

# NET INSIGHT

## INTERIM REPORT JANUARY - JUNE 2013

Net Insight AB [publ] Corporate Reg. No 556533-4397

### **Statement from interim CEO Anders Persson:**

***“During the quarter business activities increased and we continued to win new customers. Operating earnings turned positive supported by an exceptionally strong gross margin.”***

### **Second Quarter 2013**

- Net Sales of SEK 72.7 million (75.0) corresponding to a decrease of 3.1% compared to the same period previous year. The decrease in comparable currencies amounts to 1.8%.
- Operating earnings of SEK 5.7 million (3.4), corresponding to an operating margin of 7.9% (4.6).
- Earnings per share of SEK 0.01 (0.03).
- Total cash flow of SEK -16.5 million (14.6).

### **January - June 2013**

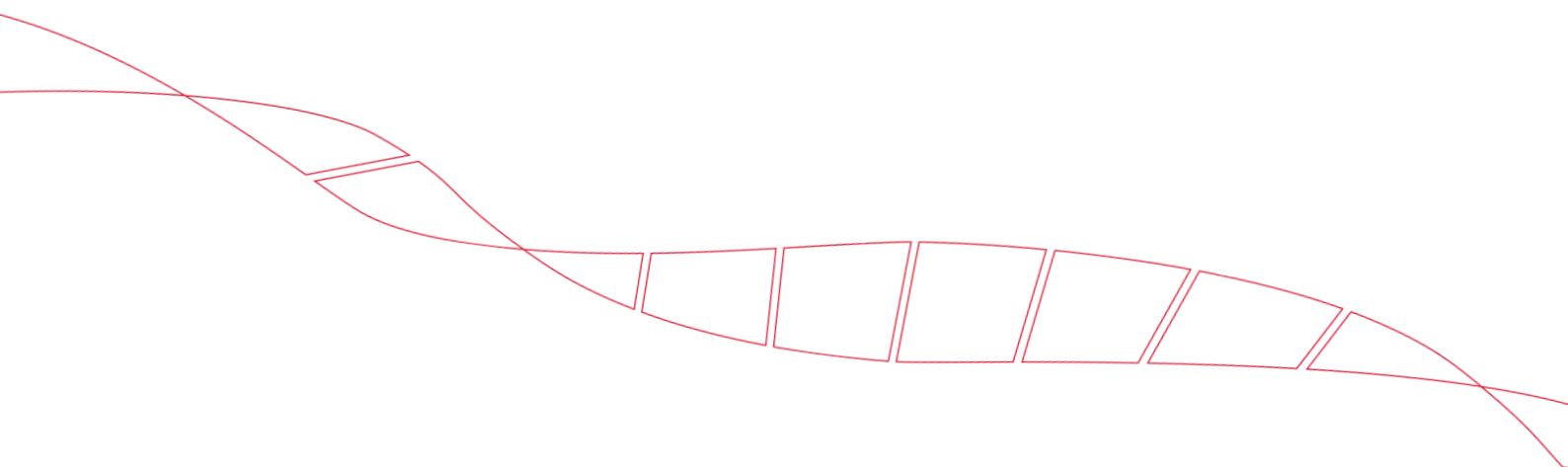
- Net Sales of SEK 135.1 million (151.7) corresponding to a decrease of 10.9% compared to the same period previous year. The decrease in comparable currencies amounts to 8.0%.
- Operating earnings of SEK 0.7 million (8.6), corresponding to an operating margin of 0.5% (5.7).
- Earnings per share of SEK 0.00 (0.05).
- Total cash flow of SEK -24.1 million (3.6).

Net Insight AB discloses the information provided herein pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on July 19, 2013 at 08.45 CET.

Net Insight delivers the world's most efficient and scalable transport solution for Broadcast and IP Media, Digital Terrestrial TV and IPTV/CATV networks.

Net Insight products truly deliver 100 percent Quality of Service with three times improvement in utilization of bandwidth for a converged transport infrastructure. Net Insight's Nimbra™ platform is the industry solution for video, voice and data, reducing operational costs by 50 percent and enhancing competitiveness in delivery of existing and new media services.

More than 175 world class customers run mission critical video services over Net Insight products in over 60 countries. Net Insight is quoted on the NASDAQ OMX, Stockholm.



## CEO STATEMENT

The operating earnings turned positive this quarter after three loss making quarters. Revenues for the quarter reached SEK 73 million (75). In comparable currencies the revenues were 2% below the same period in the previous year. Operating earnings for the quarter was SEK 6 million (3), supported by an exceptionally strong gross margin and lower operating expenses. Mainly as a result of the Q4 2012 cost and efficiency program, operating expenditures were reduced by SEK 7 million compared to the same period in the previous year. The cash flow was negative SEK -17 million (15), mainly related to build up of trade receivables.

During the quarter we received several orders from established direct customers e.g. EBU, Arqiva and Hibernia Networks, which meant that the indirect sales reached 26% of total revenues. Net Insight continues to win new customers and added 10 new customers to the installed base during the quarter. These initial orders are small but the new customers are solid and well-known network owners. The business area Broadcast and Media Networks represented 82% of total revenues and Digital Terrestrial TV represented 16%. This quarter CATV/IPTV represented 2% and a new cable-TV customer in Americas selected Net Insight. The revenue split between the regions is basically the same as the period in the previous year. EMEA and Americas are slightly up and Asia slightly down.

