

# NET INSIGHT YEAR-END REPORT 2013

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

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

***"During 2013, Net Insight grew marginally, but improved its underlying profitability. The first two quarters of the year were weak, but during the second half, growth was 13%, a growth rate that is more rapid than the market."***

### **Fourth Quarter 2013**

- Net Sales of SEK 78.8 million (68.3) an increase of 15.3% compared to the same period previous year. In comparable currencies the increase was 11,9%
- Operating earnings, adjusted for one-time cost items of SEK 18.6 million (3.0), amount to SEK 4.4 million (0.8), corresponding to an adjusted operating margin of 5.6% (1.2.)
- Operating earnings amount to SEK -14.3 million (-2.2), corresponding to an operating margin of -18.1% (-3.3)
- Earnings per share of SEK -0.03 (0.01).
- Total cash flow of SEK 21.4 million (-4.7)

### **January – December 2013**

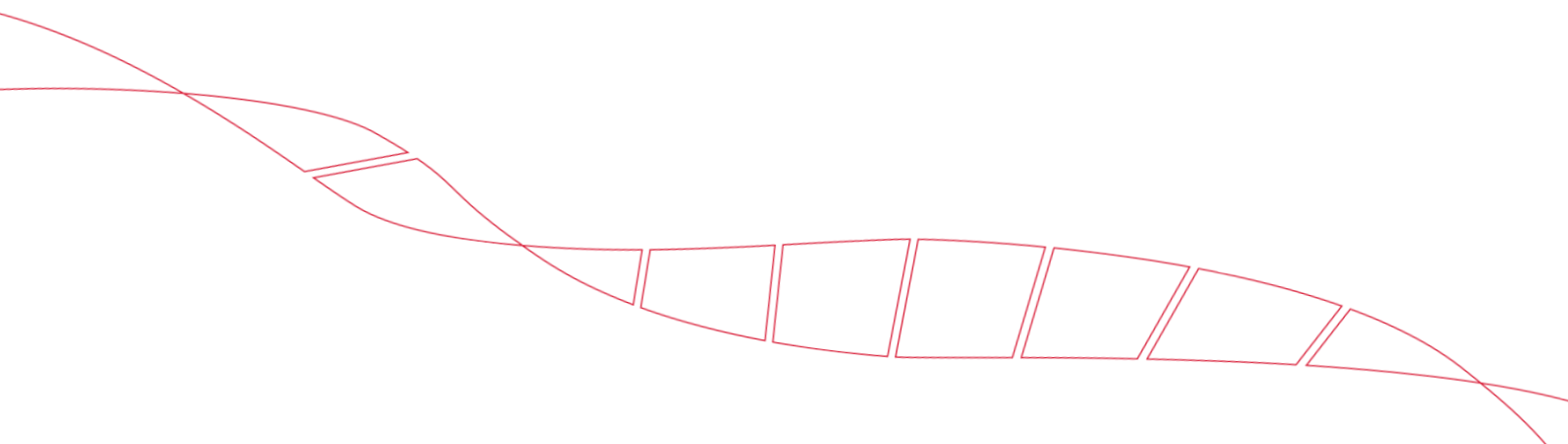
- Net Sales amounted to SEK 280.8 million (280.3). In comparable currencies the increase amounts to 1.5%
- Operating earnings, adjusted for one-time items of SEK 18.6 million (3.0), amount to SEK 8.9 million (5.7) corresponding to an operating margin of 3.2% (2.1)
- Operating earnings amounted to SEK -9.7 million (2.7) corresponding to an operating margin of 3.4% (1.0)
- Earnings per share of SEK -0.02 (0.03)
- Total cash flow of SEK 17.9 million (-10.4)

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 February 14, 2014 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 200 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

### FOURTH QUARTER

Net Sales increased by 15% during the fourth quarter. The sales increase relates in particular to operations in the North and South American region. In EMEA and Asia, sales levels are in line with previous year. Once again, Broadcast and Media Networks (BMN) is the largest business area and accounted for 85 % (58) of total sales. The Digital Terrestrial Television (DTT) business area amounted to 12 % (35) of total sales.

Gross margin, adjusted for depreciation of capitalized R&D expenditures and one-time cost items, is continuously strong and amounted to 76% (74). The fourth quarter was affected by one-time cost items and operating earnings totaled SEK 4 million (1), which corresponds to an operating margin of 6% (1). Operating earnings including one-time cost items amounted to SEK -14 million (-2), which corresponds to an operating margin of -18% (-3). Cash flow during the fourth quarter was positive, and amounted to SEK 21 million (-5).

