

# NET INSIGHT YEAR-END REPORT JANUARY-DECEMBER 2014

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

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

*"The fourth quarter was good with growth of 17%, and the full year 2014 was very good, when we achieved growth of 35% overall. The global moving image market is continuing to grow and media companies are investing to be able to compete for viewers. We're looking forward to continued growth, but also realize that the competition is very intense."*

## **Fourth quarter of 2014**

- Net sales were SEK 91.8 (78.8) million, an increase of 16.5%. In comparable currencies, the increase is 11.3%.
- Operating earnings were SEK 5.6 (-14.3) million, corresponding to an operating margin of 6.1% (-18.1).
- Operating earnings adjusted for one-time charges were SEK 5.6 (4.4) million, corresponding to an operating margin of 6.1% (5.6).
- EBITDA was SEK 8.0 (-14.3) million, corresponding to an EBITDA margin of 8.7% (-18.1).
- Earnings per share were SEK 0.01 (-0.03).
- Total cash flow was SEK 21.2 (21.4) million.

## **January – December 2014**

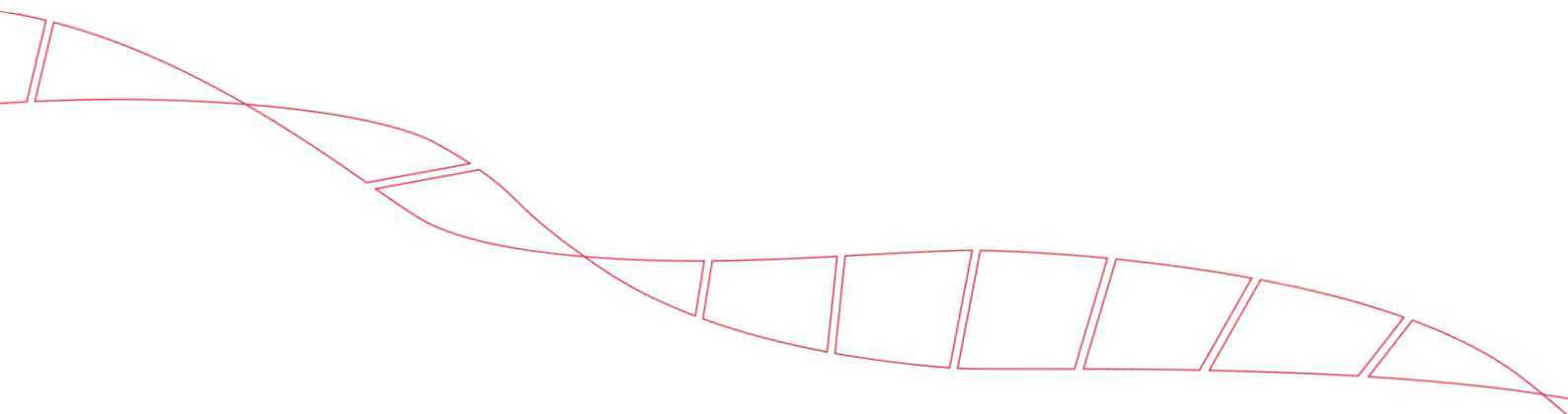
- Net sales were SEK 379.1 (280.8) million, an increase of 35.0% year on year. In comparable currencies, the increase was 26.9%.
- Operating earnings were SEK 53.6 (-9.7) million, corresponding to an operating margin of 14.1% (-3.4).
- Operating earnings adjusted for one-time charges were SEK 53.6 (8.9) million, corresponding to an operating margin of 14.1% (3.2).
- EBITDA was SEK 67.1 (-8.6) million, corresponding to an EBITDA margin of 17.7% (-3.1).
- Earnings per share were SEK 0.11 (-0.02).
- Total cash flow was SEK 90.6 (17.9) million.