We participated in two major marketing activities in the quarter, at the NAB Show in Las Vegas in April and at CommunicAsia in Singapore in June. At both exhibitions we gained a lot of attention for the new product for video integrity over unmanaged IP networks, the Nimbra VA 210.

Fredrik Tumegård has been appointed new CEO of Net Insight. Today Fredrik holds the position as Vice President Northern Europe at NEC and he will assume the role as CEO October 1<sup>st</sup> at the latest. I will maintain the position of CEO from July 1<sup>st</sup> until Fredrik assumes his new position.



Stockholm, July 19, 2013

Anders Persson  
Interim CEO

## EVENTS DURING THE SECOND QUARTER

### Customer Wins

During the second quarter the business area Broadcast and Media Networks (BMN) represented 82% of total revenues, the business area Digital Terrestrial TV networks (DTT) represented 16% and CableTV/IPTV 2%.

There was a good flow of repeat business and we also won ten new customers across the world. Net Insight has received a significant order from EBU. The EUROVISION network will be build-out to support different large global events. ViewSat, UK, was one of the new customer wins that was announced. ViewSat selected Net Insight's Nimbra platform solution to allow more efficient integration with fibre based video cabling within many carrier hotel locations.

### Partner Network

The revenues from our indirect sales reached 26% of our total revenues. Net Insight has more than 50 resellers in our partner network.

### Marketing

Net Insight has been active in participating in several events and exhibitions during the second quarter, for example in China, Germany, Italy, Korea, Switzerland and the US. Net Insight's two major events for the second quarter were the NAB Show in Las Vegas, US and CommunicAsia in Singapore. At both events Net Insight demonstrated its capabilities in video integrity over unmanaged IP networks enabled by Nimbra VA 210.

Two articles were published in trade magazine during the second quarter. The article "The Rise of Club Sport" in TVB Europe describes Net Insight's view on the development of remote production. The second article was posted in Satellite Evolution and explains how Net Insight can add value to satellite companies.

### New Product Introduction

A new system release, NimOS GX4.12 was introduced during the quarter integrating new functionality, including higher switching capacity and Time Transfer over IP. A new 10GE access module for the Nimbra 600 series of MSRs, was introduced with the capability of streaming uncompressed HD/3G video over Ethernet.

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

In the beginning of July, Net Insight announced that Fredrik Tumegård will be the new CEO of the company. Fredrik Tumegård will assume his role as CEO on October 1<sup>st</sup> 2013 at the latest.

At July the 2<sup>nd</sup> Net Insight announced that OBS has selected the Nimbra platform for a major sporting event in Russia 2014. OBS has chosen the Nimbra platform to be used for Carrier Ethernet data transport and the solution will be based on the Nimbra 600 MSR series.

## SALES AND EARNINGS

Net Sales for the second quarter amounted to SEK 72.7 million (75.0), which represents a year over year decrease of 3.1%. In comparable currencies the decrease is 1.8%. Revaluation of accounts receivables in foreign currencies had a positive effect on Net Sales of SEK 2.8 million (1.6).

The decrease in sales is related to the APAC region, which had a strong Q2'12. Western Europe had a strong quarter including expansion orders to EBU and good repeat and expansion business from other major existing customers. The Americas showed a slight improvement over last year with the North American market showing growth, both to existing and new customers.

### NET SALES PER REGION

|                       | Q2          | Q2          | Q3          | Q4          | Q1          | Q3'12-       | Full year    |
|-----------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Amount in SEK million | 2013        | 2012        | 2012        | 2012        | 2013        | Q2'13        | 2012         |
| EMEA                  | 46,8        | 45,6        | 31,0        | 49,6        | 42,1        | 169,5        | 180,8        |
| Americas              | 18,6        | 17,5        | 12,2        | 11,9        | 15,3        | 58,0         | 55,3         |
| APAC                  | 7,3         | 11,9        | 17,1        | 6,8         | 5,0         | 36,2         | 44,2         |
| <b>Totalt</b>         | <b>72,7</b> | <b>75,0</b> | <b>60,3</b> | <b>68,3</b> | <b>62,4</b> | <b>263,7</b> | <b>280,3</b> |

Sales in the Broadcast & Media business area amounted to 82% (81) of total sales and Digital Terrestrial TV accounted for 16% (19). IPTV/CATV accounted for 2% (0) of the turnover.

Hardware revenue amounted to SEK 45.0 million (52.8). Sales of software licenses increased by SEK 3.0 million to SEK 9.2 million (6.2) and support and service revenue increased to SEK 14.7 million (13.1). The above figures are exclusive of other revenues of SEK 3.8 million (2.9) which mainly consist of revaluation of the accounts receivables stock in foreign currencies.

As shown in the condensed income statement on page 10, the Gross margin was 64.2% (60.8). The increase is attributable to favorable currency effects but mainly a favorable customer/product mix partially offset by increased depreciation on capitalized R&D expenditures. Adjusted for depreciation on capitalized R&D expenditures, the Gross margin increased by 6.0 percentage points to 79.9% (73.9).

