

# NET INSIGHT

## INTERIM REPORT JANUARY – SEPTEMBER 2013

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

### **Statement from CEO Fredrik Tumegård:**

***“Net Insight achieved a growth of 11% in the third quarter and at the same time we improved our operating margin.”***

### **Third Quarter 2013**

- Net Sales of SEK 66.9 million (60.3) corresponding to an increase of 10.9% compared to the same period previous year. The increase in comparable currencies amounts to 12.8%.
- Operating earnings of SEK 3.9 million (-3.6), corresponding to an operating margin of 5.8% (-6.0).
- Earnings per share of SEK 0.01 (-0.01).
- Total cash flow of SEK 20.6 million (-9.2).

### **January - September 2013**

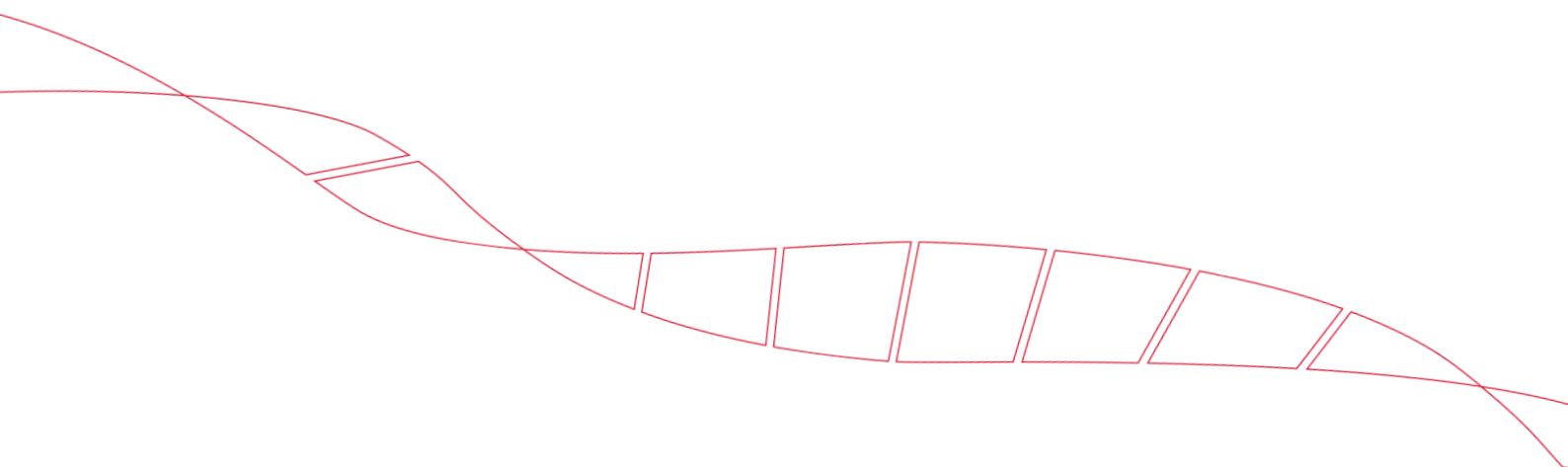
- Net Sales of SEK 202.0 million (212.0) corresponding to a decrease of 4.7% compared to the same period previous year. The decrease in comparable currencies amounts to 2.0%.
- Operating earnings of SEK 4.6 million (5.0), corresponding to an operating margin of 2.3% (2.3).
- Earnings per share of SEK 0.01 (0.04).
- Total cash flow of SEK -3.5 million (-5.6).

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 October 24, 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

Growth during the nine month period decreased with 5%, which is not satisfactory but the third quarter showed a growth rate of 11%. In comparable currencies revenues increased by 13% compared with the same period in the previous year. The business area Broadcast and Media Networks accounted for 84% of total sales. Operating earnings totaled SEK 3.9 million, which corresponds to an operating margin of 6% and is a significant improvement from the previous year. The improvement is the result of a combination of higher volumes and a lower cost level than the previous year. Cash flow was positive during the quarter and reached SEK 20.6 million.