During the quarter, we received three significant orders from existing customers, relating to expansion of existing media networks with leading operators in EMEA and in Latin America, of which one from EBU.

### THE FULL YEAR 2013

For the full year 2013, sales totaled SEK 281 million (280), which is a slight improvement compared to previous year. The first two quarters showed a decline in sales compared to previous year, but during the second half of the year Net Insight managed to break the negative trend, and growth amounted to 13%. Underlying profitability improved, and operating earnings adjusted for one-time cost items totaled SEK 9 million. Cash flow was positive during the year, and amounted to SEK 18 million (-10), which resulted in a cash balance of SEK 204 million at year-end.

Compared to previous year, the business area Broadcast & Media Networks increased turnover by 5 %. The major business during 2013 has come from existing operators in Western Europe and Latin America, aiming to extend existing media networks. 25 new customers have been added, among them ViewSat in the United Kingdom and we have also won our first customer in Russia, VGTRK. Towards the end of the year, Net Insight received yet another reference in the Russian market, Rostelecom. During autumn 2013 our business has to some extent been linked to the Winter Games in Sochi and orders were received from ZDF, Germany, SRG SSR, Switzerland and Hibernia in the USA, including the above-mentioned Russian customers. When it comes to our development in China, the establishment of NI Systems showed results, and we have more than 25 customers in the market. Despite a relatively weak year in China, Net Insight has the opportunity for further growth on the Chinese market, as our previous order of a national network from 2012 has now been rolled out.

During the year we also received attention for our qualities within data transport, when OBS chose the Nimbra platform for a major sports event in Russia 2014. The fact that OBS selected Net Insight for data services only demonstrates that our customers trust our solution for secure media transport, no matter if its audio, video or pure data services.

The business area DTT declined in turnover due to a few projects again being delayed in South-East Asia and in Africa.

The TV and media market is changing, and due to the establishment of both fixed and mobile OTT services, among other things, the business model of many of our customers is being challenged. The business model for distribution of TV will crystalize and the question is when and what technology will be used to deliver high-quality OTT services. A market change can lead to new opportunities for Net Insight, and therefore we are currently evaluating our strategy.

Having said this, I can sum up 2013 as a stable year, with improved underlying profitability, but unfortunately without any growth. Net Insight's position with more than 200 customers in more than 60



countries is a strong starting position, but now we need to take the next step and for this reason we have started an evaluation of our strategy that will create a new direction for the company. For the next coming years, growth will be generated mostly by the business area BMN and our current customers. We are analyzing a number of new segments in order to identify how Net Insight can adapt to the new media landscape. With our current assets such as our customer base, competency within media and networks combined with our technology, we can create customer value in new segments. The organizational change announced in January was Net Insight's first step towards becoming a more market- and sales oriented company.



Stockholm, February 14, 2014  
Fredrik Tumegård  
CEO

## EVENTS DURING THE FOURTH QUARTER

### Market and Customer Wins

During the fourth quarter, Net Insight received three major orders from existing operators, to expand their media networks, which contributed to good growth during the fourth quarter.

In December, we won our first customer references on the Russian market with both VGTRK, the state-owned TV and radio company, and Rostelecom, the largest telecom operator in Russia. Both these customers have built contribution networks based on the Nimbra platform for transmitting video services during the Winter Games in Sochi.

### Partner network

Revenues from indirect sales amounted to 49% of total revenues, which is an increase compared to the last few quarters. The number of partners is at the same level as before and Net Insight continually has 50 resellers in its global partner network.

### Marketing

In October, Net Insight took part in one of the most important cable-TV trade shows in the USA, SCTE Cable-Tec Expo. Our value offering to the cable-TV market has been refined. Thanks to this offering, Net Insight managed to attract trade magazine journalists and we have seen the result of this in the trade magazine ScreenPlays Magazine now in January, among other magazines.

During SCTE Cable-Tec Expo, Net Insight was awarded an honourable mention for Nimbra VA 210, which indicates unique usability, unique purpose, or technical innovation. Nimbra VA 210 achieved high points in Broadband Technology Reports' prestigious 2013 Diamond Technology Reviews.

Net Insight exhibited in the trade show Content and Communication World in the USA in November, where we demonstrated our solution for live transport of Ultra HD (4K) together with the Japanese company Astro Design, which is a screen manufacturer.

In addition to the exhibitions mentioned above, Net Insight participated in trade shows together with our partners in Japan, Saudi Arabia and USA.