Total operating expenses for the second quarter amounted to SEK 41.0 million (42.2). Sales and marketing expenses amounted to SEK 25.1 million (25.0). Administrative expenses have decreased by SEK 1.8 million to SEK 6.0 million (7.8). The decrease is related to lower salary expenses partially of a one time off nature. Although R&D expenditures have decreased by SEK 4.5 million to SEK 21.8 million following a reduction in staff and consultants, R&D expenses are in line with previous year at SEK 9.8 million (9.4). This is due to a lower level of capitalization.

Operating earnings amounted to SEK 5.7 million (3.4), which corresponds to an operating margin of 7.9% (4.6)

The financial net amounted to SEK 0.4 million (0.6).

Earnings before tax amounted to SEK 6.1 million (4.1), which corresponds to a profit margin of 8.4% (5.4).

Net income amounted to SEK 3.9 million (12.5) resulting in a Net Profit margin of 5.4% (16.7). The tax charged to the Q2 result is nominal and has no impact on cash flow. In Q2 2012, tax losses carried forward were capitalized resulting in a positive effect on Net Income of SEK 8.4 million. Remaining tax losses carried forward amount to SEK 189.0 million on Group level.

### Six Months

Net Sales for the six months period amounted to SEK 135.1 million (151.7), which is decrease of 10.9% over last year. In comparable currencies the decrease amounts to 8.0%. Revaluation of accounts receivables in foreign currencies had a positive effect on Net Sales of SEK 1.9 million (-0.1)

The EMEA region accounted for SEK 88.9 million (100.2), Americas SEK 33.9 million (31.2) and APAC SEK 12.3 million (20.2).

Sales by business area are distributed between Broadcast & Media 75% (79), DTT 21% (21) and IPTV/CATV 4% (0).

Hardware sales amounted to SEK 88.9 million (107.2), support and service revenue SEK 26.5 million (24.5) and software licenses SEK 16.7 million (18.1).

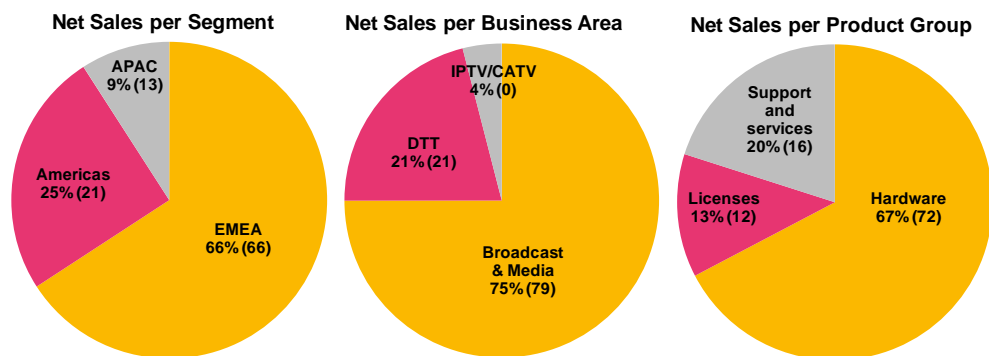
As shown in the condensed income statement on page 10, the Gross margin was 60.4% (60.9). Adjusted for depreciation on capitalized R&D expenditures, the Gross margin amounted to 76.9 (72.8). The improvement is mainly related to a favorable customer and product mix.

Operating expenses have decreased by SEK 3 million to SEK 80.8 (83.8). Adding back capitalization of R&D expenditures, operating expenses amount to SEK 107.8 million (119.6), a decrease of SEK 11.8 million for the six month period.

Operating earnings amounted to SEK 0.7 million (8.6), which correspond to an Operating Margin of 0.5% (5.7).

The Financial net is in line with previous year resulting in an Earnings before tax of SEK 1.5 million (9.3) and the corresponding profit margin amounts to 1.1% (6.1).

Net Income amounted to SEK -0.6 million (17.7).



## CASH FLOW AND FINANCIAL POSITION

Cash flow in the second quarter amounted to SEK -16.5 million (14.6). The negative second quarter cash flow is primarily related to build up of accounts receivables.

Cash flow for the six month period amounted to SEK -24.1 million (3.6). The negative cash flow is related to build up of working capital, both customer receivables and inventories.

Liquid funds at the end of the period totaled SEK 161.8 million (199.8).

Total shareholders' equity amounted to SEK 503.0 million (509.7) with a resulting equity ratio of 88.5% (85.4).

## INVESTMENTS

Second quarter investments in tangible assets amounted to SEK 0.2 million (0.1) and depreciation of tangible assets amounted to SEK 0.4 million (0.3). Investments in other intangible assets amounted to SEK 0.0 million (2.4) and depreciation amounted to SEK 0.3 million (0.4). Capitalization of development expenditures totaled SEK 12.0 million (16.8). Depreciation of capitalized development expenditures totaled SEK 11.4 million (9.8).

Investments for the six month period in tangible assets amounted to SEK 0.2 million (0.3) and depreciation of tangible assets amounted to SEK 0.7 million (0.6). Investments in other intangible assets amounted to

SEK 0.0 million (2.4) and depreciation amounted to SEK 0.6 million (0.5). Capitalization of development expenditures totaled SEK 27.0 million (35.7). Depreciation of capitalized development expenditures totaled SEK 22.3 million (18.0).

At the end of the period, net book value of capitalized development expenditures amounted to SEK 187.8 million (174.4).

