note 32 Restated income statements and balance sheets.

Consolidated Statement of Cash Flow

Amounts in SEK thousands	NOTE	2018	2017
Ongoing activities			
Profit/loss before tax		-73,707	5,305
Income tax paid		-238	-247
Depreciation, amortization and impairment	9	101,479	71,154
Other items not affecting liquidity	30	8,420	-12,348
Cash flow from operating activities before changes in working capital		**35,954**	**63,864**
Changes in working capital			
Increase (-)/Decrease (+) in inventories		-8,795	106
Increase (-)/Decrease (+) in receivables		-11,090	9,447
Increase (+)/Decrease (-) in liabilities		6,653	-2,151
Cash flow from operating activities		**22,722**	**71,266**
Investment activities			
Investments in intangible assets	17	-75,426	-90,069
Investments in tangible assets	18	-31,659	-2,906
Investments in fincancial assets		-300	-4,602
Cash flow from investment activities		**-107,385**	**-97,577**
Financing activities			
Option premiums paid	7,26	1,381	763
Final settlemets options	7	-1,435	-
Repurchase of own shares	25	-739	-11,244
Cash flow from financing activities		**-793**	**-10,481**
Net change in cash and cash equivalents		**-85,456**	**-36,792**
Exchange differences in cash and cash equivalents		604	-406
Cash and cash equivalents at the beginning of the year		177,745	214,943
Cash and cash equivalents at the end of the year	22	**92,893**	**177,745**

Changes in Consolidated Equity

	Attributable to parent company's shareholders				
Amounts in SEK thousands	**Share capital**	**Other paid-in capital**	**Translation reserve**	**Accumulated deficit**	**Total shareholders' equity**
January 1, 2017	**15,597**	**1,192,727**	**6,392**	**-651,688**	**563,028**
Change in accounting policy				-1,697	**-1,697**
Restated equity at January 1, 2017	**15,597**	**1,192,727**	**6,392**	**-653,385**	**561,331**
Comprehensive income					
Net income (restated)	-	-	-	3,527	**3,527**
Translation differences	-	-	-7,525	-	**-7,525**
Total comprehensive income	**15,597**	**1,192,727**	**-1,133**	**-649,858**	**557,333**
Transactions with owners in their capacity as owners:					
Repurchase of own shares	-	-	-	-11,244	**-11,244**
Total transactions with owners	**0**	**0**	**0**	**-11,244**	**-11,244**
December 31, 2017	**15,597**	**1,192,727**	**-1,133**	**-661,102**	**546,089**
Balance at 31 December, 2017 as originally presented	**15,597**	**1,192,727**	**-1,133**	**-659,225**	**547,966**
Change in accounting policy				-1,877	**-1,877**
Restated equity at January 1, 2018	**15,597**	**1,192,727**	**-1,133**	**-661,102**	**546,089**
Comprehensive income					
Net income	-	-	-	-58,187	**-58,187**
Translation differences	-	-	6,702	-	**6,702**
Total comprehensive income	**15,597**	**1,192,727**	**5,569**	**-719,289**	**494,604**
Transactions with owners in their capacity as owners:					
Repurchase of own shares	-	-	-	-739	**-739**
Total transactions with owners	**0**	**0**	**0**	**-739**	**-739**
December 31, 2018	**15,597**	**1,192,727**	**5,569**	**-720,028**	**493,865**

Parent Company Financial Report

Parent Company Income Statement

Amounts in SEK thousands	NOTE	2018	2017 [1)]
Net sales	4,20	514,880	488,179
Cost of sales	9,11	-215,585	-201,377
Gross earnings		**299,295**	**286,802**
Sales and marketing expenses	9,11	-146,543	-130,044
Administration expenses	9,11,12	-46,870	-43,448
Development expenses	6,9,11	-117,808	-122,508
Other operating income and expenses	8	-2,005	891
Operating earnings	**5,7,10**	**-13,931**	**-8,307**
Result from financial items			
Result from participation in group companies	13	-34,900	-
Financial income	13	2,751	14 593
Financial expenses	13	-1,173	-1 865
Profit/loss before tax		**-47,253**	**4 421**
Tax	14,15	3,037	1,809
Net income		**-44,216**	**6,230**

Parent Company Statement of Comprehensive Income

Amounts in SEK thousands	NOTE	2018	2017
Net income		**-44,216**	**6,230**
Other comprehensive income			
Items that may be reclassified subsequently to the income statement		-	-
Total comprehensive income for the year		**-44,216**	**6,230**
Total comprehensive income for the year attributable to the stockholders of the parent company		**-44,216**	**6,230**

1) 2017 has been restated due to the implementation of IFRS 15 and some other reclassificaitons, see note 1 Accounting policies and note 32 Restated income statements and balance sheets.

Parent Company Balance Sheet

Amounts in SEK thousands	NOTE	Dec 31, 2018	Dec 31, 2017[1]
ASSETS			
Non-current assets			
Other intangible assets	4,17	3,999	6,875
Equipment	4,18	28,901	4,414
Participations in group companies	24	295,068	295,068
Deferred tax asset	15	5,031	1,994
Deposits	31	4,695	4,736
Total non-current assets		**337,694**	**313,087**
Current assets			
Inventories	19	46,388	43,598
Contract assets	20	1,900	0
Accounts receivable	21	95,599	86,438
Receivables from group companies	21	135,583	132,978
Other receivables	21	7,601	5,915
Prepaid expenses	21	8,305	7,894
Cash and cash equivalents	22	79,681	166,200
Total current assets		**375,057**	**443,023**
TOTAL ASSETS		**712,751**	**756,110**
EQUITIY 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		475,596	470,105
Net Income		-44,216	6,230
Total equity	**32**	**611,095**	**656,050**
Non-current liabilities			
Contract liabilities	20	4,143	3,975
Other non-current liablities	26	287	276
Other provisions	27	4,932	4,995
Total non-current liabilities		**9,362**	**9,246**
Current liabilities			
Accounts payable		31,806	20,284
Contract liabilities	20	23,023	20,125
Other liabilities	28	3,926	6,149
Other provisions	27	2,188	4,793
Accrued expenses	29	31,351	39,463
Total current liabilities		**92,294**	**90,814**
TOTAL EQUITY AND LIABILITIES		**712,751**	**756,110**

[1] 2017 has been restated due to the implementation of IFRS 15 and some other reclassificaitons, see note 1 Accounting policies and note 32 Restated income statements and balance sheets.

Parent Company Statement Of Cash Flow

Amount in SEK thousands	NOTE	2018	2017
Ongoing activities			
Profit/loss before tax		-47,253	4,421
Income tax paid		-	-
Depreciation and amortization	9	5,153	2,723
Other items not affecting liquidity	30	41,910	-15,108
Cash flow from operating activities before changes in working capital		**-190**	**-7,964**
Changes in working capital			
Increase (-)/decrease (+) in inventories		-8,795	106
Increase (-)/decrease (+) in receivables		-53,539	2,112
Increase (+)/decrease (-) in current liabilities		4,060	-5,979
Cash flow from operating activities		**-58,464**	**-11,725**
INVESTMENT ACTIVITIES			
Investments in intangible assets	17	-366	-2,790
Investments in tangible assets	18	-26,937	-2,827
Acqusition of group companies	23	-	4,175
Increase (+)/decrease (-) in non-current liabilities		41	-4,575
Cash flow from investment activities		**-27,262**	**-6,017**
FINANCING ACTIVITIES			
Option premiums paid	25	1,381	763
Final settlemets options	25	-1,435	-
Repurchase of own shares	24	-739	-11,244
Cash flow from financing activities		**-793**	**-10,481**
Net change in cash and cash equivalents		**-86,519**	**-28,223**
Cash and cash equivalents at the beginning of the year		166,200	194,423
Cash and cash equivalents at the end of the year	21	**79,681**	**166,200**

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, 2017	**15,597**	**112,822**	**51,296**	**434,754**	**46,595**	**661,064**
Total comprehensive income						
Redistribution previous year net earnings	-	-	-	46,595	-46,595	**-**
Net income	-	-	-		6,230	**6,230**
Total comprehensive income	**15,597**	**112,822**	**51,296**	**481,349**	**6,230**	**667,294**
Transactions with owners in their capacity as owners:						
Repurchase of own shares	-	-	-	-11,244	-	**-11,244**
Total transactions with owners	**0**	**0**	**0**	**-11,244**	**0**	**-11,244**
December 31, 2017	**15,597**	**112,822**	**51,296**	**470,105**	**6,230**	**656,050**
January 1, 2018	**15,597**	**112,822**	**51,296**	**470,105**	**6,230**	**656,050**
Total comprehensive income						
Redistribution previous year net earnings	-	-	-	6,230	-6,230	**-**
Net income	-	-	-	-	-44,216	**-44,216**
Total comprehensive income	**15,597**	**112,822**	**51,296**	**476,335**	**-44,216**	**611,834**
Transactions with owners in their capacity as owners:						
Repurchase of own shares	-	-	-	-739	-	**-739**
Total transactions with owners	**0**	**0**	**0**	**-739**	**0**	**-739**
December 31, 2018	**15,597**	**112,822**	**51,296**	**475,596**	**-44,216**	**611,095**

Notes

Note 1 Summary of significant accounting policies

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

For a discussion about the group's performance and financial position please refer to our operating and financial review on pages 32 to 37.

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

1.1 Basis of preparation

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

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

Effective January 1, 2018, Net Insight presents exchange gains and losses from operating receivables and liabilities in the Income Statement as Other operating income and expenses. Exchange gains and losses from Cash and cash equivalents are, as before, presented as Net financial items. For a description of previous accounting principles, please refer to the note 1.4B in the Annual Report for 2017. The comparison period has been restated. The impact on the group's earnings for the for the period January – December, 2017, are presented in note 32 Restated income statements and balance sheets.

The Company has applied the guidelines issued by European Securities and Markets Authority (ESMA) on APMs (Alternative Performance Measures). In short, an APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in IFRS. For definition of the APMs presented in this annual report, see pages 91-96.

New standards, amendments and interpretations adopted by the group

Effective January 1, 2018, Net Insight applies the following new or amended International Financial Reporting Standards (IFRS):

- IFRS 9 Financial Instrument
- IFRS 15 Revenue from Contracts

IFRS 9 Financial Instruments addresses the classification, measurement, recognition, impairment and de-recognition of financial instruments as well as hedge accounting. The effect from applying IFRS 9 does not have any material impact on the group's or parent company's results or financial position and there was no opening balance adjustment in 2018.

IFRS 15 Revenue from Contracts replaces IAS 18 and IAS 11 and establishes a new mindset for revenue recognition. Net Insight adopted IFRS 15 with full retrospective application. The impact IFRS 15 is a net reduction of equity at January 1, 2017, of SEK -1.7 million and at December 31, 2017, of SEK -1.9 million, and a net effect on net income of SEK -0.2 million for 2017.

Applying IFRS 15 also introduces two new items in the balance sheets, Contrac assets and liabilities, and extended disclosure requirements.

The impact on the group's earnings and financial position for the period January – December, 2017, are presented in note 32 Restated income statements and balance sheets.

New standards, amendments and interpretations not yet adopted

The following standards have been issued but are not mandatory for 2018 and have not been adopted earlier by Net Insight.

IFRS 16 Leases

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

Accounting for lessees

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

Accounting for lessors

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

Impact at transition

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

At transition, the Company, as a lessee, will recognize lease liabilities for leases previously classified as operating leases. Right-of-use assets will be recognized based on the amount equal to the related lease liability. At transition, the estimated change of right-of-use assets is an increase of SEK 62 million and for current assets a decrease of SEK -2 million, and for non-current lease liabilities an increase of SEK 50 million, current lease liabilities an increase of SEK 10 million and that equity will change with SEK 0 million.

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

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

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

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

1.2 Consolidation

The consolidated financial statements are prepared in accordance with the purchase method. Accordingly, consolidated stockholders' equity includes equity in subsidiaries, joint ventures and associated companies earned only after their acquisition.

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.

The Group composed of the parent company, Net Inisght AB (publ), with subsidiaries presented in note 24.

1.3 Segment reporting

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

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

1.4 Foreign currency translation

A. Functional currency and reporting currency

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

B. Transactions and balances

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

C. Group companies

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

- Assets and liabilities on the Balance Sheet are translated at the closing rate on the reporting date.
- Income and expenses are translated at the average rate of exchange for the year.
- All exchange rate differences that arise are reported as a separate component of equity and in the Statement of Comprehensive Income.

1.5 Tangible fixed assets

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

1.6 Intangible assets

A. Capitalized expenditure for development

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

B. Goodwill

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

C. Intangible assets from business combinations

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

D. Other intangible assets

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

1.7 Impairment

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

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

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

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

1.8 Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Separate assets or liabilities are recognized if any rights and obligations are created or retained in the transfer.

The Company classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL). The classification depends on the cash flow characteristics of the asset and the business model in which it is held.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

The fair values of quoted financial investments and derivatives are based on quoted market prices or rates. If official rates or market prices are not available, fair valu s are calculated by discounting the expected future cash flows at prevailing interest rates.

A. Financial assets at amortized cost

Financial assets are classified as amortized cost if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows. These assets are subsequently measured at amortized cost using the effective interest method, minus impairment allowances. Interest incomeand gains and losses from financial assets at amortized cost are recognized in financial income.