### Product launches

Film and TV have for some time been produced in the TV format Ultra HD (4K), but now our customers are also beginning to test transport of the new format. During the third and fourth quarters, Net Insight has showed its solution for Ultra HD, which is already commercial and based on the access platform Nimbra 640 and the compression module JPEG2000. During the fourth quarter, we launched a new version of our network monitoring system Nimbra Vision, with improved statistics for SLA reporting (Service Level Agreements).

## SALES AND EARNINGS

Net Sales for the fourth quarter amounted to SEK 78.8 million (68.3), which represents an increase of 15.3% compared to the same period the previous year. In comparable currencies the increase amounts to 11.9%. Revaluation of accounts receivables in foreign currencies had a positive effect on Net Sales of SEK 1.2 million (1.0).

Net Sales in the EMEA region amounted to SEK 50.5 million (49.6) of total sales. The Americas showed an increase of SEK 10.1 million and amounted to SEK 22.0 million (11.9). The increase is related to both North and South America and one part is related to an expansion of a contribution network in Argentina. Net sales in APAC amounted to SEK 6.3 million (6.8).

### NET SALES PER REGION

	Q4	Q4	Q1	Q2	Q3	Full Year	Full Year
Amount in SEK million	2013	2012	2013	2013	2013	2013	2012
EMEA	50,5	49,6	42,1	46,8	45,8	185,2	180,8
Americas	22,0	11,9	15,3	18,6	16,2	72,0	55,3
APAC	6,3	6,8	5,0	7,3	5,0	23,6	44,2
<b>Totalt</b>	<b>78,8</b>	<b>68,3</b>	<b>62,4</b>	<b>72,7</b>	<b>66,9</b>	<b>280,8</b>	<b>280,3</b>

Net sales within the business area Broadcast and Media Networks (BMN), amounted to 85% (58) of the total net sales. DTT accounted for 12% (35) and CATV/IPTV for 3% (7).

Hardware revenue amounted to SEK 54.5 million (49.2). Sales of software licenses amount to SEK 9 million (6.2) whereas support and service revenue amount to SEK 13 million (11.6). The above figures are exclusive of revenues of SEK 2.3 million (1.3), which mainly consist of revaluation effects of the accounts receivables stock in foreign currencies and leasing revenue.

As previously announced, two major one-time cost items occurred in the fourth quarter. The first one is primarily related to a write down of a component inventory for SDH based trunk modules and was made due to a shift in the product mix in favor of Ethernet/IP based trunk modules. The total amount of the inventory write down amounts to SEK 13.0 million. The second write down is related to a trade receivable pertaining to a customer in the EMEA region and impacts the earnings by SEK 5.6 million. As a consequence, Cost of goods sold is impacted by SEK 11.4 million and Sales and marketing expenses with SEK 7.3 million.

As shown in the condensed income statement on page 12, the Gross margin is 46.3% (58.6). The gross margin adjusted for the one-time cost items related to the inventory amounts to 60.7% (58.6). The improvement is primarily connected to a favorable product and customer mix.

Depreciation of capitalized expenditures for R&D projects, which is charged to Cost of Sales, amounts to SEK 11.9 million (10.6). Adjusted for depreciation of capitalized expenditures for R&D projects and one-time cost items, the Gross Margin amounted to 75.8% (74.1)

Total operating expenses for the fourth quarter amount to SEK 50.7 million (42.2). Adjusted for one-time cost items, operating expenses amount to SEK 43.4 million (39.2). The increase, adjusted for the one-time cost items, is related to R&D expenses which have increased by SEK 6.5 million to SEK 11.5 million (5.0). The primary reason for this is that less R&D expenditures have been capitalized as a consequence of a larger portion of projects in the start-up phase and increased maintenance. The total R&D expenditures for the fourth quarter are in line with the fourth quarter 2012 and amounts to SEK 24.1 million (23.1). During the quarter the Administration expenses amount to SEK 5.6 million (6.2). Sales & Marketing expenses amount to SEK 33.6 million (28.0), and SEK 26.3 million (28.0) adjusted for one-time cost items.

Operating earnings adjusted for one-time cost items, that is the one-time cost item mentioned above of SEK 18.6 million in the fourth quarter 2013 and the restructuring charges of SEK 3.0 million taken in the fourth quarter 2012, amount to SEK 4.4 million (0.8). This corresponds to an operating margin of 5.6% (1.2). The increase is attributable to improved sales volumes partly counteracted by increased R&D expenses.