## EMPLOYEES

At the end of the period Net Insight had 140 (155) employees. The parent company Net Insight AB had 130 (145) employees, Net Insight Intellectual Property AB 5 (5) and the US subsidiary Net Insight Inc. had 5 (5) employees.

## PARENT COMPANY

The parent company's net sales during the second quarter amounted to SEK 95.0 million (101.9). Net income amounted to SEK 9.0 million (20.6). Sales for the six month period amounted to SEK 181.0 million (199.5) and Net Income amounted to SEK 9.2 (-40.9).

The net income for the first six months of last year was negatively affected by an adjustment of Group internal charges for development expenditures, which resulted in a one-time charge affecting the Net Income in the Parent company by SEK 68.3 million. This adjustment did not affect over-all Group results or cash flows.

## RISK AND SENSITIVITY ANALYSIS

Net Insight's operation and results are impacted by a number of external and internal factors. A continuous process identifies existing risks and assesses how each risk shall be managed and mitigated.

The risks to which, the company are exposed are divided into market related risks (including competition, technology development, political risks), operational risks (including product reliability, intellectual property rights, litigation and customer dependence) and financial risks.

No additional significant risks or uncertainties than those described in the annual report 2012 have developed in the first quarter.

For a complete description of the Company's risk analysis and risk management, see page 26 in the 2012 Annual report.

## SEASONALITY

Based on an average over the last three fiscal years, the seasonality pattern is relatively even. Net Sales in the first quarter amount to 24%, second quarter to 25%, third quarter 24% and the fourth quarter amount to 27% of annual sales.

### KEY FIGURES

|  | Q2     | Q1     | Q4     | Q3     | Q2     | Q1     | Q4     | Q3     | Jan-Jun | Jan-Jun |
|--|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
|  | 2013   | 2013   | 2012   | 2012   | 2012   | 2012   | 2011   | 2011   | 2013    | 2012    |
| Net sales, kSEK                          | 72 690 | 62 395 | 68 324 | 60 302 | 75 038 | 76 627 | 80 303 | 75 367 | 135 085 | 151 665 |
| Profit/loss after financial items, kSEK  | 6 137  | -4 670 | -1 302 | -2 925 | 4 068  | 5 254  | 16 503 | 17 008 | 1 467   | 9 321   |
| Earnings per share, SEK                  | 0.01   | -0.01  | -0.01  | -0.01  | 0.03   | 0.01   | 0.06   | 0.04   | 0.00    | 0.05    |
| Cash flow from operations per share, SEK | -0.04  | -0.02  | -0.01  | -0.02  | 0.04   | -0.03  | 0.00   | 0.01   | -0.06   | 0.01    |
| Return on capital employed (%)           | 1.2%   | -0.9%  | -0.3%  | -0.6%  | 0.8%   | 1.1%   | 3.4%   | 3.7%   | 0.3%    | 1.9%    |
| Return on equity (%)                     | 0.8%   | -0.9%  | -0.5%  | -0.7%  | 2.5%   | 1.1%   | 4.5%   | 3.1%   | -0.1%   | 3.5%    |
| Equity per share, SEK                    |        |        |        |        |        |        |        |        |         |         |
| - before dilution, SEK                   | 1.29   | 1.28   | 1.31   | 1.30   | 1.31   | 1.27   | 1.26   | 1.20   | 1.29    | 1.31    |
| - after dilution, SEK                    | 1.29   | 1.28   | 1.31   | 1.30   | 1.31   | 1.27   | 1.26   | 1.20   | 1.29    | 1.31    |

## CONSOLIDATED INCOME STATEMENT

| Amount in SEK thousands   | Q2<br>2013    | Q2<br>2012    | Jan-Jun<br>2013 | Jan-Jun<br>2012 | Q3'12-Q2'13<br>12 months | Full year<br>2012 |
|---|---------------|---------------|-----------------|-----------------|--------------------------|-------------------|
| Net sales   | 72 690        | 75 038        | 135 085         | 151 665         | 263 711                  | 280 291           |
| Cost of goods & service sold  | -25 999       | -29 421       | -53 548         | -59 251         | -107 253                 | -112 956          |
| <b>Gross earnings</b>   | <b>46 691</b> | <b>45 617</b> | <b>81 537</b>   | <b>92 414</b>   | <b>156 458</b>           | <b>167 335</b>    |
| Sales and marketing expenses  | -25 146       | -24 967       | -50 200         | -51 719         | -103 087                 | -104 606          |
| Administration expenses   | -6 032        | -7 803        | -12 631         | -14 595         | -25 086                  | -27 050           |
| Development expenses  | -9 798        | -9 424        | -17 964         | -17 527         | -30 366                  | -29 929           |
| Other expenses  | 0             | 0             | 0               | 0               | -3 027                   | -3 027            |
| <b>Operating earnings</b>   | <b>5 715</b>  | <b>3 423</b>  | <b>742</b>      | <b>8 573</b>    | <b>-5 108</b>            | <b>2 723</b>      |
| Net financial items   | 422           | 645           | 725             | 748             | 2 350                    | 2 373             |
| <b>Earnings before tax</b>  | <b>6 137</b>  | <b>4 068</b>  | <b>1 467</b>    | <b>9 321</b>    | <b>-2 758</b>            | <b>5 096</b>      |
| Tax   | -2 191        | 8 420         | -2 092          | 8 420           | -3 724                   | 6 788             |
| <b>Net income</b>   | <b>3 946</b>  | <b>12 488</b> | <b>-625</b>     | <b>17 741</b>   | <b>-6 482</b>            | <b>11 884</b>     |
| <b>Net income for the period attributable to the stockholders of the parent company</b> | <b>3 946</b>  | <b>12 488</b> | <b>-625</b>     | <b>17 741</b>   | <b>-6 482</b>            | <b>11 884</b>     |