*Net Insight AB (publ) 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 13, 2015 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

The final quarter of 2014 was good, and the full year 2014 very good. In the full year 2014, we grew by 35%, or 27% currency adjusted, with an operating margin of 14%, so we are very satisfied. The main explanation was a number of major business win in the first half-year. But the fourth quarter was also good, with increased sales of 17% and a number of new business accounts. We also succeeded in generating cash flow of SEK 21 million in the final quarter and SEK 91 million in the full year. Four of the five largest customers in the quarter were new business accounts, including a strategic order for transport solutions from Rai Way, which operates a nationwide terrestrial TV network in Italy. The fourth quarter also brought successes on the interesting Latin American market, with one example being us securing a new digital terrestrial win with Antel in Uruguay. Growth in the quarter was due largely to successes in the North and South America region, which grew by 43%.

We are a growth company active in the TV-market, which is a growing market. We offer highly competitive products to part of this market, and enjoy high growth potential. Media consumers have never had so much choice, and the competition for end-customers is intensifying.

Our customers are media companies, who quite simply, need to expand their supply to compete. Consumers do not just want to watch TV on regular sets, but on all their devices. Competition for customers is driving media companies—regardless of whether they broadcast over regular TV networks or over the Internet—to invest, in production, contribution and distribution. We are really strong in the contribution layer—ensuring that the transmission between various production units works effectively and at a reasonable cost.

To an extent, growth in 2014 can be explained by a number of major deals. After extensive sales work, the Switch and Zayo placed major orders, which means we are hopeful of being able to grow on the attractive North American market. The Switch is offering an attractive service, enabling media companies to order precisely the transmission capacity they need between production units and then pay for actual use, via a web interface. There is no longer any need to lease dedicated connections, which must be paid for regardless of whether capacity is used or not.

The entire media market is in a major transformation, whose most obvious feature is the growth of web TV services. But in tandem with this, traditional TV companies are investing heavily to avoid losing customers, and all companies need to buy films, series and live events to compete. The Sochi Winter Games were an example—such events are becoming increasingly important for attracting viewers and are where most of our customers use our equipment for effective media transport.

The new high-resolution image format—4K—requires far more capacity than standard resolution images or HDTV, which is also triggering heavy investment. The next standard—8K—is just around the corner. We launched a transport solution for both 4 and 8K in the year because we noted how display manufacturers are hard launching 4K displays, with media companies following in their wake with content. There is a very pressing need to get more capacity for your money, and that is where our solutions are well placed. What we sell is efficiency.

We have very competent professionals, but are also active in a high-paced sector, and should never underestimate the need for competence development and new impulses. There are two segments where we are established: Broadcast & Media Networks (BMN) is our most important business area, where we have most of our business. This is where we intend to strengthen our positioning. Digital Terrestrial TV (DTT) is a core business, but most DTT networks are built, and investments there tend to be upgrades. We also have strong positioning here and need to retain it. There is potential in developing countries, where terrestrial networks do not face competition from other types of cable or wired TV, while DTT is not built out yet. Cable TV & IP TV, where we remain small but our products fit well, is a third segment. Over The Top (TV streamed over the Internet) is a fairly new market. The demand for secure, high-quality transmission is increasing in all contexts, and this segment offers promise for the future, while competition is very intense. With our current solutions, we can enable OTT providers to produce TV content cost efficiently and with high quality over the Internet.

We have started working on regenerating our brand. We know that our customers value us, and that our brand represents competence and flexibility. But we are not universally recognized in the sector, and need to clarify what we stand for and where we want to go. We hope to see the results of this branding work as early as during 2015, but it's a long-term investment in our future.

2014 was really good, and our ambition is for this progress to continue in 2015. We see long-term growth in the market and believe in our potential, but it's far harder to predict the rate at which we can secure major orders. However, what is certain is that 2015 will be at least as exciting as 2014.



Stockholm, February 13, 2015  
Fredrik Tumegård  
CEO

## OTHER EVENTS IN THE FOURTH QUARTER

- Uruguayan telecom leader Antel selects Net Insight for nationwide DTT network
- Rai Way of Italy selects Net Insight's solution for a nationwide video contribution network
- Live 4K testing jointly with The Switch creates media coverage in TV technology
- Global presence at trade events in the US, UAE, Slovenia and Japan

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Net Insight received an expansion order from a global media service provider. The service provider is expanding its network to support a leading TV-company in the Middle East. The project value is expected to exceed USD 1 million and delivery will mainly take place during the first quarter of 2015.