Operating earnings for the fourth quarter, including the one-time cost items, amounted to SEK -14.3 million (-2.2), which correspond to an operating margin of -18.1% (-3.3)

EBITDA, as shown in the condensed income statement on page 12, amounted to SEK -14.3 million (-7.7). Adjusted for one-time cost items, EBITDA improved with SEK 9.0 million to SEK 4.3 million (-4.7). The improvement is primarily related to improved sales volumes.

Earnings before tax totaled SEK-13.8 million (-1.3), which corresponds to a profit margin of -17.5% (-1.9).

Net Income amounted to SEK -11.6 million (-2.3) resulting in a Net Profit margin of -14.7% (-3.4).

## Full Year

Net Sales for the twelve month period amounted to SEK 280.8 million (280.3). In comparable currencies this is an increase with 1.5% compared to previous year. Revaluation of the accounts receivables stock held in foreign currency had a positive impact on Net Sales of SEK 1.2 million (-1.8).

The EMEA region accounted for SEK 185.2 million (180.8) of total sales. During the year many important customers have upgraded and expanded their networks EBU and Arqiva among others. The first orders were received from Russian customers. Americas showed a strong growth during the year and increased sales by SEK 16.7 million to SEK 72.0 million (55.3). Growth is primarily related to North America and expansion of contribution networks mostly at existing customers but at new ones as well. APAC could not show the same good growth as previous year and sales amounted to SEK 23.6 million (44.2). The reason for the decrease is primarily related to the major network roll-outs in China and Korea the previous year.

Net Sales of BMN amounted to 80% (76) of total turnover, DTT 17% (22) and CATV/ IPTV 3% (2). Hardware sales amounted to SEK 192.1 million (197.8), software licenses to SEK 31.9 million (30.3) and support and services revenue SEK 52.9 million (49.9). The above figures are exclusive of revenues of SEK 3.9 million (2.2), which mainly consists of revaluation effects of the accounts receivables stock in foreign currencies and leasing.

As shown in the condensed income statement on page 12, the Gross Margin amounted to 55.8% (59.7). The decrease is solely related to the one-time cost items made in the fourth quarter. Adjusted for this the Gross Margin amounted to 59.8% (59.7). The adjusted Gross Margin exclusive depreciation on capitalized R&D expenditures amounted to 76.2% (73.7).

Operating expenses for the full year amounted to SEK 166.2 million (164.6). Adjusted for the one-time cost items the operating expenses amounted to SEK 158.9 million (161.6). Sales & Marketing expenses amount to SEK 104.8 million (104.6). Adjusted for the write down related to a trade receivable in the fourth quarter the Sales & Marketing expenses amounted to SEK 97.5 million (104.6). The decrease is primarily related to fewer employees, consultants and lower commissions to partners. Administration expenses amounted to SEK 22.9 million (27.1). 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. R&D expenses amounted to SEK 38.4 million (29.9). The increase is related to a lower share of capitalized R&D projects. The total R&D expenditures amount to SEK 86.1 million (96.9). The decrease is a result of fewer R&D resources following the efficiency and cost reduction program implemented in the fourth quarter 2012.

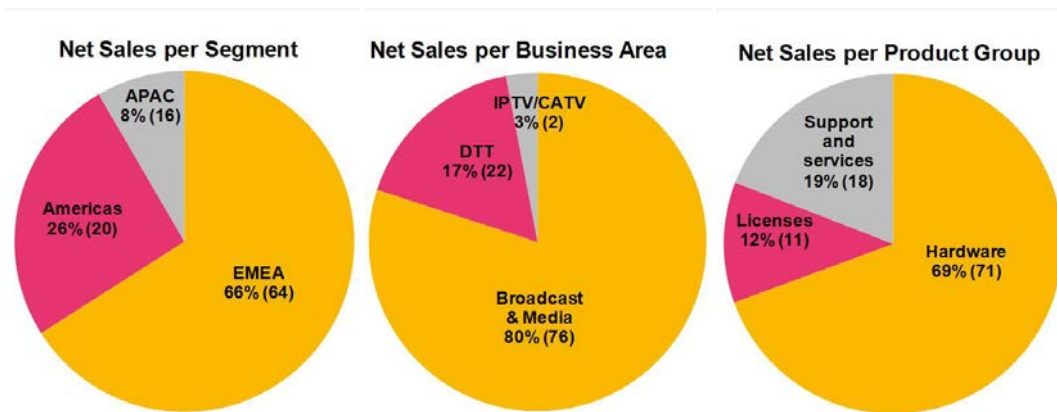
Operating earnings, adjusted for the one-time cost items amounted to SEK 8.9 million (5.8) which correspond to an Operating Margin of 3.2% (2.0). The increase is related to lower expenses.