One of the quarter's most important transactions was the deal with OBS regarding a major sporting event in Russia in 2014. Earlier, Net Insight has obtained several contracts in connection with large, international sports events thanks to our solution for high-quality video transport. For the sports event mentioned above, Net Insight's solution was selected for its ability to deliver lossless data services while guaranteeing high quality of services.

Another interesting recent development has occurred within the customer group cable TV operators. During the quarter, Net Insight won a new tier-one North American customer that has chosen to replace traditional satellite transport with Internet-based video transport made possible by our new product, Nimbra VA 210. At the beginning of October we also announced that Net Insight has been awarded an honorable mention by the jury in connection with Broadband Technology Reports' (BTR) prestigious Diamond Technology Reviews. BTR focuses on news and information within the cable and telecommunications industry.

As new CEO I am looking forward to driving the development of Net Insight and to creating growth. The future growth of the company will be based on the strong position the company has achieved and we will find new application areas for high-quality transfer of data and video. We will also utilize the strengths that the company holds, such as our long-term, strong customer relationships, technical expertise and the company's skilled personnel.



Stockholm, October 24, 2013  
Fredrik Tumegård  
CEO

## EVENTS DURING THE THIRD QUARTER

### Market and Customer Wins

During the third quarter the business area, Broadcast and Media Networks, accounted for 84% of total sales. Digital Terrestrial TV accounted for 12% and cable TV/IPTV accounted for 4%.

We received two large orders regarding major sports events during the quarter. One order is from OBS, which has selected Net Insight's Nimbra-platform thanks to its ability to deliver lossless data transfer through service separation, in other words, simultaneously transporting different services without them affecting each other. The solution will be used during a winter sports event that will be held in Russia in 2014. SRG SSR will also use the dedicated contribution network they ordered during the third quarter for the sports event in Russia.

Another interesting order comes from the North American cable TV operator which has selected the Nimbra VA 210 to replace traditional satellite transport with Internet-based video transport. There are other applications for Nimbra VA 210 within the cable TV segment as well as back-up and redundancy solutions.

### Partner network

Revenues from direct sales totaled 25% of total revenues. The relatively low percentage of partner sales is due to a higher percentage of sales in those markets where the company normally sells directly to the customer. The number of resellers is at the same level as before and Net Insight continually has more than 50 partners in its network.

### Marketing

During September, Net Insight participated at IBC in Amsterdam, one of the largest global industry trade shows for the TV and media industry. During the trade show, Net Insight attracted a lot of attention from customers and media regarding its solution for the new TV format, 4K Ultra HD, as well as for its solution for video transport over the Internet. In addition, Net Insight launched a new product, Nimbra 390, as a response to the increased need for advanced data services and enhanced service quality of media over IP.

Our PR activities have resulted in a number of awards during the third quarter. Net Insight's product, Nimbra 640, won the "BIRTV2013 Award" in China for high-quality video transport and was named "Outstanding product". In connection with IBC, Net Insight was a finalist in the competition Connected World TV Award, in the category "Best delivery technology of the year" with our solution for video transport over the Internet.

### Product launches

Nimbura 390 was launched in September and is a product optimized for use in distribution networks for Digital Terrestrial TV (DTT) and for contribution of video, audio and data. Nimbra 390 is the fourth generation of the Nimbra 300 series and has improved functionality for media transport over IP.

## SALES AND EARNINGS

Net sales for the third quarter amounted to SEK 66.9 million (60.3), which corresponds to an increase of 10.9% compared with the corresponding period the previous year. In comparable currencies, the increase totaled 12.8%. Revaluation of accounts receivable in foreign currencies has had a negative impact on net sales of SEK 1.8 million compared with a negative impact of SEK 2.7 million in the same period the previous year.

EMEA showed an increase of SEK 14.8 million compared with the same period last year. This is largely attributable to a significant order from OBS regarding a sports event in Russia. The increase in North and South America of SEK 3.9 million is primarily due to North America and is distributed over a number of customers. APAC showed a downturn compared with the third quarter of 2012 when the company received a large order from a South Korean network owner.