## SALES

### Fourth quarter

Net sales for the fourth quarter were SEK 91.8 (78.8) million, a 16.5% increase year on year. In comparable currencies, the increase was 11.3%. The translation differences of accounts receivables in foreign currencies had a SEK 2.3 (1.2) million positive impact on net sales.

In the fourth quarter, Net Insight secured and delivered a major order to Rai Way in Italy for a nationwide video contribution network, which apart from a depreciated Swedish krona, was a contributor to net sales in EMEA (Europe, Middle East and Africa) increasing by 7.7% to SEK 54.4 (50.5) million. Otherwise in the fourth quarter, EMEA featured stable sales on most existing accounts. In the fourth quarter, the company also secured an order for a stadium network in the UK.

Net sales in North and South America (Americas) continued their high growth, 43.2%, to SEK 31.5 (22.0) million. South America made good progress in the quarter, including deliveries to Antel in Uruguay for a nationwide DTT network. Net Insight also made large-scale shipments to existing and new customers in Brazil. Deliveries in North America were primarily to existing accounts, and despite rollouts of the major Zayo and Switch orders from the first and second quarters not affecting the fourth quarter to any great extent, the North American market is growing.

In APAC (Asia-Pacific) region, net sales were SEK 5.9 (6.3) million, a 6.3% decrease year on year. This decrease is from a low level, and net sales will vary between quarters.

### NET SALES PER SEGMENT

	Q4	Q4	Q1	Q2	Q3	Full Year	Full Year
Amount in SEK million	2014	2013	2014	2014	2014	2014	2013
EMEA	54,4	50,5	45,0	36,4	49,4	185,2	185,2
Americas	31,5	22,0	24,4	59,6	52,9	168,4	72
APAC	5,9	6,3	5,0	4,7	9,9	25,5	23,6
<b>Totalt</b>	<b>91,8</b>	<b>78,8</b>	<b>74,4</b>	<b>100,7</b>	<b>112,2</b>	<b>379,1</b>	<b>280,8</b>

Net sales of the Broadcast & Media Networks (BMN) business area were 79% (85) of total net sales, and Digital & Terrestrial TV (DTT) were 19% (12). IPTV/cable TV networks were 2% (3) of netsales. The increase in DTT primarily relates to sales to Antel of Uruguay.

Net sales from hardware were SEK 46.3 (54.5) million, SEK 24.9 (9.0) million from software licenses and SEK 18.3 (14.1) million from support and services. The increase in software licenses is primarily due to an altered pricing model in the year, where a higher share of pricing is transferred to software. The aim of this change is to create a more flexible pricing mechanism. The above numbers exclude other operating

income of SEK 2.3 (1.2) million, which relates to the translation differences of accounts receivables in foreign currencies.

Sales via partners in the quarter were 51% (49).

### Twelve months

Net sales for the full year 2014 were SEK 379.1 (280.8) million, the strongest year in the company's history. The increase on 2013 is 35.0%, and 26.9% in comparable currencies. The translation differences of accounts receivables in foreign currencies was SEK 5.6 (1.2) million.

Net sales in the EMEA (Europe, Middle East and Africa) region were SEK 185.2 (185.2) million, and important orders from customers in South America, Italy and Sweden were placed in the year, as well as expansion and upgrade orders on major existing accounts. Net Insight had a presence at the Sochi Olympics in Russia in the first quarter, when the company delivered project services for this event.

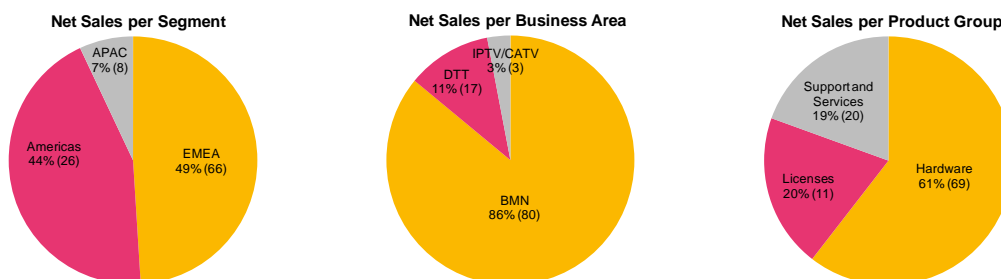
Net sales in North and South America (Americas) were SEK 168.4 (72.0) million. This very high growth is primarily sourced from large orders from Zayo and The Switch placed in the first and second quarters. South America also had a robust year, with good volumes in Brazil and a DTT network rollout in Uruguay. Net Insight delivered video transmission solutions to the FIFA World Cup in the second quarter, and had staff on site providing operational support for three customers.