B. Financial assets at fair value through other comprehensive income (FVOCI)

Assets are classified as FVOCI if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. These assets are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (OCI), except for effective interest, impairment gains and losses and foreign exchange gains and losses which are recognized in the income statement. Upon derecognition, the cumulative gain or loss in OCI is reclassified to the income statement.

C. Financial assets at fair value through profit or loss (FVTPL)

All financial assets that are not classified as either amortized cost or FVOCI are classified as FVTPL. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term. Derivatives are classified as held for trading, unless they are designated as hedging instruments for the purpose of hedge accounting.

Assets held for trading are classified as current assets. Debt instruments classified as FVTPL, but not held for trading, are classified on the balance sheet based on their maturity date (i.e., those with a maturity longer than one year are classified as non-current).

Gains or losses arising from changes in the fair values of the FVTPL category (excluding derivatives) are presented in the income statement within financial income in the period in which they arise. Gains and losses on derivatives are presented in the income statement as other operating income and expenses.

D. Impairment in relation to financial assets

At each balance sheet date, financial assets classified as either amortized cost or FVOCI and for contract assets supplemented with impairment based on Expected Credit Losses (ECL). ECLs are the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company has used premium for export credits, as alternative cost for the credit risk, when calculating the ECLs. The losses are recognized in the income statement. When there is no reasonable expectation of collection, the asset is written off.

1.9 Financial liabilities

Financial liabilities are recognized when the Company becomes bound to the contractual obligations of the instrument.

Financial liabilities are derecognized when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expires.

A. Synthetic options

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.

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.

See also note 7 for more information about synthetic option programs for employees.

B. 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.

1.10 Inventories

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

1.11 Cash and cash equivalents

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

1.12 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/Treasury 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 receive, net of any directly attributable incremental costs and the related income tax effects, is included in retained earnings.

1.13 Employee benefits

A. Bonuses

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

B. Pension obligations

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

C. Share-based incentive programs

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

D. Termination benefits

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

1.14 Provisions and contingent liabilities

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.

A restructuring obligation is considered to have arisen when the Company has a detailed formal plan for the restructuring (approved by management), which has been communicated in such a way that a valid expectation has been raised among those affected. Provision for restructuring is recorded when the Company can reliably estimate the liabilities relating to the obligation.

Certain present obligations are not recognized as provisions as it is not probable that an economic outflow will be required to settle the obligations or the amount of the obligation cannot be measured with sufficient reliability. Such obligations are reported as contingent liabilities.

1.15 Revenue recognition

IFRS 15 Revenue from Contracts with Customers is a princple-based model of recognizing revenue from customer contracts. It has a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer. The amount of the revenue is based on the agreement with the customer and corresponds to the consideration that the Group expects to be entitled to in exchange for transferring promised goods or services, excluding amounts received on behalf of third parties and consideration to be paid to the customer.

The following paragraphs describes the types of contracts, when performance obligations are satisfied, and the timing of revenue recognition. They also describe the normal payment terms associated with such contracts and the resulting impact on the balance sheet over the duration of the contracts. The vast majority of Net Insight's business is for the sale of standard products and services. All types of contracts applies to business in all segments.

A. Standard products and services

Products and services are classified as standard solutions if they do not require significant installation and integration services to be delivered. Installation and integration services are generally completed within a short period of time, from the delivery of the related products. These products and services are viewed as separate distinct performance obligations. This type of customer contract is usually signed as a frame agreement and the customer issues individual purchase orders to commit to purchases of products and services over the duration of the agreement.

Revenue for standard products shall be recognized when control over the equipment is transferred to the customer. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and benefits. For hardware sales, transfer of control is usually deemed to occur when risk and benefit of the equipment is transferred to the customer and for software sales, when the licenses are made available to the customer. Software licenses may be provided to the customer at a point in time, activated or ready to be activated by the customer at a later stage, therefore revenue is recognized when customer obtains control of the software. Contractual terms may vary, therefore judgment will be applied when assessing the indicators of transfer of control for both hardware and software sales.

Revenue for installation and integration services is recognized upon completion of the service. Costs incurred in delivering standard products and services are recognized as costs of sales when the related revenue is recognized in the Income Statement. Costs incurred relating to performance obligations not yet fully delivered are recognized as Inventories. Transaction prices under these contracts are usually fixed, and mostly billed upon delivery of the hardware or software and completion of installation services. A proportion of the transaction price may be billed upon formal acceptance of the related installation services, which will result in a contract asset for the proportion of the transaction price that is not yet billed. Amounts billed are normally subject to payments terms within 30 days from invoice date.

Revenue for recurring services such as customer support, extended warranty and managed services is recognized as the services are delivered, generally pro-rata over time. Costs incurred in delivering recurring services are recognized as cost of sales as they are incurred. Transaction prices under these contracts are billed over time, often on a quarterly or yearly basis. Amounts billed are normally subject to payments terms within 30 days from invoice date. Contract liabilities or receivables may arise depending on whether the billing is in advance or in arrears.

B. Customized solution

Some products and services are sold together or individually as part of a customized solution to the customer. When sold together, this type of contract requires significant installation and integration services to be delivered within the solution, normally over a period of more than 1 year. These products and services are viewed together as a combined performance obligation. This type of contract is usually sold as a firm contract in which the scope of the solution and obligations of both parties are clearly defined for the duration of the contract. Customized solution does not have any alternative use to the Company as it cannot be sold to or used by other customers.

Revenue for the combined performance obligations shall be recognized over time if progress of completion can be reliably measured and enforceable right to payment exists over the duration of the contract. The progress of completion is estimated by reference to the output delivered such as achievement of contract milestones and customer acceptance. If the criteria above are not met, then all revenue shall be recognized upon the completion of the customized solution, when final acceptance is provided by the customer.

When sold separately, the revenue for services is recognized upon completion. The revenue for the customization is recognized once the software obligation as per the contract had been met and acceptance has occurred by the customer.

Contract liabilities or receivables may arise depending on whether the billing is in advance or in arrears. Amounts billed are normally subject to payments terms within 30 days from invoice date.

C. Intellectual Property Rights (IPR)

This type of contract relates to the SYE business. The Company has assessed that the nature of its IPR contracts is such that they provide customers a license with the right to access the Company intellectual properties over time, therefore revenue shall be recognized over the duration of the contract.

The transaction price on these contracts is usually structured as a volume based royalty fee based on the number of end-user or the end-user streaming volumes over the period, measured on a monthly basis. This results in a receivable balance if the billing is performed the following month after measurement. Some contracts include lump sum amounts, payable either up front at commencement or on an annual basis. This results in a contract liability balance if payment is in advance of revenue, as revenue is recognized over time. Amounts billed are normally subject to payments terms within 30 days from invoice date.

D. Customer contract related balances
Trade receivables include amounts that have been billed in accordance with customer contract terms and amounts that the Company has an unconditional right to, with only passage of time before the amounts can be billed in accordance with the customer contract terms.

Contract asset is unbilled sales amount relating to performance obligation that has been satisfied under customer contract but is conditional on terms other than only the passage of time before payment of the consideration is due. Under previous standards these unbilled sales balances have been included within deferred revenue.

Contract liability relates to amounts that are paid by or due from customers for which performance obligations are unsatisfied or partially satisfied. Under previous accounting policies these balances have been disclosed as deferred revenue. Advances from customers are also included in the contract liability balance.

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

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

1.17 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 it's subsidiaries and associates operate and generate taxable income.

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

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

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

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

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

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

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

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

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

Note 2 Financial risk factors

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

2.1 Foreign currency risk
Foreign currency risk is defined as the risk of decreased earnings and/ or decreased monetary flows due to fluctuations in exchange rates. Changes in exchange rates affect the group's earnings and equity in different ways:

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

Transaction exposure

Net Insight is highly internationalized with most of its sales denominated in EUR and USD. Purchasing of components is mainly in SEK, but is up to some 78 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 2018, with all other variables constant, the group's revenues and earnings/equity after tax for 2018 would have been positively/negatively affected by some SEK 10.2 million and SEK 7.3 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 2018, with all other variables constant, the group's revenues and earnings/equity after tax for 2018 would have been positively/negatively affected by some SEK 11.6 million and SEK 0.3 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, 2018, the parent company had hedged USD 2.0 (3.1) million and EUR 1.8 (1.9) million. As of December 31, 2018, the parent company had unhedged accounts receivable of USD 4.8 (2.6) million and EUR 1.6 (1.9) 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, 2018, the parent company had net exposure of SEK 79.2 (49.2) million and SEK 75.7 (51.9) 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, 2018, consolidated earnings/equity after tax would have been affected positively/negatively by some SEK 3.1 million. If the exchange rate of the USD had been 5 percent higher/lower compared to the exchange rate on December 31, 2018, consolidated earnings after tax would have been affected positively/negatively by some SEK 3.0 million.

Translation exposure in the Balance Sheet

Consolidated net assets are very largely denominated in SEK. Of the foreign currency net assets as of the reporting date of December 31, 2018, some SEK 75,2 (76.0) 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, 2018, consolidated earnings/equity after tax would have been positively/negatively affected by some SEK 2,8 million.

2.2 Liquidity risk

Liquidity risk means that Net Insight cannot sell a financial instrument at market price, or only subject to significantly increased costs, when paying it's 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, 2018, accounts payable were SEK 43.0 million and cash and cash equivalents were SEK 92.9 million, and accordingly, the liquidity risk is low. For more information, see note 23.

2.3 Management of capital

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

2.4 Interest risk

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

2.5 Credit risk

Credit risk means that a party in a transaction with a financial instrument cannot fulfill its commitment. The company's customers are generally large, well-established, highly solvent companies spread over several geographical markets. There is no significant concentration of credit risks either geographically or on any particular customer segment. To limit the risks of potential credit losses, the company's credit policy includes guidelines and regulations for credit checks on new customers, terms of payment, and procedures for handling unpaid claims. See tables in note 21.

Not 3 Critical accounting estimates and assumptions

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

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

A. Revenue recognition

Key sources of estimation uncertainty

The Company uses estimates and judgments in determining the amount and timing of revenue under *IFRS 15 Revenue from Contracts with Customers*, particularly when determining the transaction price and its allocation to performance obligations identified under the contract.

Transaction price may consist of variable elements such as discounts, performance related price and contract penalties. Transaction price, including variable considerations, is estimated at the commencement of the contract (and periodically thereafter). Judgment is used in the estimation process based on historical experience with the type of business and customer.

IFRS 15 also requires revenue to be allocated to each performance obligations by reference to their standalone selling prices. The Company considers that an adjusted market assessment approach should be used to estimate stand-alone selling prices for its products and services for the purposes of allocating transaction price. These estimates are comprised of prices set for similar customer and circumstances, adjusted to reflect appropriate profit margins for the market. Estimates are used to determine discounts that relate specifically to each performance obligations, thus impacting their stand-alone selling prices.

Judgments made in relation to accounting policies applied

Management applies judgment when assessing the customer's ability and intention to pay in a contract. The assessment is based on the latest customer credit standing and the customer's past payment history. This assessment may change during the contract execution, and if there is evidence of deterioration in the customer's ability or intention to pay, then under IFRS 15 no further revenue shall be recognized until the collectability criteria is met. Conversely, this assessment may also change favorably over time, upon which revenue shall now be recognized on a contract that did not initially meet the collectability criteria.

Revenue for standard products shall be recognized when control over the equipment is transferred to the customer at a point in time. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and benefits. Judgment may be applied in determining whether risk and rewards have been transferred to the customer and whether the customer has accepted the products. In a sale of software license, judgment may also be applied to determine when the software is made available to the customer by considering when they can direct the use of, and obtain substantially all the benefits of, the license. Often all indicators of transfer of control are assessed together and an overall judgment formed as to when transfer of control has occurred in a customer contract.

Revenue for customized solutions shall be recognized over time if progress of completion can be reliably measured and enforceable right to payment exists over the duration of the contract. The progress of completion is estimated by reference to the output delivered such as achievement of contract milestones and customer acceptance. Judgment are applied when determining the appropriate revenue milestones that best reflect the progress of completion and are aligned with key acceptance stages within the contract.

Customer contract related balances

The Company monitors the financial stability of its customers, the environments in which they operate and historical credit losses. A provision for impairment of receivable is applied when there is objective proof and other indications that the group will not be able to recover all amounts due according to the receivables' original terms. This is combined with expectations of future economic conditions to calculate expected credit losses (ECLs). Since the company's customers are generally mid-size to large and well-established companies spread over several geographical markets, without any significant concentration of credit risks, either geographically or on any particular customer segment, Net Insight has used premium for export credits, as alternative cost for the credit risk, when calculating the ECLs. Actual credit losses may be higher or lower than expected. Total allowances for expected credit losses as of December 31, 2018 were SEK -2.5 million or 1.9% of gross trade receivables and contract assets.

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. The parent company has three different categories of inventories: finished goods inventories, component inventories and other inventories. Individual assessment for obsolescence is conducted for the inventory, with supplemented age-based provision. In cases where components are discontinued at suppliers, major purchases for the component is made to cover the expected need over 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, 2018, the total inventory reserve was SEK 29.0 (24.2) million

C. Impairment testing of goodwill

Each year, the group examines whether goodwill is impaired, in accordance with the accounting policy reviewed in 1.7. The 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 2018, Net Insight capitalized deferred tax assets on tax loss carry-forward of SEK 18.9 (-1.7) million. The capitalization is based on expected longterm profitability.