Operating earnings amounted to SEK -9.7 million (2.7), which correspond to an operating margin of -3.4% (1.0).

EBITDA, as shown in the condensed income statement on page 12, amounted to -8.6 (-21.2). Adjusted for one-time cost items, EBITDA amounted to SEK 10 MSEK (-18.2). The improvement is related to a strengthened adjusted Gross Margin, 76.2% (73.7), which improved the gross earnings before depreciation on capitalized R&D expenditures, and partly to a lower cost level due to the efficiency and cost reduction program implemented in the fourth quarter 2012.

Net Income amounted to SEK -9.2 million (11.9), which corresponds to a net profit margin of -3.3% (4.2).

Remaining loss carry forwards for the companies in the group amount to SEK 178 million.



## CASH FLOW AND FINANCIAL POSITION

Total cash flow for the fourth quarter amounted to SEK 21.4 million (-4.7). The positive cash flow is mainly related to lower balances of accounts receivables as a result of large customer payments, lower inventory levels, and a strengthened cash flow from operations before change in the working capital.

Cash flow for the twelve-month period totaled SEK 17.9 million (-10.4). The cash flow is primarily a result of due to lower balances of accounts receivables as a consequence of larger customer payments and to lower level of expenditures.

Liquid funds at the end of 2013 totaled SEK 203.7 million (185.9).

Equity totaled SEK 494.2 million (503.4) with an equity ratio of 88.4% (88.8).

## INVESTMENTS

Investments in tangible fixed assets for the fourth quarter totaled SEK 0.6 million (1.3) and depreciation amounted SEK 0.4 million (0.4). 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 to SEK 12.6 million (16.8). Depreciation of capitalized development expenditures totaled SEK 11.9 million (10.6).

Investments in tangible fixed assets for the twelve-month period totaled SEK 0.9 million (2.2) and depreciation totaled SEK 1.5 million (1.3). Investments in other intangible assets totaled SEK 0.0 million (2.4) and depreciation totaled SEK 1.1 million (1.3). Capitalization of development expenditures totaled SEK 47.6 million (65.7) and depreciation of capitalized development expenditures totaled SEK 46.1 million (39.2).

At the end of 2013, the net book value of capitalized development expenditures totaled SEK 184.1 million (183.2).

## EMPLOYEES

At the end of the year, Net Insight had 142 employees (156). The parent company, Net Insight AB, had 132 employees (146), 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 fourth quarter totaled SEK 102.8 million (91.9). The Net Income for the period totaled SEK -120.5 million (-4.8). The negative Net Income is related to write downs of shares in a wholly owned subsidiary and does not affect over-all Group results.



The net sales during the twelve-month period amounted to SEK 374.3 million (372.7) and the net income amounted to SEK -103.9 SEK (-45.3). The negative net income is a result primarily related to write downs of shares in a wholly owned subsidiary and does not affect over-all Group results. At the end of the period the parent company had 132 employees (146).

Liquid funds amounts to SEK 167.5 (144.3)

## 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 liability, 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 fourth 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 26%, third quarter 23% and the fourth quarter amount to 27% of annual sales.

### KEY FIGURES

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full Year	Full Year
	2013	2013	2013	2013	2012	2012	2012	2012	2013	2012
Net sales, kSEK	78 798	66 916	72 690	62 395	68 324	60 302	75 038	76 627	280 798	280 291
Profit/loss after financial items, kSEK	-13 813	4 724	6 137	-4 670	-1 302	-2 925	4 068	5 254	-7 622	5 096
Earnings per share, SEK	-0,03	0,01	0,01	-0,01	-0,01	-0,01	0,03	0,01	-0,02	0,03
Cash flow from operations per share, SEK	0,05	0,05	-0,04	-0,02	-0,01	-0,02	0,04	-0,03	0,05	-0,03
Return on capital employed (%)	-2,6%	0,9%	1,2%	-0,9%	-0,3%	-0,6%	0,8%	1,1%	-1,5%	1,1%
Return on equity (%)	-2,2%	0,6%	0,8%	-0,9%	-0,5%	-0,7%	2,5%	1,1%	-1,9%	2,4%
Equity per share, SEK										
- before dilution, SEK	1,27	1,30	1,29	1,28	1,29	1,30	1,31	1,27	1,27	1,29
- after dilution, SEK	1,27	1,30	1,29	1,28	1,29	1,30	1,31	1,27	1,27	1,29