Net sales in the APAC (Asia-Pacific) region were SEK 25.5 (23.6) million for the full year, an increase of 8.1%. MediaCorp in Singapore placed a DTT order in the first quarter. Sales in China were comparable to the previous year, with Net Insight securing new business accounts. However, progress in this region was slower than planned.

Net sales of the Broadcast & Media Networks (BMN) business area were 86% (80) of total net sales, Digital & Terrestrial TV (DTT) were 11% (17). IPTV/cable TV networks were 3% (3) of net sales. In absolute terms, BMN achieved year-on-year growth of 46%, while DTT decreased by 14%.

Net sales from hardware were SEK 225.9 (192.1) million, SEK 74.9 (31.9) million from software licenses and SEK 72.7 (55.5) million from support and services. The increase in software licenses is partly a result of an altered pricing structure, with a higher share of pricing on licenses rather than hardware. The purpose is to create a more flexible pricing structure. The increase in absolute terms is also due to higher sales volumes generally. The expansion of support and service is driven by a growing installed base, as well as new support customers. The above numbers exclude other operating income of SEK 5.6 (1.2) million, which consists of the translation differences of accounts receivables in foreign currencies.

Sales via partners in 2014 were 34% (39). The main reason for this decrease relates to large-scale direct business in North America.



## EARNINGS

### Fourth quarter

As stated in the tables in the key figures section on page 8, gross margin was 58.0% (46.3) in the fourth quarter. The higher gross margin compared to the corresponding period of the previous year is primarily due to one-time charges of SEK 11.4 million to cost of sales in the fourth quarter of 2013. Adjusted for this item, gross margin was 60.7% in the fourth quarter of 2013. The decrease of this year's margin compared

to the fourth quarter of the previous year relates primarily to the higher share of first-time deals in the fourth quarter of 2014.

Total operating expenses for the fourth quarter were SEK 47.6 (50.7) million. Adjusted for one-time charges of SEK 7.3 million, total operating expenses in the fourth quarter of 2013 were SEK 43.4 million. This increase is mainly sourced from higher expenses for marketing, sales and sales support functions.

Operating earnings were SEK 5.6 (-14.3) million, corresponding to an operating margin of 6.1% (-18.1). Operating earnings for the fourth quarter of 2013 were subject to one-time charges of SEK 18.6 million, and adjusted for these items, operating earnings were SEK 4.4 million, and the operating margin was 5.6%. The improvement in 2014 on the fourth quarter of 2013, adjusted for one-time charges primarily relates to higher sales volumes.

EBITDA was SEK 8.0 (-14.3) million, as stated in the tables in the key figures section on page 8, which corresponds to an EBITDA margin of 8.7% (-18.1). Adjusted for one-time charges in the fourth quarter of 2013, EBITDA was SEK 4.3 million, corresponding to an EBITDA margin of 5.5%. The improvement in 2014 compared to the fourth quarter of 2013 primarily relates to higher sales volumes.

Net income was SEK 4.7 (-11.6) million, resulting in a net margin of 5.1% (-14.7).

### **Twelve months**

As stated in the tables in the key figures section on page 8, the gross margin was 61.2% (55.8) for the full year 2014. The year-2013 gross margin was subject to one-time charges of SEK 11.4 million, and adjusted for this item, the gross margin was 59.8%. The improvement over the gross margin adjusted for one-time charges is volume and currency driven.

Operating expenses were SEK 178.4 (166.2) million. Adjusted for one-time charges of SEK 7.3 million against operating expenses in 2013, this equates to an increase of SEK 19.5 million. The increase relates to higher variable staff costs, increased investment in sales and sales support activities, positive one-time effects of staff changes in management and administration in 2013, and a lower level of capitalization of R&D expenditure. Expenditure for the research and development operation decreased by SEK 4.2 million to SEK 81.9 (86.1) million.