F. Business combinations

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

Note 4 Net sales and segment information

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

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

The segment information provided to the CEO for the year ended December 31, 2018, is as follows:

Segment report	2018				2017			
SEK millions	**WE**	**AM**	**RoW**	**Total**	**WE**	**AM**	**RoW**	**Total**
Net sales	207.3	147.3	97.0	**451.6**	194.4	133.8	98.8	**427.0**
Regional contribution	48.7	27.7	4.9	**81.3**	58.4	29.1	15.4	**102.9**
Regional contribution, %	23%	19%	5%	**18%**	30%	22%	16%	**24%**
Regional contribution	48.7	27.7	4.9	**81.3**	58.4	29.1	15.4	**102.9**
Administration expenses				**-54.9**				**-49.7**
Development expenses				**-64.9**				**-62.4**
Other operation income & expenses				**-36.5**				**1.6**
Net financial items				**1.4**				**12.9**
Profit/loss before tax				**-73.7**				**5.3**

Disaggregation of revenue - group	2018				2017			
SEK thousands	**WE**	**AM**	**RoW**	**Total**	**WE**	**AM**	**RoW**	**Total**
Net sales by product group								
Hardware	75,396	37,202	35,608	**148,206**	83,745	40,424	38,292	**162,461**
Software licenses	58,016	39,289	32,647	**129,952**	40,108	29,332	34,013	**103,453**
Support and Services	73,889	70,792	28,746	**173,427**	70,558	64,092	26,459	**161,109**
Total	**207,301**	**147,283**	**97,001**	**451,585**	**194,411**	**133,848**	**98,764**	**427,023**
Timing of revenue recognition								
Products and services transfered at a point in time	133,949	76,674	68,365	**278,988**	123,930	70,109	72,366	**266,405**
Services transferred over time	73,352	70,609	28,636	**172,597**	70,481	63,739	26,398	**160,618**
Total	**207,301**	**147,283**	**97,001**	**451,585**	**194,411**	**133,848**	**98,764**	**427,023**

Disaggregation of revenue - parent company	2018				2017			
SEK thousands	WE	AM	RoW	Total	WE	AM	RoW	Total
Net sales by product group								
Hardware	75,397	37,202	35,608	**148,207**	83,745	40,424	38,293	**162,462**
Software licenses	53,738	33,193	31,510	**118,441**	36,698	22,833	26,007	**85,538**
Support and Services	58,560	36,424	19,463	**114,447**	56,410	30,120	14,390	**100,920**
Services, group companies	118,098	14,642	1,045	**133,785**	124,764	13,112	1,383	**139,259**
Total	**305,793**	**121,461**	**87,626**	**514,880**	**301,617**	**106,489**	**80,073**	**488,179**

For the group, net sales of SEK 114.7 (94.4) million derivates from USA and SEK 61.0 (43.0) million from Great Britain.

During 2018 and 2017, there were no a single external customer of with revenues of ten percent or more of the group's total revenues.

Tangible and intangible assets per region	Group		Parent company	
SEK thousands	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Sweden	275,943	272,287	32,900	11,289
Western Europe (WE) excl Sweden	279	207	-	-
Americas (AM)	68,975	61,674	-	-
Rest of World (RoW)	-	-	-	-
Total	**345,197**	**334,168**	**32,900**	**11,289**

Parent company's transactions with group companies	Parent company	
SEK thousands	2018	2017
Sales to group companies	133,785	139,259
Purchase from group companies	-168,461	-163,348

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

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

Note 5 Exchange rate differences

Exchange rate differences of operations	Group		Parent company	
SEK thousands	2018	2017	2018	2017
Exchange rate gains	42,205	22,403	39,304	20,545
Exchange rate losses	-44,053	-24,963	-41,654	-23,583
Net exchange rate differences	**-1,848**	**-2,560**	**-2,349**	**-3,038**

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

Note 6 Development expenses

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

Note 7 Employees

Average number of employees	2018		2017	
	Average no. of employees	Of which men	Average no. of employees	Of which men
Parent company				
Sweden	116	82%	123	84%
Other countries	5	80%	4	73%
Total parent company	**121**	**82%**	**127**	**84%**
Subsidiaries				
Sweden	7	100%	5	100%
USA	57	75%	58	72%
Singapore	5	100%	4	100%
Great Britain	15	85%	14	87%
Total subsidiaries	**84**	**80%**	**81**	**78%**
Group	**205**	**81%**	**208**	**81%**

Number of Board members and senior executives	2018		2017	
	Dec 31, 2018	Of which men	Dec 31, 2017	Of which men
Group (incl. subsidiaries)				
Board members	11	73%	10	80%
Chief Executive Officer and other senior executives	8	75%	8	63%
Parent company				
Board members	7	71%	6	67%
Chief Executive Officer and other senior executives	6	83%	5	60%

Remuneration to the Board of Directors

The amounts below are fees for the parent company as approved by the AGM 2018 and 2017. The Board of Directors are not entitled to any variable remuneration or pension, only their Director's fee and remuneration for committee work.

Board of Directors

SEK thousands	2018	2017
Gunilla Fransson (Chairman)[1)]	650	230
Lars Berg (Chairman, former)	20	635
Jan Barchan	240	240
Cecilia Beck-Friis[1) 2)]	-	96
Crister Fritzson[1)]	280	230
Mathias Berg [2)]	160	-
Anders Harrysson[1)]	300	290
Charlotta Falvin[1)]	290	230
Stina Barchan, deputy	120	115
Total	**2,060**	**2,066**

[1)] Some Board members invoiced their Director's fees to the company. This has been cost neutral to the company in accordance with an AGM resolution in 2017.

[2)] Matthias Berg was elected on the AGM 2018, but joined on September 1, 2018. Cecilia Beck-Friis resigned from the Board as of September 30, 2017.

Remuneration to employees

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

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

SEK thousands	Basic salary	Variable remuneration[1)]	Share-based benefits[2)]	Other benefits	Pension expenses	Total
2018						
Henrik Sund (CEO)[4)]	331	9	-	7	75	422
Fredrik Tumegård (CEO)[4)]	2,103	723	-57	64	575	3,408
Other senior executives (8)	13,453	399	-116	802	1,914	16,452
Other employees	150,316	21,203	-71	4,958	18,998	195,404
Total[3)]	**166,203**	**22,334**	**-244**	**5,831**	**21,562**	**215,686**
2017						
Fredrik Tumegård (CEO)	2,804	-96	-1,914	96	799	1,689
Other senior executives (10)	9,702	1,139	-697	675	1,477	12,296
Other employees	138,457	19,785	-	3,389	20,429	182,060
Total	**150,963**	**20,828**	**-2,611**	**4,160**	**22,705**	**196,045**

1) Variable remuneration includes amounts vested for participating in the synthetic share program in the year, which are held in escrow for three years, and variable remuneration for participant's in the synthetic option programs. 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.

3) Includes costs for restructuring of totally SEK 10.2 million.

4) Refers to remuneration as employee CEO during December. Remuneration as acting CEO during the period June-November has been invoiced and therefore included in the item Other external costs, see note 11.

Break-down between the partent company and the subsidiaries

SEK thousands	Basic salary	Variable remuneration[1)]	Share-based benefits[2)]	Other benefits	"Pension expenses"	Social security contributions	Total
2018							
Parent company	89,335	8,946	-197	1,948	17,396	32,005	**149,433**
Subsidiaries	66,428	13,388	-47	3,883	4,166	9,623	**107,881**
Group[3)]	**166,203**	**22,334**	**-244**	**5,831**	**21,562**	**41,628**	**257,314**
2017							
Parent company	84,535	10,592	-2,185	1,564	17,812	31,500	**143,818**
Subsidiaries	66,428	10,236	-426	2,596	4,893	7,329	**91,056**
Group	**150,963**	**20,828**	**-2,611**	**4,160**	**22,705**	**38,829**	**234,874**

1) Variable remuneration includes amounts vested for participating in the synthetic share program in the year, which are held in escrow for three years, and variable remuneration for participant's in the synthetic option programs. 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.

3) Includes costs for restructuring of totally SEK 10.2 million.

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.

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)

			Share-based benefit, incl soc sec contr							
Vesting period	Multiplier (SEK)	Variable remuneration/ Held in escrow, incl soc sec contr	2014	2015	2016	2017	2018	Paid remuneration	Commitments Dec 31, 2018	Payment year
2013	1.76	164	124	484	56	-125	0	-703	**0**	
2014	3.34	1,578	-	2,343	284	-1,970	-59	-2,176	**0**	
2015	5.06	831	-	-	630	-685	-119	-531	**126**	2019
2016	7.56	1,743	-	-	-	-652	-94	-782	**215**	2020
2017	4.61	245	-	-	-	-	-48	-151	**46**	2021
2018		399	-	-	-	-	-	-	**399**	2021
Summa		**4,960**	**124**	**2,827**	**970**	**-3,432**	**-320**	**-4,343**	**786**	

Synthetic options

Swedish option program

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

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

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

Variable remuneration

A total corresponding to half of participants' deposited premiums for options will be paid, net of tax, as variable compensation to the participants in two equal payments. The year-2015, 2017 and 2018 programs has a stay-on clause, which means that the expense is allocated during the vesting period. The year-2016 program does not have a stay-on clause, which means that the expense is recognized when the payment for option premiums is received. Variable compensation, unlike the synthetic option, is linked to employment with Net Insight during the vesting period, and is presented as an employee cost.

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

	Sweden 1	Sweden 2
Averaged volume-weighted price paid for the Net Insight B shares, SEK	4.36	2.71
Strike price, SEK	5.20	3.30
Assuemed volatility[1)]	36%	36%
Term	3 år	3 år
Risk-free interest	-0.39%	-0.26%
Adjusment of fair value due to CAP, SEK	-0.02	-0.01
Fair value, SEK	0.76	0.46
Number of options issued, thousands	1 575	400

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

Synthetic options, SEK thousands (if not defined differently)

			Change in value							
Year issued/ Participant	Number, thousands	Premiums received	2015	2016	2017	2018	Final settlement options	Reclassification	Commitments Dec 31, 2018	Payment year
2015										
Fredrik Tumegård (CEO)	1,000	310	4,240	540	-4,110	-470	-510	-	0	
Other senior executives	1,625	504	6,890	877	-5,549	-634	-688	-1,400	0	
Other employees, Sweden	150	46	636	82	-1,746	-200	-218	1,400	0	
Total 2015	**2,775**	**860**	**11,766**	**1,499**	**-11,405**	**-1,304**	**-1,416**	**0**	**0**	
2016										
Other employees, Sweden	1,150	1,001	-	1,656	-2,542	-115	-	-	0	
Total 2016	**1,150**	**1,001**	**0**	**1,656**	**-2,542**	**-115**	**0**	**0**	**0**	**2019**
2017										
Other employees, Sweden	700	763	-	-	-595	-168	-	-	0	
Other employees, Global	1,275	-	-	-	-	-	-	-	0	
Total 2017	**1,975**	**763**	**0**	**0**	**-595**	**-168**	**0**	**0**	**0**	**2020**
2018										
2018:1										
Other senior executives	900	684	-	-	-	-591	-20	-	73	
Other employees, Sweden	675	513	-	-	-	-447	-	-	66	
2018:2										
Henrik Sund (CEO)	400	184	-	-	-	-24	-	-	160	
Total 2018	**1,975**	**1,381**	**0**	**0**	**0**	**-1,062**	**-20**	**0**	**299**	**2021**
Total	**7,875**	**4,005**	**11,766**	**3,155**	**-14,542**	**-2,649**	**-1,435**	**0**	**299**	

Note 7 continued

Synthetic options, continued	Variable remuneration, incl soc sec contr						
Utfärdade år/deltagare	**2015**	**2016**	**2017**	**2018**	**Paid remuneration**	**Commitments Dec 31, 2018**	**Payment year**
2015							
Fredrik Tumegård (CEO)	28	169	107	96	-400	0	
Other senior executives	46	274	108	97	-525	0	
Other employees, Sweden	4	25	26	22	-77	0	
Total 2015	**78**	**468**	**241**	**215**	**-1,002**	0	
2016							
Other employees, Sweden	-	1,644	-	-435	-677	**532**	
Total 2016	**0**	**1,644**	**0**	**-435**	**-677**	532	2019
2017							
Other employees, Sweden	-	-	125	230	-	**355**	
Other employees, Global	-	-	28	-28	-	**0**	
Total 2017	**0**	**0**	**153**	**202**	**0**	355	2019
2018							
2018:1							
Other senior executives	-	-	-	104	-	**104**	
Other employees, Sweden	-	-	-	94	-	**94**	
2018:2							
Henrik Sund (CEO)	-	-	-	11	-	**11**	
Total 2018	**0**	**0**	**0**	**209**	**0**	209	2020
Total	**78**	**2,112**	**394**	**191**	**-1,679**	1,096	

The following principles are valid to the annual general meeting (AGM) 2019. A new proposal will be submitted to the AGM 2019 which essentially corresponds to the guidelines adopted at the AGM 2018.

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 60 percent of basic salary. For the CEO and other senior executives, 70 percent of the variable remuneration is based on measurable financial targets. For the Global Head of Sales, the compensation model is wholly based on the company’s revenues.