### NET SALES PER REGION

	Q3	Q3	Q4	Q1	Q2	Q4'12-	Full year
Amount in SEK million	2013	2012	2012	2013	2013	Q313	2012
EMEA	45,8	31,0	49,6	42,1	46,8	184,3	180,8
Americas	16,1	12,2	11,9	15,3	18,6	61,9	55,3
APAC	5,0	17,1	6,8	5,0	7,3	24,1	44,2
<b>Totalt</b>	<b>66,9</b>	<b>60,3</b>	<b>68,3</b>	<b>62,4</b>	<b>72,7</b>	<b>270,3</b>	<b>280,3</b>

Net sales within the business area Broadcast and Media Networks (BMN), amounted to 84% (89) of the total net sales and Digital Terrestrial TV totaled 12% (10). Cable TV and IPTV totaled 4% (1) of sales.

Sales of hardware totaled SEK 48.7 million (41.3). Sales of software licenses were in line with the previous year at SEK 6.2 million (6.0). Sales of software support and service were also in line with the previous year at SEK 13.4 million (13.8). The figures above exclude other revenues of SEK -1.4 million (-0.8), which mainly consists of revaluation of the accounts receivables stock in foreign currencies and leasing revenues.

As shown by the consolidated income statement summary on page 10, gross margin totaled 57.5% (57.9). Adjusted for depreciation on capitalized R&D expenditures the gross margin totaled 75.2% (75.4).

Total operating expenses for the third quarter totaled SEK 34.6 million (38.5). Sales and marketing expenses totaled SEK 21.0 million (24.9). The decrease is due to fewer resources than the previous year and reduced partner commissions. The administrative costs are SEK 1.5 million lower than the previous year and total SEK 4.7 million (6.2). The reduction is due to a combination of fewer permanent resources, and during the third quarter, fewer temporary resources than in the corresponding period for 2012. Development expenses are SEK 1.5 million higher than the previous year, which is due to the fact that a lower percentage of development expenditures have been capitalized. Development expenditures amounted to SEK 17.0 million compared with SEK 20.5 million for the third quarter 2012. The decrease is due to the reduced number of resources in the development organization.

Operating earnings amounted to SEK 3.9 million (-3.6), which corresponds to an operating margin of 5.8% (-6.0). The improvement is attributable to higher sales volumes and lower operating expenses.

The financial net amounted to SEK 0.9 million (0.7).

Earnings before tax amounted to SEK 4.7 million (-2.9), which corresponds to a profit margin of 7.1% (-4.9).

Net income for the period amounted to SEK 2.9 million (-3.6) and resulted in a net margin of 4.4% (-6.0).

### Nine Months

Net sales during the nine-month period totaled SEK 202.0 million (212.0), which is a decrease of 4.7% compared with the previous year. In comparable currencies, Net sales are 2% lower compared with the previous year. Net sales were affected positively by SEK 0.1 million due to a revaluation of accounts receivable in foreign currencies compared with a negative effect of SEK 2.9 million for the same period the previous year.

The EMEA region accounted for SEK 134.7 million (131.2), Americas SEK 50.0 million (43.4) and APAC SEK 17.3 million (37.3).

Sales by business area are distributed between Broadcast & Media 78% (79), DTT 18% (21) and IPTV/CATV 4% (0).

Hardware sales amounted to SEK 137.6 million (148.5), support and service revenue SEK 39.9 million (38.3) and software licenses SEK 22.9 million (24.1).

As shown in the condensed income statement on page 10, the Gross margin was 59.5% (60.1). Adjusted for depreciation on capitalized R&D expenditures, the Gross margin amounted to 76.3 (73.5).

Operating expenses have decreased by SEK 7.0 million to SEK 115.4 million (122.4). Sales and marketing costs have decreased by SEK 5.4 million to SEK 71.2 million (76.6) mainly driven by a fewer number of resources and reduced partner commissions. Administration expenses have decreased to SEK 17.3 million (20.8) due to permanently and temporarily fewer resources. Development expenses have increased by SEK 2.0 million to SEK 26.9 million (24.9) as a result of a lower percentage of capitalized development expenditures. Development expenditures amounted to SEK 62.0 million (73.8). The reduction is primarily attributable to fewer development resources.