Operating earnings were SEK 53.6 (-9.7) million, corresponding to an operating margin of 14.1% (3.4). Year-2013 operating earnings adjusted for one-time charges were SEK 8.9 million, corresponding to an operating margin of 3.2%. The increase in operating earnings compared to 2013, adjusted for one-time charges, is primary volume driven but also linked to positive currency effects, because the company's cost base is largely denominated in Swedish kronor and the sales is mainly in foreign currencies. However, this rise was offset by the increase in operating expenses.

EBITDA was SEK 67.1 (-8.6) million, as stated in the tables in the key figures section on page 8, corresponding to an EBITDA margin of 17.7% (-3.1). Adjusted for one-time charges in the fourth quarter of 2013, EBITDA was SEK 10.0 million, corresponding to an EBITDA margin of 3.6%. This improvement is primarily due to the same reasons as operating earnings, and a lower level of research and development expenses.

Net income was SEK 41.5 (-9.2) million, resulting in a net margin of 10.9% (-3.3).

Remaining tax loss carry-forwards for group companies were SEK 107 million.

## **CASH FLOW AND FINANCIAL POSITION**

Cash flow for the fourth quarter was SEK 21.2 (21.4) million. The positive cash flow in the fourth quarter is from operating activities.

Cash flow for the 12-month period was SEK 90.6 (17.9) million. The improvement primarily relates to better cash flow from operating activities, the result of improved earnings and reduced working capital, primarily in the form of an increase in current liabilities.

Cash and cash equivalents at the end of the quarter were SEK 294.3 (203.7) million.

Equity was SEK 536.9 (494.2) million with an equity/assets ratio of 86.1% (88.4).

## INVESTMENTS

Fourth-quarter investments in tangible assets were SEK 0.5 (0.6) million, and the depreciation of tangible assets was SEK 0.5 (0.4) million. Investments in other intangible assets were SEK 0.0 (0.0) million, and amortization was SEK 0.3 (0.3) million. The capitalization of R&D expenditure was SEK 11.3 (12.6) million. Amortization of capitalized R&D expenditure was SEK 13.1 (11.9) million.

Investments in tangible assets in the 12-month period were SEK 1.1 (0.9) million and the depreciation of tangible assets was SEK 1.5 (1.5) million. Investments in other intangible assets were SEK 0.1 (0.0) million and amortization was SEK 1.0 (1.1) million. The capitalization of R&D expenditure was SEK 40.9 (47.6) million. The amortization of capitalized R&D expenditure was SEK 51.9 (46.1) million.

At the end of the period, the net value of capitalized R&D expenditure was SEK 173.0 (184.1) million.

## EMPLOYEES

At the end of the quarter, Net Insight had 134 (142) employees, of which 120 (132) were employed by parent company Net Insight AB (publ), Net Insight Intellectual Property AB had 5 (5) employees, Net Insight PTE Ltd. of Singapore had 4 (-) employees and US-based subsidiary Net Insight Inc. had 5 (5).

## PARENT COMPANY

Parent company net sales in the fourth quarter were SEK 115.3 (102.8) million and net income/loss was SEK -113.5 (-120.5) million. The loss for the period is wholly attributable to the impairment of shares in a wholly owned subsidiary, which had no effect on consolidated earnings.

Parent company net sales in the twelve-month period were SEK 463.3 (374.3) million and net income/loss was SEK -76.6 (-103.9) million.

## RISK AND SENSITIVITY ANALYSIS

Net Insight's operations and results of operations are affected by a number of external and internal factors. The company conducts a continuous process to identify all risks present, and to assess how each risk should be managed.

Primarily, those risks the company is exposed to are market-related risks (including competition, technological progress and political risks), operational risks (including product liability, intellectual property, disputes, customer dependency and contract risks) as well as financial risks.

No additional critical risks and uncertainty factors other than those reviewed in the Annual Report for 2013 arose in the fourth quarter.

For a complete review of the company's risk and sensitivity analysis, and its risk management process, see page 23 of the Annual Report for 2013.