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

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

A large part of the staff is 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 2018 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 2018, related party transactions were conducted with subsidiaries only, as specified in note 4.

Note 8 Other operating income and expenses

Other operating income and expenses	Group		Parent company	
SEK thousands	**2018**	**2017**	**2018**	**2017**
Other operating income	45	224	45	-27
Exchange rate differences, net	-504	1,387	-562	918
Losses on fixed assets	-170	-	-170	-
Impairment loss on intangible assets	-35,881	-	-1,318	-
Total	**-36,510**	**1,611**	**-2,005**	**891**

Note 9 Depreciation, amortization and impairment of tangible and intangible assets

Depreciation, amortization and impairment	Group		Parent company	
SEK thousands	**2018**	**2017**	**2018**	**2017**
Capitalized expenditures for development	-92,987	-61,606	-	-
Other intangible assets	-5,729	-8,158	-2,796	-1,392
Equipment	-2,763	-1,390	-2,357	-1,331
Total	**-101,479**	**-71,154**	**-5,153**	**-2,723**
Depreciation, amortization and impairment included in:				
Cost of sales	-57,770	-60,834	-108	-126
Sales and marketing expenses	-2,927	-6,806	-45	-84
Administration expenses	-3,207	-1,316	-2,748	-1,304
Development expenses	-1,694	-2,198	-934	-1,210
Other operating expenses	-35,881	-	-1,318	-
Total amortization	**-101,479**	**-71,154**	**-5,153**	**-2,723**

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 - lessee

SEK thousands	Group	Parent company
Withn 1 year	10,403	7,463
Between 1 and 5 years	40,956	33,595
More than 5 years	19,474	19,474
Total	**70,833**	**60,532**

Lease expenses for the year amount to SEK 15,831 (11,383) thousand for the group and SEK 11,935 (7,513) thousand for the parent company.

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

Operating leases - lessor

SEK thousands	Group	Parent company
Within 1 year	-	-
Between 1 and 5 years	-	-
More than 5 years	-	-
Total	**0**	**0**

Normally, the lease agreements are short and related to specific events. Lease revenue for the year was SEK 2,080 (1,069) thousand for bowht the Parent company and the Group.

Note 11 Expenses by nature

Expenses by nature	Group		Parent company	
SEK thousands	2018	2017	2018	2017
Cost of goods and services	-129,664	-123,214	-241,250	-231,404
Other expenses	-104,332	-85,674	-125,671	-112,084
Employee expenses (note 7)	-266,004	-243,420	-156,050	-151,166
Capitalized expenditure for development (note 17)	75,429	87,280	-	-
Depreciation and amortization (note 9)	-65,598	-71,154	-3,835	-2,723
Total expenses	**-490,169**	**-436,182**	**-526,806**	**-497,377**

Reconciliation with comprehensive income statement	Group		Parent company	
SEK thousands	2018	2017	2018	2017
Cost of sales	-189,212	-179,415	-215,585	-201,377
Sales and marketing expenses	-181,112	-144,685	-146,543	-130,044
Administration expenses	-54,933	-49,697	-46,870	-43,448
Development expenses	-64,912	-62,385	-117,808	-122,508
Total expenses	**-490,169**	**-436,182**	**-526,806**	**-497,377**

Note 12 Fees and reimbursement

Audit services and other assignments	Group		Parent company	
SEK thousands	2018	2017	2018	2017
Deloitte, appointed auditor[1)]				
Auditing	536	585	536	585
Audit-related fees	-	13	-	13
Tax consultancy	-	-	-	-
Other	7	-	7	-
Total	**543**	**598**	**543**	**598**
PwC, appointed auditor[1)]				
Auditing	-	151	-	151
Audit-related fees	-	-	-	-
Tax consultancy	-	-	-	-
Other	-	52	-	52
Total	**0**	**203**	**0**	**203**
Other auditors				
Auditing	136	157	-	-
Audit-related fees	-	-	-	-
Tax consultancy	18	-	-	-
Other	268	349	-	-
Total	**422**	**506**	**0**	**0**

[1)] At the AGM on May 9, 2017, Deloitte was appointed auditors after PWC. Data in note only refers to services as appointed auditors.

Note 13 Financial income and expenses

Financial income and expenses	Group		Parent company	
SEK thousands	2018	2017	2018	2017
Financial income				
Interest income	346	208	305	199
Synthetic options, change in value (not 7)	2,661	14,542	2,446	14,393
Financial income	**3,007**	**14,749**	**2,751**	**14,593**
Financial expenses				
Interest expenses	-47	-68	-47	-54
Exchange rate differences, net	-1,561	-1,828	-1126	-1,811
Impairment of participations in group companies (note 23)	-	-	-34,900	-
Synthetic options, change in value (note 7)	-12	-	-	-
Other fincial expenses	0	0	0	0
Financial expenses	**-1,620**	**-1,896**	**-36,073**	**-1,865**
Net financial income and expenses	**1,387**	**12,853**	**-33,322**	**12,728**

Note 14 Income tax expense

Tax	Group		Parent Company	
SEK thousands	2018	2017	2018	2017
Current tax				
Current tax on profits for the year	-57	-261	-	-
Total current tax	**-57**	**-261**	**0**	**0**
Deferred tax (note 15)				
Tax losses carry-forwards	17,462	-3,404	3,037	1,809
Deferred revenue	-904	265	-	-
Intangible assets	-469	1,143	-	-
Other	-512	479	-	-
Total deferred tax	**15,577**	**-1,517**	**3,037**	**1,809**
Tax	**15,520**	**-1,778**	**3,037**	**1,809**

Difference between reported tax expense and tax expense based on applicable tax rate	Group		Parent Company	
SEK thousands	2018	2017	2018	2017
Profit/loss before tax	**-73,707**	**5,305**	**-47,253**	**4,421**
Tax at the Swedish tax rate of 22 (22)%	16,216	-1,167	10,396	-973
Effect of foreign tax rates	444	-2,229	-	-
Tax effect of non-deductible expenses and non-taxable revenues	515	3,243	-7,232	2,782
Adjustments in respect of prior years	-285	62	13	-
Tax effect of changes in tax rates	-1,370	-1,687	-140	-
Tax on income according to Income Statement	**15,520**	**-1,778**	**3,037**	**1,809**
Effctive tax rate for the year	21%	34%	6%	-41%

Note 15 Deferred tax asset

Deferred tax asset	Group					Parent Company
SEK thousands	Tax losses carry-forwards	Deferred revenue	Intangible assets	Other	Total	Tax losses carry-forwards
As of January 1, 2017	**16,721**	**1,622**	**-1,854**	**152**	**16,641**	**185**
– to profit or loss	-3,404	265	1,143	479	**-1,517**	1,809
– to other comperhensive income	-788	-116	98	-33	**-839**	-
As of December 31, 2017	**12,529**	**1,771**	**-613**	**598**	**14,285**	**1,994**
As of January 1, 2018	**12,529**	**1,771**	**-613**	**598**	**14,285**	**1,994**
– to profit or loss	17,462	-904	-469	-512	**15,577**	3,037
– to other comperhensive income	316	92	-57	34	**385**	-
As of December 31, 2018	**30,307**	**959**	**-1,139**	**120**	**30,247**	**5,031**

Revaluation of deferred taxes due to the change in Sweden corporate income tax rate from January 1, 2019, (U.S from January 1, 2018) effected income with net SEK -1.4 (-1.7) million. 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 2018, Net Insight capitalized deferred tax assets on tax loss carry-forward of SEK 18.9 (-1.7) million. The capitalization is based on expected long- term profitability. Of the tax loss carry-forwards SEK 23.9 (10.5) million are consisting of Swedish loss carry-forwards with indefinite useful lives and SEK 6.4 (2.1) million to tax loss carry-forwards in USA with definite useful lives, whereof the first expires in 2036.

Tax loss carry-forwards for which deferred tax is not reported

	Group		Parent Company	
SEK thousands	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
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

	2018	2017
Net income attributable to stockholders of the parent, SEK thousands	-58,187	3,527
Average number of shares	383,478,009	385,056,551
Earnings per share before dilution, SEK	-0.15	0.01
Earnings per share after dilution, SEK	-0.15	0.01

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

	Group	
SEK thousands	2018	2017
Accumulated cost at beginning of year	780,123	692,843
New purchases	75,060	87,280
Reclassification	369	-
Closing accumulated cost	**855,552**	**780,123**
Accumulated amortization and impairment at beginning of year	-528,501	-466,895
Amortization for the year	-58,424	-60,662
Impairment for the year	-34,563	-944
Closing accumulated amortization	**-621,488**	**-528,501**
Carrying amount	**234,064**	**251,622**

Goodwill

	Group	
SEK thousands	2018	2017
Accumulated cost at beginning of year	58,452	64,136
Exchange differences for the year	4,855	-5,684
Closing accumulated cost	**63,307**	**58,452**
Carrying amount	**63,307**	**58,452**

Note 17 continued

Other intangible assets	Group		Parent Company	
SEK thousands	2018	2017	2018	2017
Accumulated cost at beginning of year	39,393	38,526	15,159	12,369
New purchases	366	2,789	366	2,790
Scraped	-3,634	-	-3,634	-
Reclassification	-369	-	-369	-
Exchange differences for the year	1,643	-1,922	-	-
Closing accumulated cost	**37,399**	**39,393**	**11,522**	**15,159**
Accumulated amortization and impairment at beginning of year	-19,935	-12,489	-8,284	-6,892
Amortization for the year	-4,411	-4,316	-1,478	-1,392
Impairment for the year	-1,318	-3,842	-1,318	-
Scraped	3,557	-	3,557	-
Exchange differences for the year	-1,046	712	-	-
Closing accumulated amortization	**-23,153**	**-19,935**	**-7,523**	**-8,284**
Carrying amount	**14,246**	**19,458**	**3,999**	**6,875**
Other intangible assets consists of:				
Trademark	4,625	5,024	-	-
Custumer relationships	5,615	7,504	-	-
Other	4,006	6,930	3,999	6,875
Total	**14,246**	**19,458**	**3,999**	**6,875**

Impairment losses in 2018

In 2018, impairment losses on capitalized development expenditures of SEK -34.6 million for Nimbra Media Gateway was recognized. Sales for this product has not met expectations, and further investments would be required for a competitive solution. We prioritize other areas with larger future potential for the Nimbra platform and will not make such investments. Hence, we have recognized impairment losses for the capitalized development expenditures related to Nimbra Media Gateway in full. We also recognized impairment losses on other intangible assets of SEK -1.3 million in connection with reprioritizations of the Nimbra portfolio.

Critical assumptions

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

The financial plans, on which the future cash flows are based, include assumptions on the development and forthcoming launches of current products. Development of current products and forthcoming product launches. Financial plans also include assumptions on price movements, sales growth and cost growth.

Impairment testing of goodwill and capitalized fixed assets

Goodwill of SEK 4,354 thousand arose on the acquisition of the Q2 Labs group in March 2004 and goodwill of SEK 55,098 thousand relates to this year's acquisition of ScheduALL in October 2015 (carrying amount of SEK 58,953 thousand as of December 31, 2018, due to exchange differences).

The recoverable amount of the group's cash-generating unit (CGU) was set based on computations of value in use. These computations proceed from estimated future cash flows based on financial forecasts and strategies approved by management that cover a five-year period. These assumptions reflect financial targets set by the Board of Directors, market reports on future growth and technology trends. Cash flows beyond the five- year period are extrapolate using an estimated growth rate. The perpetuity growth rate applied was 2 (2) percent. The growth rate does not exceed a long-term growth rate of the telecommunication market where the relevant CGU operates. The discount rate before tax applied is 10.5 (10.0) 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

SEK thousands	Group 31 dec 2018	Group 31 dec 2017	Parent Company 31 dec 2018	Parent Company 31 dec 2017
Accumulated cost at beginning of year	24,997	22,246	22,497	19,670
New purchases	31,659	2,906	26,937	2,827
Scraped	-2,749	-	-1,243	-
Exchange differences for the year	238	-155	-	-
Closing accumulated cost	**54,145**	**24,997**	**48,191**	**22,497**
Accumulated amortization at beginning of year	-20,361	-19,123	-18,083	-16,752
Amortization for the year	-2,763	-1,390	-2,357	-1,331
Scraped	2,656	-	1,150	-
Exchange differences for the year	-97	152	-	-
Closing accumulated amortization	**-20,565**	**-20,361**	**-19,290**	**-18,083**
Carrying amount	**33,580**	**4,636**	**28,901**	**4,414**

Note 19 Inventories

Inventories SEK thousands	Group Dec 31, 2018	Group Dec 31, 2017	Parent Company Dec 31, 2018	Parent Company Dec 31, 2017
Products in process	1,563	300	1,563	300
Finished goods	44,825	43,298	44,825	43,298
Total	**46,388**	**43,598**	**46,388**	**43,598**

The expensed inventories are included in cost of sales and amount to SEK 87,296 (75,120) thousand. Inventories with a value of SEK 75,357 (67,722) thousand were impaired to an estimated net realizable value of SEK 46,388 (43,598) thousand.

This year's effect in profit or loss of impairment and scrap of inventories for the year amounts to SEK -6,108 (-3,360) thousand and is recognized in cost of sales.