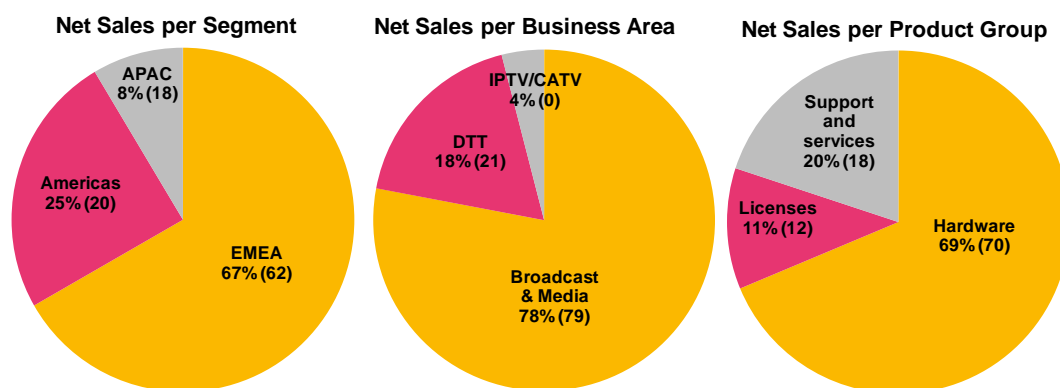
Total operating earnings totaled SEK 4.6 million (5.0), which correspond to an operating margin of 2.3% (2.4).

The financial net totaled SEK 1.6 million (1.4).

Earnings before tax totaled SEK 6.2 million (6.4), which corresponds to a profit margin of 3.1% (3.0).

Net Income for the period totaled SEK 2.3 million (14.2). During the first six months of 2012, the capitalization of loss carry forward gave a positive tax effect of SEK 8.4 million. Profit margin totaled 1.1% (6.7).

Remaining tax losses carried forwards amount SEK 158 million.



## CASH FLOW AND FINANCIAL POSITION

Total cash flow for the third quarter totaled SEK 20.6 million (-9.2). The positive cash flow is mainly due to larger customer payments.

Cash flow for the nine-month period totaled SEK -3.5 million (-5.6). The negative cash flow is primarily due to an increase in the component inventories.

Liquid funds at the end of the period totaled SEK 182.4 million (190.6).

Equity totaled SEK 505.6 million (505.7) with an equity ratio of 88.9% (88.0).

## INVESTMENTS

Investments in tangible assets for the third quarter totaled SEK 0.2 million (0.6) and depreciation amounted SEK 0.4 million (0.6). Investments in other intangible assets totaled SEK 0.0 million (0.0) and depreciation totaled SEK 0.3 million (0.4). Capitalization of development expenditures amounted SEK 8.1 million (13.1). Depreciation of capitalized development expenditures totaled SEK 11.8 million (10.6).

Investments in tangible assets for the nine-month period totaled SEK 0.4 million (0.9) and depreciation of fixed assets totaled SEK 1.1 million (0.9). Investments in other intangible assets totaled SEK 0.0 million (2.4) and depreciation totaled SEK 0.8 million (0.9). Capitalization of development expenditures totaled SEK 35.1 million (48.9) and depreciation of capitalized development expenditures totaled SEK 34.2 million (28.6).

At the end of the period, the net book value of capitalized development expenditures totaled SEK 184.0 million (177.0).

## EMPLOYEES

At the end of the quarter, Net Insight had 139 employees (157). The parent company, Net Insight AB, had 129 employees (147), Net Insight Intellectual Property AB had 5 (5) and the US-based subsidiary, Net Insight Inc. had 5 (5).