Earnings/loss per share, based on net profit attributable to the parent company's shareholders during the period (in SEK per share)

|   |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
| Earnings per share before dilution                    | 0,01    | 0,03    | 0,00    | 0,05    | -0,02   | 0,03    |
| Earnings per share after dilution                     | 0,01    | 0,03    | 0,00    | 0,05    | -0,02   | 0,03    |
| Average number of shares in thousands before dilution | 389 933 | 389 933 | 389 933 | 389 933 | 389 933 | 389 933 |
| Average number of shares in thousands after dilution  | 389 933 | 389 933 | 389 933 | 389 933 | 389 933 | 389 933 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Amount in SEK thousands   |              |               |             |               |               |               |
|---|--------------|---------------|-------------|---------------|---------------|---------------|
| <b>Net income</b>   | <b>3 946</b> | <b>12 488</b> | <b>-625</b> | <b>17 741</b> | <b>-6 482</b> | <b>11 884</b> |
| <b>Other comprehensive income</b>   |              |               |             |               |               |               |
| Items that may be reclassified subsequently to the income statement                                     |              |               |             |               |               |               |
| Exchange rate differences   | 213          | -302          | 212         | 5             | -213          | -420          |
| <b>Total other comprehensive income, net after tax</b>  | <b>213</b>   | <b>-302</b>   | <b>212</b>  | <b>5</b>      | <b>-213</b>   | <b>-420</b>   |
| <b>Total comprehensive income for the period</b>  | <b>4 159</b> | <b>12 186</b> | <b>-413</b> | <b>17 746</b> | <b>-6 695</b> | <b>11 464</b> |
| <b>Total comprehensive income for the period attributable to the stockholders of the parent company</b> | <b>4 159</b> | <b>12 186</b> | <b>-413</b> | <b>17 746</b> | <b>-6 695</b> | <b>11 464</b> |

## CONSOLIDATED CASH FLOW STATEMENT

|   | Q2             | Q2             | Jan-Jun        | Jan-Jun        | Q3'12-Q2'13    | Full year      |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Amount in SEK thousands   | 2013           | 2012           | 2013           | 2012           | 12 months      | 2012           |
| <b>Ongoing operations</b>   |                |                |                |                |                |                |
| Net income before tax   | 6 137          | 4 068          | 1 467          | 9 321          | -2 759         | 5 095          |
| Depreciation  | 12 061         | 10 416         | 23 629         | 19 153         | 46 248         | 41 772         |
| Other items not affecting liquidity                                       | 214            | 311            | 212            | 2 441          | 3              | 2 232          |
| <b>Cash flow from ongoing operations before change in working capital</b> | <b>18 412</b>  | <b>14 795</b>  | <b>25 308</b>  | <b>30 915</b>  | <b>43 492</b>  | <b>49 099</b>  |
| <b>Change in working capital</b>  |                |                |                |                |                |                |
| Increase-/decrease+ in inventories  | -5 001         | -3 897         | -8 208         | -10 916        | -10 983        | -13 691        |
| Increase-/decrease+ in receivables  | -13 078        | 18 550         | -15 530        | 12 209         | 10 252         | 37 991         |
| Increase+/decrease- in current liabilities                                | -4 647         | 4 375          | 1 531          | 9 649          | -21 768        | -13 650        |
| <b>Cash flow from ongoing operations</b>                                  | <b>-4 314</b>  | <b>33 823</b>  | <b>3 101</b>   | <b>41 857</b>  | <b>20 993</b>  | <b>59 749</b>  |
| <b>Investment activity</b>  |                |                |                |                |                |                |
| Acquisitions of intangible fixed assets                                   | -12 000        | -19 219        | -26 954        | -38 122        | -56 907        | -68 075        |
| Acquisitions of tangible fixed assets                                     | -164           | -59            | -210           | -256           | -2 172         | -2 218         |
| Acquisition of net assets   | 0              | 0              | 0              | 0              | 0              | 0              |
| Increase-/decrease+ in long-term receivables                              | -44            | 34             | -42            | 139            | 8              | 189            |
| <b>Cash flow from investment activity</b>                                 | <b>-12 208</b> | <b>-19 244</b> | <b>-27 206</b> | <b>-38 239</b> | <b>-59 071</b> | <b>-70 104</b> |
| Increase/decrease in liquid funds   | -16 522        | 14 579         | -24 105        | 3 618          | -38 078        | -10 355        |
| Liquid funds, opening balance   | 178 272        | 185 249        | 185 855        | 196 210        | 199 828        | 196 210        |
| <b>Liquid funds, closing balance</b>                                      | <b>161 750</b> | <b>199 828</b> | <b>161 750</b> | <b>199 828</b> | <b>161 750</b> | <b>185 855</b> |