Note 20 Accounts receivable and other receivables

Contract assets SEK thousands	Group 31 dec 2018	Group 31 dec 2017	Parent Company 31 dec 2018	Parent Company 31 dec 2017
Hardware	-	-	-	-
Software licenses	2,672	677	-	-
Support and Services	1,906	76	1,900	-
Total	**4,578**	**753**	**1,900**	**0**
Whereof:				
Non-current assets	-	-	-	-
Current assets	4,578	753	1,900	-
Total	**4,578**	**753**	**1,900**	**0**

Note 20 continued

Contract liabilities	Group		Parent Company	
SEK thousands	31 dec 2018	31 dec 2017	31 dec 2018	31 dec 2017
Hardware	42	59	42	59
Software licenses	1,207	-	-	-
Support and Services	63,443	65,187	27,124	24,041
Total	**64,692**	**65,246**	**27,166**	**24,100**
Whereof:				
Non-current liabilities	12,654	13,839	4,143	3,975
Current liabilities	52,038	51,406	23,023	20,125
Total	**64,692**	**65,245**	**27,166**	**24,100**

Revenue reconized that was included in the contract liability balance at the beginning of the period	Group		Parent Company	
SEK thousands	2018	2017	2018	2017
Hardware	59	-	59	-
Software licenses	-	-	-	-
Support and Services	49,125	40,176	16,872	17,599
Total	**49,184**	**40,176**	**16,931**	**17,599**

Transaction price allocated to the remaining obligations[1]	Koncernen				
SEK thousands	2019	2020	2021	2022	Total
Hardware	42	-	-	-	42
Software licenses	1,207	-	-	-	1,207
Support and Services	50,789	9,902	2,534	218	63,443
Total	**52,038**	**9,902**	**2,534**	**218**	**64,692**

[1] Revenue from perfomamace obligations that are unsatisfied (or partly unsatisfied) at December 31, 2018, are expected to be recognized as stated in the table above.

Note 21 Accounts receivable and other receivables

Kundfordringar och andra fordringar	Group		Parent Company	
SEK thousands	31 dec 2018	31 dec 2017	31 dec 2018	31 dec 2017
Accounts receivable	108,218	110,123	97,160	90,080
Provision for impairment of receivables	-1,561	-3,937	-1,561	-3,642
Provisions in accordance to IFRS 9	-590	-	-	-
Accounts receivable, net	**106,067**	**106,186**	**95,599**	**86,438**
Receivables from group companies	-	-	135,583	132,978
Other receivables	10,124	6,133	7,601	5,915
Prepaid expenses	9,222	9,665	8,305	7,894
Carrying amount of accounts receivable and other receivables	**125,413**	**121,984**	**247,088**	**233,225**

In 2018, the group reported SEK 5,027 (0) thousand as realized loss of accounts receivables.
An age of analysis of the group's overdue accounts receivable and provisions for impairment of receivables follows.

Group's overdue invoices

SEK thousands	31 dec 2018	31 dec 2017
Less than a month	19,344	12,447
1-3 months	32,532,	14,576
3-6 months	4,497	1,884
More than 6 months	17,724	4,925
Total	**74,097**	**33,832**

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

SEK thousands	Dec 31, 2018	Dec 31, 2017
SEK	10,005	16,594
USD	68,842	51,928
EUR	45,582	51,732
GBP	973	1,720
SGD	11	9
Total	**125,413**	**121,984**

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

SEK thousands	2018	2017
As of January 1	-3,937	-5,396
Reversed unused amounts	-	1,783
Used reserve	3,937	-
Provisions for receivables impairment	-1,561	-325
Provision expected credit losses (ECLs)	-590	-
As of December 31	**-2,151**	**-3,937**

Group's accounts receivables

	Dec 31, 2018		Dec 31, 2017	
SEK thousands	Amount	Proportion	Amount	Proportion
Accounts receivables < 1 SEK million per customer	27,460	26%	23,294	22%
Accounts receivables 1- 5 MSEK million per customer	54,335	51%	64,030	60%
Accounts receivables > 5 SEK million per customer	24,272	23%	18,862	18%
Total	**106,067**	**100%**	**106,186**	**100%**

Current receivables contain the following major items:

	Group		Parent Company	
SEK thousands	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
VAT claims	8,286	4,104	5,749	3,693
Foreign currency swaps	181	556	181	556
Other	1,657	1,473	1,671	1,666
Total	**10,124**	**6,133**	**7,601**	**5,915**

Prepaid expenses include the following major items:

	Group		Parent Company	
SEK thousands	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Prepaid rent	3,130	2,487	2,701	1,671
Prepaid employee-ralated expenses	1,524	2,834	1,353	2,448
Other items	4,658	4,344	4,251	3,775
Total	**9,222**	**9,665**	**8,305**	**7,894**

Note 22 Cash and cash equivalents

	Group		Parent Company	
SEK thousands	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Cash and bank balances	92,893	177,745	79,681	166,200
Total cash and cash equivalents	**92,893**	**177,745**	**79,681**	**166,200**
Of which in blocked account	-	-	-	-

Note 23 Financial assets and liabilities

Group's financial instruments by category	Dec 31, 2018			Dec 31, 2017		
SEK thousands	Valuetier	Assets measured at amotized cost	Assets measured at fair value through profit or loss	Valuetier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss
Assets in Balance Sheet						
Derivative instruments	2	-	181	2	-	556
Accounts receivable and other receivables, excluding non-financial assets		113,406	-		112,031	-
Cash and cash equivalents		92,893	-		177,745	-
Total		**206,299**	**181**		**289,776**	**556**

Group's financial instruments by category	Dec 31, 2018			Dec 31, 2017		
SEK thousands	Valuetier	Liabilities measured at amotized cost	Liabilities measured at fair value through profit or loss	Valuetier	Other financial liabilities	Liabilities measured at fair value through profit or loss
Liabilities in Balance Sheet						
Synthetic options	2	-	299	2	-	3 003
Accounts payable and other liabilities, excluding non-financial liabilities		42,955	-		29,169	-
Total		**42,955**	**299**		**29,169**	**3,003**

Financial instruments in tier 2

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

Financial instruments measures on the basis of inputs that are not based on observable market data. The closing balance for synthetic options represents the total assessed value of a number of outstanding options, which has been measured on the basis of accepted market principles. See also note 7.

Financial liabilites due dates

SEK thousands	Dec 31, 2018	Dec 31, 2017
<1 year	42,955	31,889
1-2 yeas	0	115
2-3 years	299	168
Total	**43,254**	**32,172**

Note 24 Participations in group companies

Subsidiaries to the parent company and other major subsidiaries within the group as of December 31, 2018

SEK thousands	Business	Share of equity, parent company (%)	Share of equity, group (%)	Carrying amounts, parent company	Equity
Net Insight Consulting AB (publ), corp. ID. no. 556583-7365, registered office: Stockholm, Sweden	Dormant	100	100	500	493
Net Insight Pte. Ltd., registered office: Singapore	Sales	100	100	0	1,670
Q2 Labs AB, corp. ID. no. 556640-8570, registered office: Stockholm, Sweden	Holding company	100	100	223,062	142,350
Net Insigt Intellectual Property AB (NIIP AB), corp. ID. no. 556579-4418, registered office: Stockholm, Sweden	Development	-	100	-	4,271
SchduALL EMEA Ltd; registered office: London, UK	Sales	100	100	0	2,201
VizuALL Inc; registered office : Florida, USA	Sales and development	100	100	71,505	75,169
Total				**295,068**	

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	Parent compnay	
SEK thousands	**31 dec 2018**	**31 dec 2017**
Accumulated cost at beginning of year	295,068	299,243
Shareholders' contribution	34,900	-
Impairment	-34,900	-
Purchase cost for the period[1)]	-	-4,175
Total participations in group companies	**295,068**	**295,068**

[1)] The amount is attributable to the final settlement of the acquisition of VizuALL Inc (ScheduALL) in October 2015. The compensation received has no effect on earnings in Group, when it corresponds to an impairment of customer relationships (see note 17).

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.

During the year, the parent company acquired 160,000 of its own class B shares through purchases on Nasdaq Stockholm. The total amount paid to acquire the shares, net of income tax, was SEK 0.7 million. During the period December 21–28, the parent company repurchased an additional 470,000 B shares on Nasdaq Stockholm for a total of SEK 1.2 million. Since the company was registered as the owner of these shares in 2019, these will be reported as repurchased shares in 2019. At the end of the reporting period, the parent company had a total of 6,475,000 of its own class B shares, at an average cost of SEK 4.64 per share and with a par value of SEK 0.04 per share. The shares are held as own shares. The parent company has the right to reissue these shares at a later date.

For more information about the share, see section The Share on pages 26-27.

The division between share classes	No. of shares	
SEK thousands	**Dec 31, 2018**	**Dec 31, 2017**
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**

The division between share classes, outstanding shares	No. of oustanding shares	
SEK thousands	**Dec 31, 2018**	**Dec 31, 2017**
Unrestricted class A shares	1,000,000	1,000,000
Unrestricted class B shares	382,458,009	382,618,009
Total	**383,458,009**	**383,618,009**

Note 26 Other non-current liabilities

Group

SEK thousands	Synthetic options	Other employee-related items	Total
As of January 1, 2017	**16,782**	**1644**	**18,426**
-Additional items affecting liquitity	763	-	**763**
-Synthetic options, change in value	-9,630	-	**-9,630**
-Reclassification, current	-7,632	-	**-7,632**
-Reclassification, provisions	-	-1,644	**-1,644**
As of December 31, 2017	**283**	**0**	**283**

Group

SEK thousands	Synthetic options	Other employee-related items	Total
As of January 1, 2018	**283**	**0**	**283**
-Additional items affecting liquitity	1,381	-	**1,381**
-Synthetic options, change in value	-1,333	-	**-1,333**
-Reclassification, current	-12	-	**-12**
- Final settlements options	-20	-	**-20**
As of December 31, 2018	**299**	**0**	**299**

Parent company

SEK thousands	Synthetic options	Other employee-related items	Total
As of January 1, 2017	**16,626**	**1,548**	**24,995**
-Additional items affecting liquitity	763	-	**763**
-Synthetic options, change in value	-9,481	-	**-9,481**
-Reclassification, current	-7,632	-	**-7,632**
-Reclassification, provisions	-	-1,548	**-1,548**
As of December 31, 2017	**276**	**0**	**276**

Parent company

SEK thousands	Synthetic options	Other employee-related items	Total
As of January 1, 2018	**276**	**0**	**276**
-Additional items affecting liquitity	1,153	-	**1,153**
-Synthetic options, change in value	-1,131	-	**-1,131**
-Reclassification, current	-11	-	**-11**
As of December 31, 2018	**287**	**0**	**287**

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

Note 27 Other provisions

Group	Current provision		Non-current provisions			
SEK thousands	Warranty provisions[1]	Variable incentive program[2]	Warranty provisions[1]	Variable incentive program[2]	Other provisions	Total
As of January 1, 2017	**1,858**	**829**	**1,858**	**7,630**	**0**	**12,175**
- additional provisions	52	-	52	311	435	**850**
- used amount affecting liquidity	-	-703	-	-	-	**-703**
- share-based remuneration	-	-985	-	-2,447	-	**-3,432**
- reclassification	-	4,116	-	-2,223	-	**1,893**
As of December 31, 2017	**1,910**	**3,257**	**1,910**	**3,271**	**435**	**10,783**
As of January 1, 2018	**1,910**	**3,257**	**1,910**	**3,271**	**435**	**10,783**
- additional provisions	-	-148	-	599	2,672	**3,123**
- used amount affecting liquidity	-	-,4,522	-	-	-	**-4,522**
- reversed unused amount	-498	-100	-498	-376	-435	**-1,907**
- share-based remuneration	-	-157	-	-164	-	**-321**
- reclassification	-	2,461	-	-2,461	-	**0**
As of December 31, 2018	**1,412**	**791**	**1,412**	**869**	**2,672**	**7,156**

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			
SEK thousands	Warranty provisions[1]	Variable incentive program[2]	Warranty provisions[1]	Variable incentive program[2]	Other provisions	Total
As of January 1, 2017	**1,858**	**829**	**1,858**	**7,630**	**0**	**12,175**
- additional provisions	52	-	52	115	435	**654**
- used amount affecting liquidity	-	-703	-	-	-	**-703**
- reversed unused amount	-	-	-	-1,261	-	**-1,261**
- share-based remuneration	-	-841	-	-2,031	-	**-2,872**
- reclassification	-	3,598	-	-1,803	0	**1,795**
As of December 31, 2017	**1,910**	**2,883**	**1,910**	**2,650**	**435**	**9,788**
As of January 1, 2018	**1,910**	**2,883**	**1,910**	**2,650**	**435**	**9,788**
- additional provisions	-	-118	-	576	2,672	**3,130**
- used amount affecting liquidity	-	-4,106	-	-	-	**-4,106**
- reversed unused amount	-498	-	-498	-2	-435	**-1,433**
- share-based remuneration	-	-147	-	-112	-	**-259**
- reclassification	-	2264	-	-2,264	-	**0**
As of December 31, 2018	**1,412**	**776**	**1,412**	**848**	**2,672**	**7,120**

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 liabilities

	Group		Parent Company	
SEK thousands	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Employee-related taxes	2,485	2,676	2,285	2,510
Synthetic options	-	2,720	-	2,720
Other current liabilities	1,641	921	1,641	919
Total current liabilities	**4,126**	**6,317**	**3,926**	**6,149**