## SEASONALITY

On average, seasonality in the past three calendar years has been fairly modest. The average during these years is as follows: in the first quarter, net sales were 23%, the second quarter 26%, the third quarter 25% and the fourth quarter 26% of yearly sales.

## KEY FIGURES

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Full Year	Full Year
	2014	2014	2014	2014	2013	2013	2013	2013	2014	2013
Net sales, SEK thousands	91,8	112,2	100,7	74,4	78,8	66,9	72,7	62,4	379,1	280,8
Profit/loss after financial items, SEK thousands	5,9	32,0	13,4	3,7	-13,8	4,7	6,1	-4,7	55,1	-7,6
Earnings per share, SEK	0,01	0,06	0,03	0,01	-0,03	0,01	0,01	-0,01	0,11	-0,02
Cash flow from operations per share, SEK	0,05	0,14	0,01	0,02	0,05	0,05	-0,04	-0,02	0,23	0,05
Return on capital employed (%)	1,1%	6,2%	2,7%	0,8%	-2,6%	0,9%	1,2%	-0,9%	10,7%	-1,5%
Return on equity (%)	0,9%	4,8%	2,0%	0,4%	-2,2%	0,6%	0,8%	-0,9%	8,0%	-1,9%
Equity per share, SEK										
- before dilution, SEK	1,38	1,36	1,30	1,27	1,27	1,30	1,29	1,28	1,38	1,27
- after dilution, SEK	1,38	1,36	1,30	1,27	1,27	1,30	1,29	1,28	1,38	1,27

						Full Year	Full Year
Amounts in SEK millions	Q4 2014	Q4 2013	Q1 2014	Q2 2014	Q3 2014	2014	2013
Net Sales	91,8	78,8	74,4	100,7	112,2	379,1	280,8
Gross earnings	53,2	36,5	43,3	60,1	75,4	232,0	156,5
<b>Gross margin</b>	<b>58,0%</b>	<b>46,3%</b>	<b>58,2%</b>	<b>59,6%</b>	<b>67,2%</b>	<b>61,2%</b>	<b>55,8%</b>
Operating earnings	5,6	-14,3	3,5	13,0	31,4	53,6	-9,7
<b>Operating margin</b>	<b>6,1%</b>	<b>-18,1%</b>	<b>4,7%</b>	<b>12,9%</b>	<b>28,0%</b>	<b>14,1%</b>	<b>-3,4%</b>
Profit/loss before tax	5,9	-13,8	3,7	13,4	32,0	55,1	-7,6
Net income	4,7	-11,6	2,2	9,9	24,7	41,5	-9,2
<b>Net margin</b>	<b>5,1%</b>	<b>-14,7%</b>	<b>2,9%</b>	<b>9,8%</b>	<b>22,1%</b>	<b>10,9%</b>	<b>-3,3%</b>
<b>EBITDA</b>	<b>8,0</b>	<b>-14,3</b>	<b>3,2</b>	<b>18,6</b>	<b>37,2</b>	<b>67,1</b>	<b>-8,6</b>
<b>EBITDA margin</b>	<b>8,7%</b>	<b>-18,1%</b>	<b>4,3%</b>	<b>18,5%</b>	<b>33,1%</b>	<b>17,7%</b>	<b>-3,1%</b>

						Full Year	Full Year
Amounts in SEK millions	Q4 2014	Q4 2013	Q1 2014	Q2 2014	Q3 2014	2014	2013
Operating earnings	5,6	-14,3	3,5	13,0	31,4	53,6	-9,7
Amortization of capitalized development expenditure	13,1	11,9	12,1	13,3	13,4	51,9	46,1
Other depreciation	0,6	0,7	0,6	0,6	0,6	2,4	2,6
Capitalized development expenditure	-11,3	-12,6	-13,0	-8,3	-8,2	-40,9	-47,6
<b>EBITDA</b>	<b>8,0</b>	<b>-14,3</b>	<b>3,2</b>	<b>18,6</b>	<b>37,2</b>	<b>67,1</b>	<b>-8,6</b>

EBITDA - Operating earnings before depreciation, amortization and capitalization of development expenditure