## CONSOLIDATED BALANCE SHEET

| Amount in SEK thousands                     | Jun 30, 2013   | Jun 30, 2012   | Dec 31, 2012   |
|---|----------------|----------------|----------------|
| <b>ASSETS</b>                               |                |                |                |
| <b>Intangible assets</b>                    |                |                |                |
| Capitalized expenditure for development     | 187 778        | 174 384        | 183 150        |
| Goodwill                                    | 4 354          | 4 354          | 4 354          |
| Other intangible assets                     | 1 900          | 3 234          | 2 460          |
| <b>Tangible fixed assets</b>                |                |                |                |
| Equipment                                   | 4 404          | 3 631          | 4 937          |
| <b>Financial assets</b>                     |                |                |                |
| Deferred tax asset                          | 36 627         | 40 351         | 38 719         |
| Deposits paid, long-term                    | 250            | 258            | 208            |
| <b>Total fixed assets</b>                   | <b>235 313</b> | <b>226 212</b> | <b>233 828</b> |
| <b>Current assets</b>                       |                |                |                |
| Inventory                                   | 58 252         | 47 269         | 50 044         |
| Customer receivables                        | 100 882        | 110 380        | 85 298         |
| Other receivables                           | 12 066         | 12 822         | 12 120         |
| Cash and bank balances                      | 161 750        | 199 828        | 185 855        |
| <b>Total current assets</b>                 | <b>332 950</b> | <b>370 299</b> | <b>333 317</b> |
| <b>Total assets</b>                         | <b>568 263</b> | <b>596 511</b> | <b>567 145</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> |                |                |                |
| <b>Shareholders' equity</b>                 |                |                |                |
| Share capital                               | 15 597         | 15 597         | 15 597         |
| Other contributed capital                   | 1 192 727      | 1 192 727      | 1 192 727      |
| Translation difference                      | -1 728         | -1 515         | -1 940         |
| Accumulated deficit                         | -703 604       | -697 122       | -702 979       |
| <b>Total shareholders' equity</b>           | <b>502 992</b> | <b>509 687</b> | <b>503 405</b> |
| <b>Long-term liabilities</b>                |                |                |                |
| Provisions                                  | 2 782          | 4 154          | 3 612          |
| <b>Total long-term liabilities</b>          | <b>2 782</b>   | <b>4 154</b>   | <b>3 612</b>   |
| <b>Current liabilities</b>                  |                |                |                |
| Accounts payable                            | 16 210         | 30 300         | 20 145         |
| Other liabilities                           | 46 279         | 52 370         | 39 983         |
| <b>Total current liabilities</b>            | <b>62 489</b>  | <b>82 670</b>  | <b>60 128</b>  |
| <b>Total liabilities and equity</b>         | <b>568 263</b> | <b>596 511</b> | <b>567 145</b> |

## CHANGES IN GROUP SHAREHOLDERS' EQUITY

| Amount in SEK thousands                    | Share capital | Other contributed capital | Translation difference | Accumulated deficit | Total shareholders' equity |
|--|---------------|---------------------------|------------------------|---------------------|----------------------------|
| <b>2012-01-01</b>                          | 15 597        | 1 192 727                 | -1 520                 | -715 088            | 491 716                    |
| Total comprehensive income                 | 0             | 0                         | 5                      | 17 741              | 17 746                     |
| New shares issued - employee stock options | 0             | 0                         | 0                      | 0                   | 0                          |
| Employee stock option program:             |               |                           |                        |                     |                            |
| Value of employees' services               | 0             | 0                         | 0                      | 225                 | 225                        |
| <b>2012-06-30</b>                          | <b>15 597</b> | <b>1 192 727</b>          | <b>-1 515</b>          | <b>-697 122</b>     | <b>509 687</b>             |
| <b>2012-07-01</b>                          |               |                           |                        |                     |                            |
| Total comprehensive income                 | 0             | 0                         | -425                   | -5 857              | -6 282                     |
| New shares issued - employee stock options | 0             | 0                         | 0                      | 0                   | 0                          |
| Employee stock option program:             |               |                           |                        |                     |                            |
| Value of employees' services               | 0             | 0                         | 0                      | 0                   | 0                          |
| <b>2012-12-31</b>                          | <b>15 597</b> | <b>1 192 727</b>          | <b>-1 940</b>          | <b>-702 979</b>     | <b>503 405</b>             |
| <b>2013-01-01</b>                          | 15 597        | 1 192 727                 | -1 940                 | -702 979            | 503 405                    |
| Total comprehensive income                 | 0             | 0                         | 212                    | -625                | -413                       |
| Employee stock option program:             |               |                           |                        |                     |                            |
| Value of employees' services               | 0             | 0                         | 0                      | 0                   | 0                          |
| <b>2013-06-30</b>                          | <b>15 597</b> | <b>1 192 727</b>          | <b>-1 728</b>          | <b>-703 604</b>     | <b>502 992</b>             |