## PARENT COMPANY

The parent company's net sales for the third quarter totaled SEK 90.6 million (81.3). The Net Income for the period totaled SEK 7.4 million (0.4). Sales during the nine month period totaled SEK 271.6 million (280.8) and the net income for the period was SEK 16.6 million compared with a loss of SEK 40.5 million for the same period the previous year. The loss for 2012 relates to the first quarter adjustment regarding Group internal charges for development expenditures, which resulted in a one-time charge affecting the Net Income by SEK 68.3 million. This adjustment does not affect over-all Group results.

## 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 third 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

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Jan-Sep	Jan-Sep
	2013	2013	2013	2012	2012	2012	2012	2011	2013	2012
Net sales, kSEK	66 916	72 690	62 395	68 324	60 302	75 038	76 627	80 303	202 001	211 967
Profit/loss after financial items, kSEK	4 724	6 137	-4 670	-1 302	-2 925	4 068	5 254	16 503	6 190	6 396
Earnings per share, SEK	0,01	0,01	-0,01	-0,01	-0,01	0,03	0,01	0,06	0,01	0,04
Cash flow from operations per share, SEK	0,05	-0,04	-0,02	-0,01	-0,02	0,04	-0,03	0,00	-0,01	-0,01
Return on capital employed (%)	0,9%	1,2%	-0,9%	-0,3%	-0,6%	0,8%	1,1%	3,4%	1,3%	1,4%
Return on equity (%)	0,6%	0,8%	-0,9%	-0,5%	-0,7%	2,5%	1,1%	4,5%	0,5%	3,1%
Equity per share, SEK										
- before dilution, SEK	1,30	1,29	1,28	1,31	1,30	1,31	1,27	1,26	1,30	1,30
- after dilution, SEK	1,30	1,29	1,28	1,31	1,30	1,31	1,27	1,26	1,30	1,30

## CONSOLIDATED INCOME STATEMENT

	Q3	Q3	Jan-Sep	Jan-Sep	Q4'12-Q3'13	Full year
Amount in SEK thousands	2013	2012	2013	2012	12 months	2012
Net sales	66 916	60 302	202 001	211 967	270 325	280 291
Cost of goods & service sold	-28 427	-25 392	-81 975	-84 642	-110 289	-112 956
<b>Gross earnings</b>	<b>38 489</b>	<b>34 910</b>	<b>120 026</b>	<b>127 325</b>	<b>160 036</b>	<b>167 335</b>
Sales and marketing expenses	-21 013	-24 879	-71 211	-76 598	-99 219	-104 606
Administration expenses	-4 659	-6 229	-17 290	-20 824	-23 516	-27 050
Development expenses	-8 943	-7 421	-26 907	-24 948	-31 888	-29 929
Other expenses	0	0	0	0	-3 027	-3 027
<b>Operating earnings</b>	<b>3 874</b>	<b>-3 619</b>	<b>4 616</b>	<b>4 955</b>	<b>2 384</b>	<b>2 723</b>
Net financial items	850	694	1 574	1 441	2 506	2 373
<b>Earnings before tax</b>	<b>4 724</b>	<b>-2 925</b>	<b>6 190</b>	<b>6 396</b>	<b>4 890</b>	<b>5 096</b>
Tax	-1 784	-650	-3 875	7 769	-4 856	6 788
<b>Net income</b>	<b>2 940</b>	<b>-3 575</b>	<b>2 315</b>	<b>14 165</b>	<b>34</b>	<b>11 884</b>
<b>Net income for the period attributable to the stockholders of the parent company</b>	<b>2 940</b>	<b>-3 575</b>	<b>2 315</b>	<b>14 165</b>	<b>34</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	-0,01	0,01	0,04	0,00	0,03
Earnings per share after dilution	0,01	-0,01	0,01	0,04	0,00	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>2 940</b>	<b>-3 575</b>	<b>2 315</b>	<b>14 165</b>	<b>34</b>	<b>11 884</b>
<b>Other comprehensive income</b>						
Items that may be reclassified subsequently to the income statement						
Exchange rate differences	-301	-721	-88	-420	-88	-420
<b>Total other comprehensive income, net after tax</b>	<b>-301</b>	<b>-721</b>	<b>-88</b>	<b>-420</b>	<b>-88</b>	<b>-420</b>
<b>Total comprehensive income for the period</b>	<b>2 639</b>	<b>-4 296</b>	<b>2 227</b>	<b>13 745</b>	<b>-54</b>	<b>11 464</b>
<b>Total comprehensive income for the period attributable to the stockholders of the parent company</b>	<b>2 639</b>	<b>-4 296</b>	<b>2 227</b>	<b>13 745</b>	<b>-54</b>	<b>11 464</b>