Note 29 Accrued expenses and deferred income

Upplupna kostnader och förutbetalda intäkter	Group		Parent Company	
SEK thousands	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Vacation pay liability	9,146	9,118	7,893	8,359
Social security contribution	3,271	5,050	2,919	4,686
Accrued remuneration to employees	18,922	10,821	9,457	6,224
Other	12,307	21,579	11,082	20,194
Total accrued expenses and deferred income	**43,646**	**46,568**	**31,351**	**39,463**

Note 30 Cash flow statement

Other items not affecting liquidity	Group		Parent Company	
SEK thousands	2018	2017	2018	2017
Synthetic options, change in value	-2,649	-14,542	-2,446	-14,393
Capital gain/losses	7,076	4,195	7,076	4,195
Impairment of equities	-	-	34,900	-
Income realized from deferred income	665	2,130	-	-
Provisions	2,391	-5,635	2,380	-4,910
Unrealized exhange differences	937	1,504	-	-
Total	**8,420**	**-12,348**	**41,910**	**-15,108**

Note 31 Pledged assets and contingent liabilities

Pledged assets	Group		Parent Company	
SEK thousands	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Deposits	5,211	4,911	4,695	4,736
Total	**5,211**	**4,911**	**4,695**	**4,736**

Contingent liabilities	Group		Parent Company	
SEK thousands	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Total	**Inga**	**Inga**	**Inga**	**Inga**

Note 32 Restated Income Statements and Balance Sheets

Restated consolidated income statement 2017

SEK thousands	Previously reported	Impact of IFRS 15	Reclassification income statement	Restaded income statement
Net sales	426,746	-231	508	**427,023**
Cost of sales	-178,707		-708	**-179,415**
Gross earnings	**248,039**	**-231**	**-200**	**247,608**
Sales and marketing expenses	-144,741		56	**-144,685**
Administration expenses	-49,680		-17	**-49,697**
Development expenses	-63,100		715	**-62,385**
Other operating income and expenses			1,611	**1,611**
Operating earnings	**-9,482**	**-231**	**2,165**	**-7,548**
Result from financial items				
Financial income	15,086		-337	**14,749**
Financial expenses	-68		-1,828	**-1,896**
Profit/loss before tax	**5,536**	**-231**	**0**	**5,305**
Tax	-1,829	51		**-1,778**
Net income	**3,707**	**-180**	**0**	**3,527**

Restated consolidated balance sheet 2017

SEK thousands	Previously reported	Impact of IFRS 15	Restated balance sheet
ASSETS			
Non-current assets			
Capitalized expenditure for development	251,622		**251,622**
Goodwill	58,452		**58,452**
Other intangible assets	19,458		**19,458**
Equipment	4,636		**4,636**
Deferred tax asset	13,756	529	**14,285**
Deposits	4,911		**4,911**
Total non-current assets	**352,835**	**529**	**353,364**
Current assets			
Inventories	43,598		**43,598**
Contract assets		753	**753**
Accounts receivable	106,186		**106,186**
Other receivables	6,133		**6,133**
Prepaid expenses	10,418	-753	**9,665**
Cash and cash equivalents	177,745		**177,745**
Total current assets	**344,080**	**0**	**344,080**
TOTAL ASSETs	**696,915**	**529**	**697,444**
EQUITIY AND LIABILITIES			
Total equity	**547,966**	**-1,877**	**546,089**
Non-current liabilities			
Contract liabilities		13,839	**13,839**
Other non-current liablities	14,122	-13,839	**283**
Provisions	5,616		**5,616**
Total non-current liabilities	**19,738**	**0**	**19,738**
Current liabilities			
Accounts payable	21,841		**21,841**
Contract liabilities		51,406	**51,406**
Current tax liabilities	318		**318**
Other liabilities	6,439	-122	**6,317**
Provisions	5,167		**5,167**
Accrued expenses	95,446	-48,878	**46,568**
Total current liabilities	**129,211**	**2,406**	**131,617**
TOTAL EQUITY AND LIABILITIES	**696,915**	**529**	**697,444**

Restated Parent Company Income Statement 2017

SEK thousands	Previously reported	Reclassification income statement	Restaded income statement
Net sales	486,925	1,254	**488,179**
Cost of sales	-200,873	-504	**-201,377**
Gross earnings	**286,052**	**750**	286,802
Sales and marketing expenses	-130,044		**-130,044**
Administration expenses	-43,448		**-43,448**
Development expenses	-122,508		**-122,508**
Other operating income and expenses		891	**891**
Operating earnings	**-9,948**	**1,641**	-8,307
Result from financial items			
Financial income	14,593		**14,593**
Financial expenses	-224	-1,641	**-1,865**
Profit/loss before tax	**4,421**	0	4,421
Tax	1,809		**1,809**
Net income	**6,230**	0	6,230

Restated Parent Company Balance Sheet 2017

SEK thousands	Previously reported	Impact of IFRS 15	Restated balance sheet
ASSETS			
Non-current assets			
Other intangible assets	6,875		**6,875**
Equipment	4,414		**4,414**
Participations in group companies	295,068		**295,068**
Deferred tax asset	1,994		**1,994**
Deposits	4,736		**4,736**
Total non-current assets	**313,087**	0	313,087
Current assets			
Inventories	43,598		**43,598**
Accounts receivable	86,438		**86,438**
Receivables from group companies	132,978		**132,978**
Other receivables	5,915		**5,915**
Prepaid expenses	7,894		**7,894**
Cash and cash equivalents	166,200		**166,200**
Total current assets	**443,023**	0	443,023
TOTAL ASSETS	**756,110**	0	756,110
EQUITIY AND LIABILITIES			
Total equity	**656,050**		656,050
Non-current liabilities			
Contract liabilities		3,975	**3,975**
Other non-current liablities	4,251	-3,975	**276**
Provisions	4,995		**4,995**
Total non-current liabilities	**9,246**	0	9,246
Current liabilities			
Accounts payable	20,284		**20,284**
Contract liabilities		20,125	**20,125**
Other liabilities	6,149		**6,149**
Provisions	4,793		**4,793**
Accrued expenses	59,588	-20,125	**39,463**
Total current liabilities	**90,814**	0	90,814
TOTAL EQUITY AND LIABILITIES	**756,110**	0	756,110

Note 33 Proposed appropriation of earnings

The following funds are at the disposal of the parent company

SEK thousands	2018
Premium reserve	51,296
Retained earnings	475,596
Net income	-44,216
Total	**482,676**

The Board of Directors proposes that funds be appropriated as follows:	
Brought forward:	482,676
Total	**482,676**

Not 34 Significant events after the reporting period

No events significant to the company occurred between the end of the reporting period on December 31, 2018, and the date of signing these annual accounts.

The Consolidated Income Statement and Consolidated Balance Sheet will be submitted to the Annual General Meeting on May 8, 2019 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.

Solna March 26, 2019

Gunilla Fransson
Chairman

Jan Barchan
Board member

Mathias Berg
Board member

Crister Fritzson
Board member

Charlotta Falvin
Board member

Anders Harrysson
Board member

Henrik Sund
CEO

Our Audit Report was submitted March 28, 2019
Deloitte AB

Therese Kjellberg
Authorized Public Accountant

Auditor's Report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions
We have audited the annual accounts and consolidated accounts of Net Insight AB (publ) for the financial year 2018-01-01 – 2018-12-31, except for the statutory sustainability report on pages 38-40. The annual accounts and consolidated accounts of the company are included on pages 32-80 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not include the statutory sustainability report on pages 38-40.

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

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

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

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

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

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

Revenue recognition
Risk assessment
The Group's net sales as of December 31, 2018, amount to SEK 452 million. Revenue is generated from the sale of hardware, software licenses and services. In some cases, the sales agreements comprise bundled products and services which thereby contain transfer of several components.

Revenue is recognized when the control for underlying goods or services for a performance obligation have been transferred to the customer. If a promise of a product or service meets the criteria to be "distinct", then it is a performance obligation that should be recognized separately from other goods and services in the agreement. Identification of distinct performance obligations dependent upon management's assessment and can have a significant impact on the timing of the recognition of revenues and earnings.

For further information, please refer to the Group's accounting policies in note 1.15 on pages 53-54 and description of significant estimates and assessments in Note 3 A on pages 55-56.

Our audit procedures
Our audit procedures included but were not limited to:

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

Recognition and valuation of capitalized development expenditures

Risk assessment

The group's capitalized development expenditures amount to 234 MSEK as of 31 December 2018 which mainly includes internally capitalized expenditures. Expenditures for development is capitalized as an intangible asset provided that the criteria's described in the group's accounting policies on page 51 are met. The capitalization and subsequent valuation of development expenditures is based on management's assessment if the projects will be successful in terms of commercial and technical possibilities. There is a risk that development expenditures do not meet the requirements for capitalization and that the book value of individual assets exceeds the recoverable amount which may have a significant impact on the group's earnings and financial position. Furthermore, there is a risk that these assets will not generate economic benefits for the group throughout the period that management estimates that the assets should be impaired.

For further information please refer to the group's accounting policies in note 1.6 on page 51 and the description of important estimates and assessments in note 3 D on page 56 and note 17 regarding intangible assets.

Our audit procedures

Our audit procedures included but were not limited to:

- review of the capitalization and valuation process of development expenditures and test of design and implementation of key controls
- review of the group's process for impairment testing and that these are in compliance with current accounting standards, that estimates
- and judgements are reasonable and that sufficient disclosures are included in the financial statements
- evaluation of the group's principles for capitalization of internally generated development expenses
- sample basis review of the basis for internally capitalized development expenditures and evaluation of management's assessments of the assets capitalization

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 10-30 and 87-96. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO 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 CEO 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 CEO 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 CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Net Insight AB (publ) for the financial year 2018-01-01 – 2018-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO 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 CEO

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 CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

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

THE AUDITOR´S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

The Board of Directors is responsible for the statutory sustainability report on pages 18-25 and 38-40, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

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

Stockholm March 28, 2019
Deloitte AB

Therese Kjellberg
Authorized public accountant

Corporate Governance Report

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

Introduction

The Articles of Association describe the business of the company, its share capital, the number and classes of share, allocation of votes, the number of directors and auditors, notices of, and matters to be dealt with at the Annual General Meeting (AGM), and the requirement that this meeting be held in Stockholm, Sweden. In the period between AGMs, Net Insight's Board of Directors is the highest decision-making body in the Company. The duties of the Board are regulated by the Swedish Companies Act and the Articles of Association. The current Articles of Association were adopted at the AGM on May 8, 2018. The full Articles of Association are available at www.netinsight.net.

In 2018, the company has not contravened Nasdaq Stockholm's Issuer Rules or accepted practice on the stock market. Net Insight departed from the Code section 4.2 in that a personal deputy was elected to main shareholder Jan Barchan (Briban Invest). The departure was motivated by continuity reasons.

Annual General Meeting, AGM

The AGM of Net Insight AB (publ) was held on May 8, 2018. 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 the annual financial statement, appropriation of profits and discharging the Board members and CEO from liability.
- Adoption of new Articles of Association, including change of registered office to Solna.
- The number of Board members should be six with one deputy.
- Gunilla Fransson, Anders Harrysson, Crister Fritzson, Jan Barchan and Charlotta Falvin were re-elected as Board members. Mathias Berg was elected as new Board member from September 1. Stina Barchan was re-elected as personal deputy for Jan Barchan.
- Gunilla Fransson was elected Chairman of the Board.
- Deloitte AB was elected as the company's audit firm, with Therese Kjellberg as Auditor in Charge.
- The AGM decided that Directors' fees should amount to SEK 2,140,000 to be allocated with SEK 600,000 to the Chairman of the Board and SEK 240,000 to each of the other Board members not employed by the company. For the deputy, the remuneration was SEK 120,000. Remuneration for Committee work, payable to members appointed by the Board of Directors, is SEK 50,000 for the Chairman of the Committee and SEK 40,000 for each Committee member.
- Remuneration to the auditor, Deloitte AB to be on approved account.
- The AGM resolved to approve 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 options programs related to Net Insight's share price performance, aimed at employees in Sweden. The program will be completed by issuing synthetic options.
- The AGM decided to authorize the Board of Directors to, in the period until the next AGM is held, repurchase shares totaling up to 2 percent of all the shares in the company, and to reach Board resolutions regarding the transfer of these shares.

The complete bulletin 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 11, 2018.

Net Insight's Nomination Committee for 2019 has the following members: Jan Barchan (Briban Invest), Martin Wallin (Lannebo Fonder), Ramsay Brufer (Alecta), Christian Brunlid (Handelsbanken fonder) and Gunilla Fransson (Chairman of Net Insight AB). The Nomination Committee appointed Ramsay Brufer (Alecta) as its Chairman. The Nomination Committee held four meetings where minutes were kept in preparation for the AGM 2019, prior to the date for signing the Annual Report.

With the objective of achieving versatility and breadth on the Board of Directors in terms of experience, competence and background, the Nomination Committee applied the Swedish Code of Conduct p4.1 as its diversity policy for the nomination of Board members ahead of the AGM 2019.