## SEGMENT REPORT

| Amount in SEK million              | Q2 2013 |      |     |       | Q2 2012 |      |     |       | Jan-Jun 2013 |      |     |       | Jan-Jun 2012 |      |     |       |
|------------------------------------|---------|------|-----|-------|---------|------|-----|-------|--------------|------|-----|-------|--------------|------|-----|-------|
|                                    | EMEA    | APAC | AM  | Total | EMEA    | APAC | AM  | Total | EMEA         | APAC | AM  | Total | EMEA         | APAC | AM  | Total |
| Net Sales                          | 47      | 7    | 19  | 73    | 46      | 12   | 17  | 75    | 89           | 12   | 34  | 135   | 101          | 20   | 31  | 152   |
| Regional Contribution              | 15      | 1    | 6   | 22    | 12      | 2    | 6   | 19    | 23           | 0    | 8   | 31    | 27           | 3    | 9   | 39    |
| Regional Contribution (%)          | 32%     | 14%  | 30% | 30%   | 25%     | 14%  | 35% | 25%   | 26%          | 2%   | 24% | 23%   | 27%          | 15%  | 29% | 26%   |
| Adjusted for R&D Depreciation      | 7       | 1    | 3   | 11    | 6       | 2    | 2   | 10    | 15           | 2    | 6   | 22    | 12           | 3    | 3   | 18    |
| Adjusted Regional Contribution     | 22      | 2    | 9   | 33    | 18      | 3    | 8   | 29    | 38           | 2    | 14  | 54    | 39           | 5    | 12  | 56    |
| Adjusted Regional Contribution (%) | 48%     | 30%  | 46% | 46%   | 38%     | 28%  | 46% | 38%   | 42%          | 19%  | 40% | 40%   | 39%          | 25%  | 39% | 37%   |

Regional Contribution is defined as Gross earnings less Sales and Marketing expenses. AM is short for Americas.

## CONDENSED CONSOLIDATED INCOME STATEMENT

| Amount in SEK, millions | Q2 2013      |  | Q2 2012      |  | Q3 2012      |  | Q4 2012      |  | Q1 2013      |  | Jan-Jun 2013 | Jan-Jun 2012 |
|-------------------------|--------------|--|--------------|--|--------------|--|--------------|--|--------------|--|--------------|--------------|
|                         |              |  |              |  |              |  |              |  |              |  | 2013         | 2012         |
| Net Sales               | 72,7         |  | 75,0         |  | 60,3         |  | 68,3         |  | 62,4         |  | 135,1        | 151,7        |
| Gross earnings          | 46,7         |  | 45,6         |  | 34,9         |  | 40,0         |  | 34,8         |  | 81,5         | 92,4         |
| <b>Gross margin</b>     | <b>64,2%</b> |  | <b>60,8%</b> |  | <b>57,9%</b> |  | <b>58,6%</b> |  | <b>55,8%</b> |  | <b>60,4%</b> | <b>60,9%</b> |
| Operating earnings      | 5,7          |  | 3,4          |  | -3,6         |  | -2,2         |  | -5,0         |  | 0,7          | 8,6          |
| <b>Operating margin</b> | <b>7,9%</b>  |  | <b>4,6%</b>  |  | <b>-5,9%</b> |  | <b>-3,3%</b> |  | <b>-8,0%</b> |  | <b>0,5%</b>  | <b>5,7%</b>  |
| Earnings before tax     | 6,1          |  | 4,1          |  | -2,9         |  | -1,3         |  | -4,7         |  | 1,5          | 9,3          |
| Net income              | 3,9          |  | 12,5         |  | -3,6         |  | -2,3         |  | -4,6         |  | -0,6         | 17,7         |
| <b>Net margin</b>       | <b>5,5%</b>  |  | <b>16,7%</b> |  | <b>-6,0%</b> |  | <b>-3,4%</b> |  | <b>-7,3%</b> |  | <b>-0,4%</b> | <b>11,7%</b> |

## PARENT COMPANY INCOME STATEMENT

|                               | Q2            | Q2            | Jan-Jun        | Jan-Jun        | Q3'12-Q2'13    | Full Year      |
|-------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Amount in SEK thousands       | 2013          | 2012          | 2013           | 2012           | 12 months      | 2012           |
| Net Sales                     | 94 958        | 101 850       | 180 965        | 199 499        | 354 131        | 372 665        |
| Cost of goods & services sold | -30 936       | -35 566       | -64 405        | -30 362        | -134 437       | -100 394       |
| <b>Gross earnings</b>         | <b>64 022</b> | <b>66 284</b> | <b>116 560</b> | <b>169 137</b> | <b>219 694</b> | <b>272 271</b> |
| Sales and marketing expenses  | -20 063       | -24 545       | -41 787        | -50 036        | -84 824        | -93 073        |
| Administration expenses       | -9 361        | -8 687        | -18 475        | -15 477        | -39 380        | -36 382        |
| Development expenses          | -23 183       | -27 221       | -44 919        | -159 074       | -81 384        | -195 539       |
| Other expenses                | 0             | 0             | 0              | 0              | -3 027         | -3 027         |
| <b>Operating earnings</b>     | <b>11 415</b> | <b>5 831</b>  | <b>11 379</b>  | <b>-55 450</b> | <b>11 079</b>  | <b>-55 750</b> |
| Net financial items           | 271           | 334           | 439            | 92             | 1 576          | 1 229          |
| <b>Earnings before tax</b>    | <b>11 686</b> | <b>6 165</b>  | <b>11 818</b>  | <b>-55 358</b> | <b>12 655</b>  | <b>-54 521</b> |
| Tax                           | -2 647        | 14 450        | -2 609         | 14 450         | -7 864         | 9 195          |
| <b>Net income</b>             | <b>9 039</b>  | <b>20 615</b> | <b>9 209</b>   | <b>-40 908</b> | <b>4 791</b>   | <b>-45 326</b> |