## CONSOLIDATED CASH FLOW STATEMENT

	Q3	Q3	Jan-Sep	Jan-Sep	Q4 '12-Q3 '13	Full year
Amount in SEK thousands	2013	2012	2013	2012	12 months	2012
<b>Ongoing operations</b>						
Net income before tax	4 724	-2 925	6 191	6 396	4 890	5 095
Depreciation	12 484	11 266	36 113	30 419	47 466	41 772
Other items not affecting liquidity	-304	-427	-90	2 018	124	2 232
<b>Cash flow from ongoing operations before change in working capital</b>	<b>16 904</b>	<b>7 914</b>	<b>42 214</b>	<b>38 833</b>	<b>52 480</b>	<b>49 099</b>
<b>Change in working capital</b>						
Increase-/decrease+ in inventories	-484	-1 910	-8 692	-12 826	-9 557	-13 691
Increase-/decrease+ in receivables	14 761	16 742	-769	28 949	8 273	37 991
Increase+/decrease- in current liabilities	-2 311	-18 212	-782	-8 564	-5 868	-13 650
<b>Cash flow from ongoing operations</b>	<b>28 870</b>	<b>4 534</b>	<b>31 971</b>	<b>46 392</b>	<b>45 328</b>	<b>59 749</b>
<b>Investment activity</b>						
Acquisitions of intangible fixed assets	-8 097	-13 117	-35 051	-51 242	-51 884	-68 075
Acquisitions of tangible fixed assets	-161	-641	-371	-895	-1 694	-2 218
Acquisition of net assets	0	0	0	0	0	0
Increase-/decrease+ in long-term receivables	-12	-7	-54	132	3	189
<b>Cash flow from investment activity</b>	<b>-8 270</b>	<b>-13 765</b>	<b>-35 476</b>	<b>-52 005</b>	<b>-53 575</b>	<b>-70 104</b>
Increase/decrease in liquid funds	20 600	-9 231	-3 505	-5 613	-8 247	-10 355
Liquid funds, opening balance	161 750	199 828	185 855	196 210	190 597	196 210
<b>Liquid funds, closing balance</b>	<b>182 350</b>	<b>190 597</b>	<b>182 350</b>	<b>190 597</b>	<b>182 350</b>	<b>185 855</b>



## CONSOLIDATED BALANCE SHEET

Amount in SEK thousands	Sep 30, 2013	Sep 30, 2012	Dec 31, 2012
<b>ASSETS</b>			
<b>Intangible assets</b>			
Capitalized expenditure for development	184 048	176 951	183 150
Goodwill	4 354	4 354	4 354
Other intangible assets	1 620	2 813	2 460
<b>Tangible fixed assets</b>			
Equipment	4 188	3 978	4 937
<b>Financial assets</b>			
Deferred tax asset	34 846	39 943	38 719
Deposits paid, long-term	262	265	208
<b>Total fixed assets</b>	<b>229 318</b>	<b>228 304</b>	<b>233 828</b>
<b>Current assets</b>			
Inventory	58 736	49 179	50 044
Customer receivables	86 103	92 784	85 298
Other receivables	12 084	13 676	12 120
Cash and bank balances	182 350	190 597	185 855
<b>Total current assets</b>	<b>339 273</b>	<b>346 236</b>	<b>333 317</b>
<b>Total assets</b>	<b>568 591</b>	<b>574 540</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	-2 028	-1 940	-1 940
Accumulated deficit	-700 664	-700 698	-702 979
<b>Total shareholders' equity</b>	<b>505 632</b>	<b>505 686</b>	<b>503 405</b>
<b>Long-term liabilities</b>			
Provisions	2 880	4 029	3 612
<b>Total long-term liabilities</b>	<b>2 880</b>	<b>4 029</b>	<b>3 612</b>
<b>Current liabilities</b>			
Accounts payable	12 400	16 167	20 145
Other liabilities	47 679	48 658	39 983
<b>Total current liabilities</b>	<b>60 079</b>	<b>64 825</b>	<b>60 128</b>
<b>Total liabilities and equity</b>	<b>568 591</b>	<b>574 540</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	-420	14 165	13 745
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>2012-09-30</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-1 940</b>	<b>-700 698</b>	<b>505 686</b>
<b>2012-10-01</b>					
Total comprehensive income	0	0	0	-2 281	-2 281
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	-88	2 315	2 227
Employee stock option program:					
Value of employees' services	0	0	0	0	0
<b>2013-09-30</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-2 028</b>	<b>-700 664</b>	<b>505 632</b>