Auditor

According to the Articles of Association, Net Insight shall appoint one to two Auditors with or without Deputy Auditors. The stipulated term of office for Auditors is one year. The company's Auditors, Deloitte AB was re-elected at the AGM 2018 to serve in the period until the AGM 2019. Therese Kjellberg was appointed Auditor in Charge.

Board of Directors

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

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

Work of the Board

The Board held 12 meetings during the year when minutes were kept, not counting five 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's main focus was appointing a new CEO, the progress of Sye and establishing activities to ensure sales in the core business revert back to expected sales volumes. The Board meeting following election addressed and adopted the Board of Directors' Agenda and the instructions for the CEO.

Each year, the Chairman initiates an evaluation of the Board's work. The evaluation for 2018 was carried out by the Nomination Committee meeting with each Board member separately discussing the work of the Board. The Nomination Committee carried out its own evaluation based on this.

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

Independence of the Board

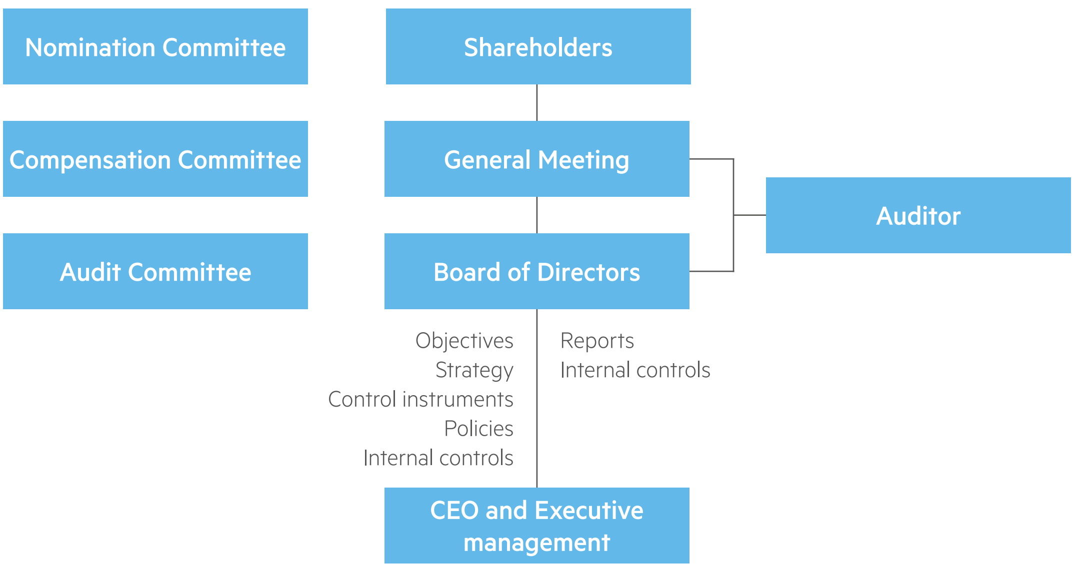
Net Insight's Board of Directors is considered to satisfy the Code's standard of independence: All Board members are independent of the company and management. All Board members, apart from Jan Barchan, are independent of the company's principal owners.

For more information on Board members and the CEO, see pages 28-30.

Remuneration Committee

The Board has instituted a Remuneration Committee charged with consulting on issues concerning salaries, compensation and other terms of employment for the CEO, as well as compensation programs of a broader nature, such as option programs, for final

CORPORATE GOVERNANCE AT NET INSIGHT



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 Gunilla Fransson and Board member Anders Harrysson. During the year, the Committee held six meetings when minutes were kept, not counting per capsulam meetings, and consulted on the following matters: The CEO's variable remuneration for 2017 to be decided by the Board; a decision on variable remuneration for 2017 for the rest of management; business goals and compensation structure for the CEO for 2018 to be decided by the Board and the remuneration structure for the rest of management.

Audit Committee

During the year, Net Insight's Board of Directors instituted an Audit Committee, charged with obtaining greater depth and efficiency of the Board's overseeing responsibility of internal control, audit, internal audit, risk assessment, accounting and financial reporting. The Audit Committee shall also provide questions for the audit tendering process and for tender of other audit-related services. In addition, the Committee is responsible for preparing accounting and audit questions that need the attention of the Board. In 2018, Net Insight's Audit Committee had the following members: Charlotta Falvin, Chairman, and Crister Fritzon. Net Insight's CFO and, at some instances, the auditors are co-opted to the Committee's meetings. The Board has set the rules of procedure which formalizes the work of the Audit Committee. The Audit Committee held three meetings in 2018. The auditors participated at one meeting. Oral and written reports are continuously handed over from the Committee to the Board, as well as suggestions in relation to questions that require the Board's attention.

Attendance in 2017

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

Name	Attendance at Board meetings	Remuneration Committee	Audit Committee
Lars Berg	3/12	2/6	
Jan Barchan	12/12		
Mathias Berg [1)]	5/12		
Charlotta Falvin	12/12		3/3
Gunilla Fransson	12/12	4/6	
Crister Fritzon	11/12		3/3
Anders Harrysson	12/12	6/6	

1) Mathias Berg was appointed a Board member on September 1, 2018.

CEO and Management

The CEO leads the company according to the terms of the instructions to the CEO, reports to the Board of Directors on financial and operational progress against financial and operational objectives set by the Board of Directors on a monthly and quarterly basis. The CEO attends Board meetings and provides the Board of Directors with the necessary information and decision-support data. The company is organized into functions, with each functional manager also being members of management. Management holds regular meetings with a standing agenda, and weekly reviews, as well as additional meetings when required.

For more information on the CEO and members of management, see pages 28-31.

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 how issues are addressed. The Board issues instructions to the CEO, which stipulate the matters for which the CEO may exercise 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 36-37 in the Administration Report and pages 38-40 in the Sustainability notes on pages 36-37.

External reporting

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

On two occasions each year, the company's auditor attends Board meetings to present the outcome of the full year audit and the third-quarter financial review. On these occasions the Auditor also presents any changes to accounting policies that affect the company. Coincident with the presentation of the full-year audit and the third quarter Interim Report, the auditor also states the 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.

See also the the Audit Committee paragraph above.

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 2018. In its reasoning, the Board stated that internal control is primarily exercised through:

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

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 Report

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

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the financial year 2018-01-01 – 2018-12-31 on pages 82-85 and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Stockholm 28 march 2019
Deloitte AB

Therese Kjellberg
Authorized public accountant

Five Year Summary

Five Year Summary

SEK millions (if not defined differently)	2018	2017[1]	2016	2015	2014
Income					
Net sales by segment					
Western Europe	207.3	194.4	231.4	193.1	173.7
Americas	147.3	133.8	163.2	115.1	168.4
Rest of World	97.0	98.8	108.9	67.6	36.9
Net sales	**451.6**	**427.0**	**503.5**	**375.8**	**379.1**
Net sales, adjusted	452.3	429.2	510.1	379.4	379.1
Gross earnings	262.4	247.6	315.8	226.1	232.0
Operating expenses	301.0	256.8	266.4	206.8	178.4
Total development expenditure	140.3	149.7	149.1	96.6	81.9
EBITDA	-49.0	-23.7	38.6	23.3	67.1
Operating earnings	-75.1	-7.5	49.4	19.2	53.6
Operating earnings, adjusted	-71.5	-2.6	58.8	27.6	53.6
Profit/loss after financial items	-73.7	5.3	44.0	6.7	55.1
Net income	-58.2	3.5	35.2	1.9	41.5
Balance sheet and cash flow					
Non-current assets	380.7	353.4	335.7	321.1	205.8
Current assets	269.3	344.1	392.3	349.3	417.7
Cash and cash equivalents	92.9	177.7	214.9	193.6	294.3
Shareholder's equity	493.9	546.1	563.0	531.6	536.9
Liabilities	156.1	151.4	165.0	138.8	86.6
Total assets	649.9	697.4	728.0	670.4	623.5
Working capital	42.8	37.4	47.1	41.9	55.8
Investments	107.1	93.0	78.8	57.3	42.2
Total cash flow	-85.5	-36.8	20.9	-101.1	90.4
The share					
Dividend per share, SEK	-	-	-	-	-
Earnings per share basic and diluted, SEK	-0.15	0.01	0.09	0.00	0.11
Cash flow per share, SEK	-0.22	-0.10	0.05	-0.26	0.23
Equity per share basic and diluted, SEK	1.29	1.42	1.46	1.37	1.38
Average number of outstanding shares basic and diluted, thousands	383,478	385,057	386,582	389,138	389,933
Number of outstanding shares basic and diluted as of December 31, thousands	383,458	383,618	385,658	387,158	389,933
Share price as of December 31, SEK	2.68	4.73	8.90	8.30	3.10
Employees and consultants					
Average number of employees and consultants	239	245	241	179	151
KPI					
Net sales YoY, change in %	5.8%	-15.2%	34.0%	-0.9%	35.0%
Organtic growth YoY, change in %	5.8%	-5.1%	19.7%	-4.7%	35.0%
Gross margin	58.1%	58.0%	62.7%	60.2%	61.2%
Total development expenditure/Net sales	31.1%	35.0%	29.6%	25.7%	21.6%
Operating margin	-16.6%	-1.8%	9.8%	5.1%	14.1%
Operating margin, adjusted	-15.8%	-0.6%	11.5%	7.3%	14.1%
EBITDA margin	-10.9%	-5.5%	7.7%	6.2%	17.7%
Net margin	-12.9%	0.8%	7.0%	0.5%	10.9%
Return on capital employed	-14.0%	-1.3%	9.0%	3.5%	10.0%
Equity/asset ratio	76.0%	78.3%	77.3%	79.3%	86.1%
Return on equity	-10.9%	0.6%	6.4%	0.4%	8.1%

[1] Recalculated comparable period, see see Note 1 Accounting policies and Note 32 Restated Financial Statements. Only 2017 has been recalculated for impact of IFRS 15 and reclassification in income statement.

Alternative performance measures and other definitions

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

Calculation of performance measures not inluded in IFRS framework

Performance measures	Various types of performance measures and margin measures as a percentage of sales.	
Non-IFRS perfomance measures	**Description**	**Reason for use of the measure**
Gross margin	Gross earnings as a percentage of net sales.	The gross margin is of major importance, showing the margin for covering the operating expenses.
Operating expenses	Sales and marketing expenses, administration expenses and development expenses.	
Operating expenses/net sales	Operating expenses as a percentage of net sales.	Used in charts to illustrate trend.
Operating earnings	Calculated as operating earnings before financial items and tax.	Operating earnings provides an overall picture of earnings generated in the operating activities.
Operating margin	Operating earnings as a percentage of net sales.	The operating margin is a key measure together with sales growth and capital employed for monitoring value creation.
Net sales YoY, change in %	The relation between net sales for the period and the corresponding sales for the comparative period in previous year.	The sales growth is a key measure together with operating margin and capital employed for monitoring value creation.
Organic growth	Net sales for the period in relation to Net sales for the comparative period, excluding Net sales from business combinations that not been part of the Group for the whole comparative period.	Sales growth without influenced of business combinations.
Net margin	Net Income as a percentage of net sales.	The net margin shows the remaining share of net sales after all of the company's costs have been deducted.
Adjusted performance and margin measures	Performance and margin measures adjusted for items affecting comparability between periods. See table Consolidated Income Statement, Adjusted on page 96.	Reporting performance and margin measures not influenced by items affecting comparability between periods shows the performance of the underlying operation.
Total development (R&D) expenditure	Development expenses and capitalized expenditures for development.	The measure is a good complement to development expenses, as it shows the company's total expenditure in development. The development expenditures effect on income, financial position and presentation in the statement of cashflow is affected by the periods level of capitalized development expenditures.
Total development (R&D) expenditure/net sales	Total development expenditure as percentage of net sales.	
EBITDA	Operating earnings before depreciation and amortization and capitalization of development expenditure.	The measures are good complements to operating earnings and margin as it, simplified, shows the earnings-generated cash flow in the operation and it shows operating earnings without influence of variations in the level of capitalized development expenditures in the company's development projects.
EBITDA margin	EBITDA as a percentage of net sales.	
Segment	Region corresponds to an operating segment under IFRS 8. • Western Europe (WE). • Americas (AM), North and South America. • Rest of World (RoW), countries outside of Western Europe and Americas.	