## CONSOLIDATED INCOME STATEMENT

Amount in SEK thousands	Q4 2013	Q4 2012	Full year 2013	Full year 2012
Net sales	78 798	68 324	280 798	280 291
Cost of goods & service sold	-42 341	-28 314	-124 316	-112 956
<b>Gross earnings</b>	<b>36 457</b>	<b>40 010</b>	<b>156 482</b>	<b>167 335</b>
Sales and marketing expenses	-33 581	-28 009	-104 794	-104 606
Administration expenses	-5 645	-6 226	-22 934	-27 050
Development expenses	-11 516	-4 981	-38 423	-29 929
Other expenses	0	-3 027	0	-3 027
<b>Operating earnings</b>	<b>-14 285</b>	<b>-2 233</b>	<b>-9 669</b>	<b>2 723</b>
Net financial items	472	931	2 047	2 373
<b>Earnings before tax</b>	<b>-13 813</b>	<b>-1 302</b>	<b>-7 622</b>	<b>5 096</b>
Tax	2 259	-982	-1 617	6 788
<b>Net income</b>	<b>-11 554</b>	<b>-2 284</b>	<b>-9 239</b>	<b>11 884</b>
<b>Net income for the period attributable to the stockholders of the parent company</b>	<b>-11 554</b>	<b>-2 284</b>	<b>-9 239</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	-0,03	-0,01	-0,02	0,03
Earnings per share after dilution	-0,03	-0,01	-0,02	0,03
Average number of shares in thousands before dilution	389 933	389 933	389 933	389 933
Average number of shares in thousands after dilution	389 933	389 933	389 933	389 933

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amount in SEK thousands				
<b>Net income</b>	<b>-11 554</b>	<b>-2 284</b>	<b>-9 239</b>	<b>11 884</b>
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to the income statement				
Exchange rate differences	287	0	-14	-420
<b>Total other comprehensive income, net after tax</b>	<b>287</b>	<b>0</b>	<b>-14</b>	<b>-420</b>
<b>Total comprehensive income for the period</b>	<b>-11 267</b>	<b>-2 284</b>	<b>-9 253</b>	<b>11 464</b>
<b>Total comprehensive income for the period attributable to the stockholders of the parent company</b>	<b>-11 267</b>	<b>-2 284</b>	<b>-9 253</b>	<b>11 464</b>

## CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousands	Q4 2013	Q4 2012	Full Year 2013	Full Year 2012
<b>Ongoing operations</b>				
Net income before tax	-13 719	-1 302	-7 622	5 095
Depreciation	12 608	11 353	48 720	41 772
Other items not affecting liquidity	17 363	-176	17 365	2 232
<b>Cash flow from ongoing operations before change in working capital</b>	<b>16 252</b>	<b>9 875</b>	<b>58 463</b>	<b>49 099</b>
<b>Change in working capital</b>				
Increase-/decrease+ in inventories	4 765	-865	-3 927	-13 691
Increase-/decrease+ in receivables	9 755	9 042	8 985	37 991
Increase+/decrease- in current liabilities	3 754	-4 694	2 975	-13 650
<b>Cash flow from ongoing operations</b>	<b>34 526</b>	<b>13 358</b>	<b>66 496</b>	<b>59 749</b>
<b>Investment activity</b>				
Investments in intangible fixed assets	-12 588	-16 834	-47 639	-68 075
Investments in tangible fixed assets	-556	-1 323	-926	-2 218
Increase-/decrease+ in long-term receivables	-1	57	-55	189
<b>Cash flow from investment activity</b>	<b>-13 145</b>	<b>-18 100</b>	<b>-48 620</b>	<b>-70 104</b>
Increase/decrease in liquid funds	21 381	-4 742	17 876	-10 355
Liquid funds, opening balance	182 350	190 597	185 855	196 210
<b>Liquid funds, closing balance</b>	<b>203 731</b>	<b>185 855</b>	<b>203 731</b>	<b>185 855</b>