## SEGMENT REPORT

Amount in SEK million	Q3 2013				Q3 2012				Jan-Sep 2013				Jan-Sep 2012			
	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total
Net Sales	46	5	16	67	31	17	12	60	135	17	50	202	132	37	43	212
Regional Contribution	12	0	4	15	5	2	2	9	37	0	12	48	32	5	11	48
Regional Contribution (%)	26%	-3%	22%	23%	16%	12%	17%	15%	27%	1%	23%	24%	24%	14%	26%	23%
Adjusted for R&D Depreciation	8	1	3	12	5	3	2	10	23	3	8	34	17	6	5	28
Adjusted Regional Contribution	20	1	6	27	10	5	4	19	59	3	20	82	49	11	16	76
Adjusted Regional Contribution (%)	43%	14%	40%	40%	32%	29%	33%	32%	44%	18%	40%	41%	37%	30%	37%	36%

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	Q3 2013	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Jan-Sep 2013	Jan-Sep 2012
Net Sales	66,9	60,3	68,3	62,4	72,7	202,0	211,9
Gross earnings	38,5	34,9	40,0	34,8	46,7	120,0	127,3
<b>Gross margin</b>	<b>57,5%</b>	<b>57,9%</b>	<b>58,6%</b>	<b>55,8%</b>	<b>64,2%</b>	<b>59,5%</b>	<b>60,1%</b>
Operating earnings	3,9	-3,6	-2,2	-5,0	5,7	4,6	5,0
<b>Operating margin</b>	<b>5,8%</b>	<b>-6,0%</b>	<b>-3,3%</b>	<b>-8,0%</b>	<b>7,9%</b>	<b>2,3%</b>	<b>2,4%</b>
Earnings before tax	4,7	-2,9	-1,3	-4,7	6,1	6,2	6,5
Net income	2,9	-3,6	-2,3	-4,6	3,9	2,3	14,2
<b>Net margin</b>	<b>4,4%</b>	<b>-6,0%</b>	<b>-3,4%</b>	<b>-7,3%</b>	<b>5,5%</b>	<b>1,1%</b>	<b>6,7%</b>

## PARENT COMPANY INCOME STATEMENT

	Q3	Q3	Jan-Sep	Jan-Sep	Q4'12-Q3'13	Full Year
Amount in SEK thousands	2013	2012	2013	2012	12 months	2012
Net Sales	90 586	81 287	271 551	280 788	363 428	372 665
Cost of goods & services sold	-33 905	-32 965	-98 310	-63 327	-135 377	-100 394
<b>Gross earnings</b>	<b>56 681</b>	<b>48 322</b>	<b>173 241</b>	<b>217 461</b>	<b>228 051</b>	<b>272 271</b>
Sales and marketing expenses	-17 426	-23 163	-59 213	-73 199	-79 087	-93 073
Administration expenses	-13 394	-5 346	-31 869	-20 823	-47 428	-36 382
Development expenses	-17 041	-19 585	-61 959	-178 659	-78 839	-195 539
Other expenses	0	0	0	0	-3 027	-3 027
<b>Operating earnings</b>	<b>8 820</b>	<b>228</b>	<b>20 200</b>	<b>-55 220</b>	<b>19 670</b>	<b>-55 750</b>
Net financial items	714	418	1 153	510	1 872	1 229
<b>Earnings before tax</b>	<b>9 534</b>	<b>646</b>	<b>21 353</b>	<b>-54 710</b>	<b>21 542</b>	<b>-54 521</b>
Tax	-2 180	-224	-4 790	14 226	-9 821	9 195
<b>Net income</b>	<b>7 354</b>	<b>422</b>	<b>16 563</b>	<b>-40 484</b>	<b>11 721</b>	<b>-45 326</b>