## CONSOLIDATED INCOME STATEMENT, IN SUMMARY

	Q4	Q3	Full Year	Full Year
Amounts in SEK thousands	2014	2013	2014	2013
Net sales	91 817	78 798	379 110	280 798
Cost of sales	-38 584	-42 341	-147 155	-124 316
<b>Gross earnings</b>	<b>53 233</b>	<b>36 457</b>	<b>231 955</b>	<b>156 482</b>
Sales and marketing expenses	-29 778	-33 581	-107 869	-104 794
Administration expenses	-6 401	-5 645	-29 518	-22 934
Development expenses	-11 426	-11 516	-40 992	-38 423
<b>Operating earnings</b>	<b>5 628</b>	<b>-14 285</b>	<b>53 576</b>	<b>-9 669</b>
Net financial items	245	472	1 474	2 047
<b>Profit/loss before tax</b>	<b>5 873</b>	<b>-13 813</b>	<b>55 050</b>	<b>-7 622</b>
Tax	-1 195	2 259	-13 576	-1 617
<b>Net income</b>	<b>4 678</b>	<b>-11 554</b>	<b>41 474</b>	<b>-9 239</b>
<b>Net income for the period attributable to the stockholders of the parent company</b>	<b>4 678</b>	<b>-11 554</b>	<b>41 474</b>	<b>-9 239</b>

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

Earnings per share, basic	0,01	-0,03	0,11	-0,02
Earnings per share, diluted	0,01	-0,03	0,11	-0,02
Average number of shares in thousands, basic	389 933	389 933	389 933	389 933
Average number of shares in thousands, diluted	389 933	389 933	389 933	389 933

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousands				
<b>Net income</b>	<b>4 678</b>	<b>-11 554</b>	<b>41 474</b>	<b>-9 239</b>
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to the income statement				
Translations differences	567	287	1 261	-14
<b>Total other comprehensive income, net after tax</b>	<b>567</b>	<b>287</b>	<b>1 261</b>	<b>-14</b>
<b>Total comprehensive income for the period</b>	<b>5 245</b>	<b>-11 267</b>	<b>42 735</b>	<b>-9 253</b>
<b>Total comprehensive income for the period attributable to the stockholders of the parent company</b>	<b>5 245</b>	<b>-11 267</b>	<b>42 735</b>	<b>-9 253</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Q4	Q4	Full Year	Full Year
Amounts in SEK thousands	2014	2013	2014	2013
<b>Operating activities</b>				
Profit/loss before tax	5 873	-13 813	55 050	-7 622
Depreciation and amortization	13 728	12 608	54 350	48 720
Other items not affecting liquidity	100	17 455	1 303	17 365
<b>Cash flow from operating activities before changes in working capital</b>	<b>19 701</b>	<b>16 250</b>	<b>110 703</b>	<b>58 463</b>
<b>Changes in working capital</b>				
Increase-/decrease+ in inventories	-561	4 765	-1 594	-3 927
Increase-/decrease+ in receivables	14 294	9 753	1 974	8 985
Increase+/decrease- in current liabilities	-283	3 757	21 738	2 975
<b>Cash flow from operating activities</b>	<b>33 151</b>	<b>34 525</b>	<b>132 821</b>	<b>66 496</b>
<b>Investment activities</b>				
Investments in intangible assets	-11 325	-12 588	-41 012	-47 639
Investments in tangible assets	-537	-555	-1 107	-926
Investments in financial assets	-101	-1	-115	-55
<b>Cash flow from investment activities</b>	<b>-11 963</b>	<b>-13 144</b>	<b>-42 234</b>	<b>-48 620</b>
Net change in cash and cash equivalents for the period	21 188	21 381	90 587	17 876
Cash and cash equivalents at the beginning of the period	273 130	182 350	203 731	185 855
<b>Cash and cash equivalents at the end of the period</b>	<b>294 318</b>	<b>203 731</b>	<b>294 318</b>	<b>203 731</b>