## CONSOLIDATED BALANCE SHEET

Amount in SEK thousands	Dec 31, 2013	Dec 31, 2012
<b>ASSETS</b>		
<b>Intangible assets</b>		
Capitalized expenditure for development	184 072	183 150
Goodwill	4 354	4 354
Other intangible assets	1 340	2 460
<b>Tangible fixed assets</b>		
Equipment	4 354	4 937
<b>Financial assets</b>		
Deferred tax asset	37 102	38 719
Deposits paid, long-term	263	208
<b>Total fixed assets</b>	<b>231 485</b>	<b>233 828</b>
<b>Current assets</b>		
Inventory	42 604	50 044
Customer receivables	70 653	85 298
Other receivables	10 515	12 120
Cash and bank balances	203 731	185 855
<b>Total current assets</b>	<b>327 503</b>	<b>333 317</b>
<b>Total assets</b>	<b>558 988</b>	<b>567 145</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	15 597	15 597
Other contributed capital	1 192 727	1 192 727
Translation difference	-1 954	-1 940
Accumulated deficit	-712 218	-702 979
<b>Total shareholders' equity</b>	<b>494 152</b>	<b>503 405</b>
<b>Long-term liabilities</b>		
Provisions	2 943	3 612
<b>Total long-term liabilities</b>	<b>2 943</b>	<b>3 612</b>
<b>Current liabilities</b>		
Accounts payable	14 535	20 145
Other liabilities	47 358	39 983
<b>Total current liabilities</b>	<b>61 893</b>	<b>60 128</b>
<b>Total liabilities and equity</b>	<b>558 988</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	11 884	11 464
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>2012-12-31</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	-14	-9 239	-9 253
Employee stock option program:					
Value of employees' services	0	0	0	0	0
<b>2013-12-31</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-1 954</b>	<b>-712 218</b>	<b>494 152</b>

## SEGMENT REPORT

Amount in SEK million	Q4 2013				Q4 2012				Jan-Dec 2013				Jan-Dec 2012			
	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total
Net Sales	51	6	22	79	50	7	12	68	185	24	72	281	181	44	55	280
Regional Contribution	0	-1	4	3	10	-1	3	12	36	-1	16	51	45	4	14	63
Regional Contribution (%)	0%	-12%	17%	4%	21%	-16%	23%	18%	20%	-3%	22%	18%	25%	8%	26%	22%
Adjusted for R&D Depreciation	8	1	3	12	8	1	2	11	30	4	12	46	25	6	8	39
Adjusted Regional Contribution	8	0	7	15	18	0	5	23	67	3	27	97	70	10	22	102
Adjusted Regional Contribution (%)	15%	3%	32%	19%	37%	0%	39%	33%	36%	14%	38%	35%	39%	22%	40%	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	Q4 2013	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Full Year 2013	Full Year 2012
Net Sales	78,8	68,3	62,4	72,7	66,9	280,8	280,3
Gross earnings	36,5	40,0	34,8	46,7	38,5	156,5	167,3
<b>Gross margin</b>	<b>46,3%</b>	<b>58,6%</b>	<b>55,8%</b>	<b>64,2%</b>	<b>57,5%</b>	<b>55,8%</b>	<b>59,7%</b>
Operating earnings	-14,3	-2,2	-5,0	5,7	3,9	-9,7	2,7
<b>Operating margin</b>	<b>-18,1%</b>	<b>-3,3%</b>	<b>-8,0%</b>	<b>7,9%</b>	<b>5,8%</b>	<b>-3,4%</b>	<b>1,0%</b>
Earnings before tax	-13,8	-1,3	-4,7	6,1	4,7	-7,6	5,1
Net income	-11,6	-2,3	-4,6	3,9	2,9	-9,2	11,9
<b>Net margin</b>	<b>-14,7%</b>	<b>-3,4%</b>	<b>-7,3%</b>	<b>5,5%</b>	<b>4,4%</b>	<b>-3,3%</b>	<b>4,2%</b>
<b>EBITDA</b>	<b>-14,3</b>	<b>-7,7</b>	<b>-8,4</b>	<b>5,8</b>	<b>8,3</b>	<b>-8,6</b>	<b>-21,2</b>

## EBITDA

Amount in SEK, millions	Q4 2013	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Full Year 2013	Full Year 2012
Operating earnings	-14,3	-2,2	-5,0	5,7	3,9	-9,7	2,7
Depreciation of capitalized development expenditures	11,9	10,6	10,9	11,4	11,8	46,1	39,2
Other depreciation	0,7	0,7	0,7	0,7	0,7	2,6	2,6
Capitalized development expenditures	-12,6	-16,8	-15,0	-12,0	-8,1	-47,6	-65,7
<b>EBITDA</b>	<b>-14,3</b>	<b>-7,7</b>	<b>-8,4</b>	<b>5,8</b>	<b>8,3</b>	<b>-8,6</b>	<b>-21,2</b>