## PARENT COMPANY BALANCE SHEET

| Amount in SEK thousands                     | Jun 30, 2013   | Jun 30, 2012   | Dec 31, 2012   |
|---|----------------|----------------|----------------|
| <b>ASSETS</b>                               |                |                |                |
| <b>Intangible assets</b>                    |                |                |                |
| Capitalized expenditure for development     | 0              | 0              | 0              |
| Other intangible assets                     | 1 900          | 3 234          | 2 460          |
| <b>Tangible fixed assets</b>                |                |                |                |
| Equipment                                   | 4 404          | 3 631          | 4 937          |
| <b>Financial assets</b>                     |                |                |                |
| Shares in group companies                   | 117 427        | 117 427        | 117 427        |
| Deferred tax asset                          | 23 695         | 31 559         | 26 304         |
| Deposits paid, long-term                    | 250            | 258            | 208            |
| <b>Total fixed assets</b>                   | <b>147 676</b> | <b>156 109</b> | <b>151 336</b> |
| <b>Current assets</b>                       |                |                |                |
| Inventory                                   | 58 252         | 47 269         | 50 044         |
| Customer receivables                        | 100 882        | 110 380        | 85 298         |
| receivables, subsidiaries                   | 436 689        | 482 471        | 423 507        |
| Other receivables                           | 12 744         | 12 446         | 12 840         |
| Cash and bank balances                      | 121 666        | 137 546        | 144 332        |
| <b>Total current assets</b>                 | <b>730 233</b> | <b>790 112</b> | <b>716 021</b> |
| <b>Total assets</b>                         | <b>877 909</b> | <b>946 221</b> | <b>867 357</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> |                |                |                |
| <b>Shareholders' equity</b>                 |                |                |                |
| <b>Restricted shareholders' equity</b>      |                |                |                |
| Share capital                               | 15 597         | 15 597         | 15 597         |
| Other contributed capital                   | 112 822        | 112 822        | 112 822        |
| <b>Non-restricted equity</b>                |                |                |                |
| Share premium reserve                       | 51 296         | 51 296         | 51 296         |
| Retained earnings                           | 611 467        | 656 794        | 656 793        |
| Net Income                                  | 9 209          | -40 908        | -45 326        |
| <b>Total shareholders' equity</b>           | <b>800 391</b> | <b>795 601</b> | <b>791 182</b> |
| <b>Long-term liabilities</b>                |                |                |                |
| Other provisions                            | 2 454          | 4 017          | 3 433          |
| <b>Total long-term liabilities</b>          | <b>2 454</b>   | <b>4 017</b>   | <b>3 433</b>   |
| <b>Current liabilities</b>                  |                |                |                |
| Accounts payable                            | 15 963         | 29 978         | 19 653         |
| Liabilities, subsidiaries                   | 15 281         | 66 683         | 15 278         |
| Other liabilities                           | 43 820         | 49 942         | 37 811         |
| <b>Total current liabilities</b>            | <b>75 064</b>  | <b>146 603</b> | <b>72 742</b>  |
| <b>Total liabilities and equity</b>         | <b>877 909</b> | <b>946 221</b> | <b>867 357</b> |



## THIS IS NET INSIGHT

### Business concept and model

Net Insight's business concept is to develop, market and sell products to public and private network owners that need high-quality transport for media-rich traffic. Revenue is generated through direct and indirect sales of products and licenses, support and maintenance services, installation services and training.

### Strategy

Net Insight's objective is to grow faster than the market with good profitability. Net Insight's growth strategy is based on five pillars: segment focus, geographical expansion, indirect sales model, leverage of existing customer base by a broader product portfolio and partnerships with service providers.

### Value Drivers

Net Insight benefits from the general increase in video traffic such as higher consumption of mobile and broadband TV, e.g. OTT, adoption of remote workflows and production as well as a wider coverage of live events. An important driver is also the conversion to new TV formats in the broadcast and media industry.

## REPORTING DATES

|                                    |                   |
|------------------------------------|-------------------|
| Interim Report January – September | 24 October, 2013  |
| Year-end report                    | 14 February, 2014 |

This interim report has been prepared in accordance with IAS 34 Interim financial Reporting and applicable rules in the Annual Accounting Act. The interim report for the parent company was prepared in accordance with Chapter 9 of the annual Accounts Act, interim report. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements except for those mentioned below.

Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 13, 'Fair value measurement'. This standard requires the Group to report information on the fair values of financial instruments in the interim financial report. As per June 30, 2013, all financial instruments are recognized in the balance sheet, in all material aspects, at fair market value.

This report has not been audited by the Company's auditors.

## CERTIFICATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and the interim CEO certify that the Interim report for the period January - June 2013 gives a true and fair overview of the Parent Company Net Insight AB and the Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 19, 2013

Lars Berg  
Chairman

Gunilla Fransson  
Board member

Anders Harrysson  
Board member

Regina Nilsson  
Board member

Cecilia Beck-Friis  
Board member

Crister Fritzon  
Board member

Anders Persson  
Executive Vice President  
& interim CEO

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