KPI Income Satement

SEK millions (if not defined differently)	2018	2017	2016	2015	2014
Net sales	451.6	427.0	503.5	375.8	379.1
Net sales YoY, change in %	*5.8%*	*-15.2%*	*34.0%*	*-0.9%*	*35.0%*
Cost of sales ex. amortization of capitalized development	-130.8	-118.8	-130.8	-95.8	-95.2
Gross earnings ex. amortization of capitalized development	**320.8**	**308.3**	**372.7**	**280.0**	**283.9**
Gross margin ex. amortization of capitalized development	*71.0%*	*72.2%*	*74.0%*	*74.5%*	*74.9%*
Cost of sales amortization of capitalized development	-58.4	-60.7	-56.9	-54.0	-51.9
Gross earnings	**262.4**	**247.6**	**315.8**	**226.1**	**232.0**
Gross margin	*58.1%*	*58.0%*	*62.7%*	*60.2%*	*61.2%*
Sales and marketing expenses	-181.1	-144.7	-137.1	-122.4	-107.9
Administration expenses	-54.9	-49.7	-54.2	-40.5	-29.5
Development expenses	-64.9	-62.4	-75.0	-44.0	-41.0
Operating expenses	**-301.0**	**-256.8**	**-266.4**	**-206.8**	**-178.4**
Operating expenses/net sales	*66.6%*	*60.1%*	*52.9%*	*55.0%*	*47.1%*
Other operating income and expenses	-36.5	1.6	-	-	-
Operating earnings	**-75.1**	**-7.5**	**49.4**	**19.2**	**53.6**
Operating margin	*-16.6%*	*-1.8%*	*9.8%*	*5.1%*	*14.1%*
Net financial items	1.4	12.9	-5.4	-12.6	1.5
Profit/loss before tax	**-73.7**	**5.3**	**44.0**	**6.7**	**55.1**
Tax	15.5	-1.8	-8.8	-4.7	-13.6
Net income	**-58.2**	**3.5**	**35.2**	**1.9**	**41.5**
Net margin	*-12.9%*	*0.8%*	*7.0%*	*0.5%*	*10.9%*

Organic growth

SEK millions (if not defined differently)	2018	2017	2016	2015	2014
Net Sales	451.6	427.0	503.5	375.8	379.1
Net Sales from business combinations	-	-	-53.5	-14.5	-
Net Sales, excluding business combinations	**451.6**	**427.0**	**450.0**	**361.3**	**379.1**
Organic growth, YoY, change i %	**5.8%**	**-5.1%**	**19.7%**	**-4.7%**	**35.0%**

Total development expenditure/net Sales

Total development expenditure/net Sales	2018	2017	2016	2015	2014
Development expenses	64.9	62.4	75.0	44.0	41.0
Capitalization of development expenditure	75.4	87.3	74.1	52.7	40.9
Total development expenditure	**140.3**	**149.7**	**149.1**	**96.6**	**81.9**
Net Sales	451.6	427.0	503.5	375.8	379.1
Total development expenditure/net sales	**31.1%**	**35.0%**	**29.6%**	**25.7%**	**21.6%**

EBITDA margin

SEK millions (if not defined differently)	2018	2017	2016	2015	2014
Operating earnings	-75.1	-7.5	49.4	19.2	53.6
Amortization of capitalized development expenditure	58.4	60.7	56.9	54.0	51.9
Other depreciation, amortization & impairment	43.1	10.5	6.3	2.8	2.4
Capitalization of development expenditure	-75.4	-87.3	-74.1	-52.7	-40.9
EBITDA	**-49.0**	**-23.7**	**38.6**	**23.3**	**67.1**
Net Sales	451.6	427.0	503.5	375.8	379.1
EBITDA Margin	**-10.9%**	**-5.5%**	**7.7%**	**6.2%**	**17.7%**

Capital and return measures Non-IFRS perfomance measure	Shows how capital is utilized and the company's financial strength. Return is a financial term that describes how much the value of an asset changes from an earlier point in time. Description	Reason for use of the measure
Working capital	Current assets less cash and cash equivalents, accounts payable and other interest-free current liabilities. The Company has no interest-bearing liabilities. Changes in working capital in the cash flow statement also includes adjustments for items not affecting liquidity and changes in non-current operating assets and liabilities.	This measure shows how much working capital that is tied up in the operations and can be put in relation to sales to understand how effectively tied-up working capital is used.
Capital employed	The Company capital employed is calculated as an average of total assets, less total liabilities, excluding interest-bearing liabilities. The Company has no interest-bearing liabilities.	Return on capital employed is the central ratio for measuring the return on the capital tied up in operations.
Return on capital employed	Operating earnings plus interest income, in relation to average capital employed, rolling four quarters (R4Q).	
Equity/asset ratio	Shareholders' equity divided by the balance sheet total.	A traditional measure for showing financial risk, expressing the ratio of the assets that is financed by the owners.
Return on equity	Net income as a percentage of average shareholders' equity, rolling four quarters (R4Q).	Return on equity shows the total return on shareholders' capital and reflects the effect of the company's profitability as well as the financial leverage. The measure is primarily used to analyze shareholder profitability over time.
Investments	Investments in intangible and tangible assets.	
Total cash flow	Change in cash and cash equivalents during the period, excluding exchange differences in cash and cash equivalents.	

Equity/asset ratio

SEK millions (if not defined differently)	2018	2017	2016	2015	2014
Current assets	321.5	371.2	377.4	411.3	374.0
Cash and cash equivalents	-139.2	-204.3	-203.1	-279.7	-240.2
Short term liabilities	-139.5	-129.4	-127.2	-89.7	-78.1
Working capital	**42.8**	**37.4**	**47.1**	**41.9**	**55.8**

Return on capital employed

SEK millions (if not defined differently)	2018	2017	2016	2015	2014
Capital employed					
Total balance	694.3	716.5	704.3	637.0	593.7
Non-interest liabilities	-159.1	-159.1	-155.7	-95.1	-80.6
Capital employed	**535.2**	**557.4**	**548.6**	**541.9**	**513.1**
Operating earings less interest income					
Operating earnings	-75.1	-7.5	49.4	19.2	53.6
Interest income	0.3	0.2	0.1	0.5	2.3
Operating earnings less interest income RQ4	**-74.7**	**-7.3**	**49.3**	**18.7**	**51.3**
Return on capital employed	**-14.0%**	**-1.3%**	**9.0%**	**3.5%**	**10.0%**

Equity/asset ratio

SEK millions (if not defined differently)	2018	2017	2016	2015	2014
Equity	493.9	546.1	563.0	531.6	536.9
Total equity and liabilities	649.9	697.4	728.0	670.4	623.5
Equity/asset ratio	**76.0%**	**78.3%**	**77.3%**	**79.3%**	**86.1%**

Return on equity

SEK millions (if not defined differently)	2018	2017	2016	2015	2014
Net income	-58.2	3.5	35.2	1.9	41.5
Average equity	535.2	557.4	548.6	541.9	513.1
Return on equity	**-10.9%**	**0.6%**	**6.4%**	**0.4%**	**8.1%**

Shareholders' information	Measures related to the share.	
Non-IFRS perfomance measure	Description	Reason for use of the measure
Dividend per share	Dividend divided by the average number of outstanding shares during the period.	Measures showing the return of the business to the owners, per share.
Earnings per share (EPS)	Net income divided by the average number of outstanding shares during the period.	
Cash flow per share	Total cash flow, divided by average number of outstanding shares during the period.	
Equity per share	Shareholders' equity divided by number of outstanding shares at the end of the period.	
Average number of outstanding shares	Total number of shares in the Parent company, less the number of group companies' holdings of shares in the Parent company (own/treasury shares).	

Employees	Measures related to employees.	Reason for use of the measure
Employees and consultants/ Coworkers	The number of employees and consultants for non-temporary positions (longer than nine months) and who don't replace absent employees.	To supplement the number of employees with consultants gives a better measure of the Company's cost.

Average number of employees and consultants	2018	2017	2016	2015	2014
Number of employees	205	208	208	155	137
Number of consultants	34	36	33	24	14
Average number of employees and consultants	**239**	**245**	**241**	**179**	**151**

Material profit and loss items

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

Material profit and loss items

SEK millions	Note	2018	2017	2016	2015	2014
Accounting effects due to the acquisition of ScheduALL in October 2015						
Deferred revenue	(a)	-0.7	-2.1	-6.5	-3.6	-
Amortization intangible assets, business combinations	(b)	-2.9	-2.8	-2.8	-0.7	-
Acquisition related costs	(c)	-	-	-	-4.1	-
Total		**-3.5**	**-4.9**	**-9.4**	**-8.4**	**0.0**
Effects of the Net Insight share price development during the period						
Share-based benefits	(d)	0.3	3.4	-1.0	-2.8	-0.1
Synthetic opitons, change in value	(e)	2.6	14.5	-3.2	-11.8	-
Total		**3.0**	**18.0**	**-4.1**	**-14.6**	**-0.1**
Items affecting comparability						
Restructuring	(f)	-10.2	-	-3.4	-	-
Impairment of intangible assets	(g)	-35.9	-0.9	-	-	-
Empty office lease	(h)	-2.2	-	-	-	-
Total		**-48.3**	**-0.9**	**-3.4**	**0.0**	**0.0**

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

(a) Support revenues that ScheduALL would have recognized if they had remained a stand-alone entity, but that Net Insight is not permitted to recognize as revenue under IFRS as a result of business combination accounting rules. The effects of these business combination rules will gradually decrease.

(b) Amortizations related to the intangible assets — trademark and customer relations — that Net Insight recognized under IFRS as a result of business combination accounting rules, but that ScheduALL would not have recognized if they had remained a stand-alone entity. These amortizations will continue to affect the income over time.

(c) 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) Net Insight has, after decision at the AGM, introduced synthetic option programs for employees in Sweden. The synthetic options are revaluated on a current basis to fair value by applying an options valuation model. The changes in value during the term of the options are presented as a financial item. To financially hedge future cash flow effects of the company's commitments in the synthetic option programs, if the share price would exceed the strike price, the parent company has repurchased its own shares. The repurchased of own shares is deducted from equity, retained earnings, and are not revaluated to fair value on a current basis.

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

(g) Impairment losses on intangible fixed assets has been recognized as a result of re-prioritization in the Nimbra portfolio, see also note 17.

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

Consolidated income statement, adjusted

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

Consolidated income statement, adjusted

SEK millions (if not defined differently)	Note	2018	2017	2016	2015	2014
Net sales		451.6	427.0	503.5	375.8	379.1
Deferred revenue	(a)	0.7	2.1	6.5	3.6	-
Net sales, adjusted		**452.3**	**429.2**	**510.1**	**379.4**	**379.1**
Net sales adjusted YoY, change in %		*5.4%*	*-15.9%*	*34.5%*	*0.1%*	*35.0%*
Cost of sales		-189.2	-179.4	-187.7	-149.7	-147.2
Gross earnings, adjusted		**263.0**	**249.7**	**322.4**	**229.6**	**232.0**
Gross margin, adjusted		*58.2%*	*58.2%*	*63.2%*	*60.5%*	*61.2%*
Operating expenses		-301.0	-256.8	-266.4	-206.8	-178.4
Other operating income and expenses		-36.5	1.6	0.0	0.0	0.0
Amortization intangible assets, business combinations	(b)	2.9	2.8	2.8	0.7	-
Acquisition related costs	(c)	-	-	-	4.1	-
Operating earnings, adjusted		**-71.5**	**-2.6**	**58.8**	**27.6**	**53.6**
Operating margin, adjusted		*-15.8%*	*-0.6%*	*11.5%*	*7.3%*	*14.1%*
Net financial items		1.4	12.9	-5.4	-12.6	1.5
Synthetic options, change in value	(e)	-2.6	-14.5	3.2	11.8	-
Profit/loss before tax, adjusted		**-72.8**	**-4.3**	**56.6**	**26.8**	**55.1**

Industry-specific terminology

ACCESS NETWORK
The part of the public network closest to end-users. 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.

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 end-user 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.

LINEAR TV
Linear TV is a real-time television service that broadcasts scheduled programs, conventionally over the air or through satellite/cable, not streamed to a specific user.

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 e icient management of connections over a package-switched network.

MSR
(Media Switch Router)
MSR is a platform specially designed to handle media services.

NODE
A unit that is connected to a network, either as a sender/ receiver, or to connect different networks.

NPS
(Net Promotor Score)
Is both a measure and a survey method that provides a value on how loyal a company's customers or employees are.

ORCHESTRATION
Automated coordination of virtual resources, functions and people.

OTT
(Over-The-Top)
Internet-based distribution of TV.

POST PRODUCTION
Post production of TV shows or films, for example.

PROTOCOL
An agreed set of rules for how different network equipment should communicate.

QOS
(Quality of Service)
Name for the quality of service (that can be provided by a network). Video and speech require higher QoS. QoS is achieved in a network either by separating traffic so that interference cannot occur or by prioritization where the highest-priority traffic is sent first.

REAL TIME
Immediate transmission of material without delay.

REMOTE PRODUCTION
Also called centralized production or at-home production. Camera feeds are transported via media networks and the studio production is made remotely.

ROUTER/SWITCH
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.

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

STREAMING/STREAMED MEDIA
Playing sound and video files on a computer or mobile phone simultaneous with transmission over a LAN or WAN, such as the internet. Used for playing stored files from websites and for live events over the internet.

UPLINK STATION/TELEPORT
Station where media content in a terrestrial network is transferred to a satellite network for further distribution.

VOD
(Video on Demand)
To select and watch video content anytime when needed.

Shareholder information

Annual General Meeting
The Annual General Meeting (AGM) will be held at 10 a.m. on Tuesday, May 8, 2019 at Net Insight's offices in Solna, Sweden. Shareholders recorded in the share register maintained by Euroclear Sweden AB on May 2, 2019, and who have notified the Company by 4 p.m. on May 2, 2019, 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 1200, 171 23 Solna, Sweden,
by telephone to +46 (0)8 685 0400
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 2018.

Distribution of Annual Report
The Annual Report 2018 will be published on April 17, 2019 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 0400.

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.

Interim Report, January–March
April 25, 2019

AGM 2019
May 8, 10 a.m.

Interim Report, January–June
July 19, 2019

Interim Report, January–September
October 29, 2019

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The Swedish annual report ("Årsredovisning") is the legally valid and original version and shall prevail in the event of any discrepancies. This is a translation of the Swedish original.

NARVA