EBITDA - Operating earnings before depreciation and capitalization of development expenditures

## PARENT COMPANY INCOME STATEMENT

	Q4	Q4	Full Year	Full Year
Amount in SEK thousands	2013	2012	2013	2012
Net Sales	102 774	91 877	374 325	372 665
Cost of goods & services sold	-50 175	-35 421	-148 485	-100 394
<b>Gross earnings</b>	<b>52 599</b>	<b>56 456</b>	<b>225 840</b>	<b>272 271</b>
Sales and marketing expenses	-29 212	-24 652	-88 426	-93 073
Administration expenses	-8 583	-8 912	-40 452	-36 382
Development expenses	-23 479	-20 395	-85 438	-195 539
Other expenses	0	-3 027	0	-3 027
<b>Operating earnings</b>	<b>-8 675</b>	<b>-530</b>	<b>11 524</b>	<b>-55 750</b>
Net financial items	-109 447	719	-108 294	1 229
<b>Earnings before tax</b>	<b>-118 122</b>	<b>189</b>	<b>-96 770</b>	<b>-54 521</b>
Tax	-2 380	-5 031	-7 170	9 195
<b>Net income</b>	<b>-120 502</b>	<b>-4 842</b>	<b>-103 940</b>	<b>-45 326</b>

## PARENT COMPANY BALANCE SHEET

Amount in SEK thousands	Dec 31, 2013	Dec 31, 2012
<b>ASSETS</b>		
<b>Intangible assets</b>		
Other intangible assets	1 340	2 460
<b>Tangible fixed assets</b>		
Equipment	4 354	4 937
<b>Financial assets</b>		
Shares in group companies	117 427	117 427
Deferred tax asset	19 134	26 304
Deposits paid, long-term	263	208
<b>Total fixed assets</b>	<b>142 518</b>	<b>151 336</b>
<b>Current assets</b>		
Inventory	42 604	50 044
Customer receivables	70 653	85 298
receivables, subsidiaries	331 003	423 507
Other receivables	9 906	12 840
Cash and bank balances	167 499	144 332
<b>Total current assets</b>	<b>621 665</b>	<b>716 021</b>
<b>Total assets</b>	<b>764 183</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
Other contributed capital	112 822	112 822
<b>Non-restricted equity</b>		
Share premium reserve	51 296	51 296
Retained earnings	611 467	656 793
Net Income	-103 940	-45 326
<b>Total shareholders' equity</b>	<b>687 242</b>	<b>791 182</b>
<b>Long-term liabilities</b>		
Other provisions	2 542	3 433
<b>Total long-term liabilities</b>	<b>2 542</b>	<b>3 433</b>
<b>Current liabilities</b>		
Accounts payable	14 362	19 653
Liabilities, subsidiaries	15 278	15 278
Other liabilities	44 759	37 811
<b>Total current liabilities</b>	<b>74 399</b>	<b>72 742</b>
<b>Total liabilities and equity</b>	<b>764 183</b>	<b>867 357</b>

## ADDITIONAL INFORMATION

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 December 31, 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.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held May 8, 2014, at 10:00 am at Net Insight's office in Stockholm.

Shareholders who are entered in the share register kept by the Securities Register Center (EuroClear Sweden AB) on May 2, 2014 and apply to the Company no later than May 2, 2014 are entitled to attend and vote at the Annual General Meeting.

Applications to participate may be sent to the address Net Insight AB, Box 42093, 126 14 Stockholm or by telephone to +46 (0) 8 685 04 00 or by fax to +46 (0) 8 685 04 20 or by e-mail to [agm@netinsight.net](mailto:agm@netinsight.net).

Shareholders who wish to have a matter considered at the Annual general Meeting 2014 should send their proposals in writing to the chairman of the Board no later than March 14, 2014 by email: [agm@netinsight.net](mailto:agm@netinsight.net) or by post:

Net Insight AB  
The Board of Directors  
Attn: Susanne Jonasson  
Box 42093  
SE- 126 14 Stockholm, Sweden

The Annual Report 2013 will be published in the week starting with April 14, 2014 on [www.netinsight.net](http://www.netinsight.net).

## DIVIDEND

The Board proposes that the AGM resolves that no dividend be paid for the financial year 2013.





## 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-March 2014	30 April, 2014
Annual General Meeting	8 May, 2014
Interim report January-June 2014	22 July, 2014
Interim report January-September 2014	28 October, 2014

Stockholm, February 14, 2014

Fredrik Tumegård  
CEO

### For more information, please contact:

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