## PARENT COMPANY BALANCE SHEET

Amount in SEK thousands	Sep 30, 2013	Sep 30, 2012	Dec 31, 2012
<b>ASSETS</b>			
<b>Intangible assets</b>			
Capitalized expenditure for development	0	0	0
Other intangible assets	1 620	2 813	2 460
<b>Tangible fixed assets</b>			
Equipment	4 188	3 978	4 937
<b>Financial assets</b>			
Shares in group companies	117 427	117 427	117 427
Deferred tax asset	21 517	31 577	26 304
Deposits paid, long-term	262	265	208
<b>Total fixed assets</b>	<b>145 014</b>	<b>156 060</b>	<b>151 336</b>
<b>Current assets</b>			
Inventory	58 736	49 179	50 044
Customer receivables	86 103	92 784	85 298
receivables, subsidiaries	436 556	511 660	423 507
Other receivables	12 509	13 090	12 840
Cash and bank balances	144 256	126 605	144 332
<b>Total current assets</b>	<b>738 160</b>	<b>793 318</b>	<b>716 021</b>
<b>Total assets</b>	<b>883 174</b>	<b>949 378</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	656 795	656 793
Net Income	16 563	-40 484	-45 326
<b>Total shareholders' equity</b>	<b>807 745</b>	<b>796 026</b>	<b>791 182</b>
<b>Long-term liabilities</b>			
Other provisions	2 481	3 821	3 433
<b>Total long-term liabilities</b>	<b>2 481</b>	<b>3 821</b>	<b>3 433</b>
<b>Current liabilities</b>			
Accounts payable	12 305	15 950	19 653
Liabilities, subsidiaries	15 278	86 769	15 278
Other liabilities	45 365	46 812	37 811
<b>Total current liabilities</b>	<b>72 948</b>	<b>149 531</b>	<b>72 742</b>
<b>Total liabilities and equity</b>	<b>883 174</b>	<b>949 378</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

Year-end report	14 February, 2014
Interim report January-March 2014	30 April, 2014
Annual General Meeting	8 May, 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.

## NOMINATION COMMITTEE

In accordance with the decision of the Annual General Meeting held on April 25th, 2013 the members of the nomination committee shall be nominated by the four largest shareholders (voting rights). In addition, the company's Chairman of the board shall be part of the nomination committee.

Net Insight's nomination committee for the 2014 Annual General Meeting consists of Clifford H. Friedman (Constellation Growth Capital), Lars Bergkvist (Lannebo Fonder), Annika Andersson (Swedbank Robur funds), Ramsay Brufer (Alecta) and Lars Berg (Chairman of the Net Insight Board and European Venture Partner for Constellation Growth Capital). The nomination committee appointed Lars Bergkvist (Lannebo Fonder) to serve as Chairman of the Committee.

The nomination committee's task is to present proposals to the Annual General Meeting for Chairman of the Annual General Meeting, Chairman of the Board of Directors, members of the Board of Directors and auditors, as well as fees and other remuneration to each member of the board and any remuneration for committee work and audit fees. Furthermore, the nomination committee shall make a proposal regarding the composition of the nomination committee and its tasks for the Annual General Meeting 2015.



Stockholm, October 24, 2013

Fredrik Tumegård  
CEO

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## REPORT OF REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed this report for the period 1 January 2013 to 30 September 2013 for Net Insight AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 24 October, 2013

PricewaterhouseCoopers AB

Mikael Winkvist  
Authorised Public Accountant