## CONSOLIDATED BALANCE SHEET, IN SUMMARY

Amounts in SEK thousands	Dec 31, 2014	Dec 31, 2013
<b>ASSETS</b>		
<b>Intangible assets</b>		
Capitalized expenditure for development	173 016	184 072
Goodwill	4 354	4 354
Other intangible assets	1 151	1 340
<b>Tangible fixed assets</b>		
Equipment	3 358	4 354
<b>Financial assets</b>		
Deferred tax asset	23 544	37 102
Deposits	378	263
<b>Total non-current assets</b>	<b>205 801</b>	<b>231 485</b>
<b>Current assets</b>		
Inventories	44 207	42 604
Accounts receivables	66 169	70 653
Other receivables	13 025	10 515
Cash and cash equivalents	294 318	203 731
<b>Total current assets</b>	<b>417 719</b>	<b>327 503</b>
<b>Total assets</b>	<b>623 520</b>	<b>558 988</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	15 597	15 597
Other paid-in capital	1 192 727	1 192 727
Translation differences	-693	-1 954
Accumulated deficit	-670 745	-712 218
<b>Total shareholders' equity</b>	<b>536 886</b>	<b>494 152</b>
<b>Non-current liabilities</b>		
Other provisions	3 166	2 943
<b>Total non-current liabilities</b>	<b>3 166</b>	<b>2 943</b>
<b>Current liabilities</b>		
Accounts payable	14 550	14 535
Other liabilities	68 918	47 358
<b>Total current liabilities</b>	<b>83 468</b>	<b>61 893</b>
<b>Total equity and liabilities</b>	<b>623 520</b>	<b>558 988</b>

## CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY, IN SUMMARY

Amounts in SEK thousands	Share capital	Other paid-in capital	Translation differences	Accumulated deficit	Total shareholders' equity
<b>2013-01-01</b>	15 597	1 192 727	-1 940	-702 979	503 405
Total comprehensive income	-	-	-14	-9 239	-9 253
<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>
<b>2014-01-01</b>	15 597	1 192 727	-1 954	-712 218	494 152
Total comprehensive income	-	-	1 261	41 474	42 735
<b>2014-12-31</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-693</b>	<b>-670 745</b>	<b>536 886</b>

## SEGMENT REPORT

Amounts in SEK millions	Q4 2014				Q4 2013				Full Year 2014				Full Year 2013			
	EMEA	AM	APAC	Total	EMEA	AM	APAC	Total	EMEA	AM	APAC	Total	EMEA	AM	APAC	Total
Net Sales	54	32	6	92	51	22	6	79	185	168	26	379	185	72	24	281
Regional Contribution	13	10	1	23	0	4	-1	3	64	58	3	125	36	16	-1	51
Regional Contribution (%)	24%	32%	10%	26%	0%	17%	-12%	4%	34%	34%	13%	33%	20%	22%	-3%	18%
Adjusted for R&D Depreciation	8	5	1	13	8	3	1	12	26	23	4	52	30	12	4	46
Adjusted Regional Contribution	21	15	1	37	8	7	0	15	89	81	7	178	67	27	3	97
Adjusted Regional Contribution (%)	38%	47%	25%	40%	15%	32%	3%	19%	48%	48%	27%	47%	36%	38%	14%	35%

Regional Contribution is defined as Gross earnings less Sales and Marketing expenses.

The CEO review s the business from Europe, Middle East and Africa (EMEA), Americas (AM), and Asia-Pacific (APAC) geographic perspectives.

## PARENT COMPANY INCOME STATEMENT, IN SUMMARY

Amounts in SEK thousands	Q4 2014	Q4 2013	Full Year 2014	Full Year 2013
	2014	2013	2014	2013
Net Sales	115 274	102 774	463 318	374 325
Cost of sales	-48 784	-50 175	-192 909	-148 485
<b>Gross earnings</b>	<b>66 490</b>	<b>52 599</b>	<b>270 409</b>	<b>225 840</b>
Sales and marketing expenses	-27 834	-32 151	-103 063	-105 945
Administration expenses	-6 395	-5 644	-29 505	-22 933
Development expenses	-22 752	-23 479	-81 856	-85 438
<b>Operating earnings</b>	<b>9 509</b>	<b>-8 675</b>	<b>55 985</b>	<b>11 524</b>
Net financial items	-120 924	-109 447	-119 982	-108 294
<b>Earnings before tax</b>	<b>-111 415</b>	<b>-118 122</b>	<b>-63 997</b>	<b>-96 770</b>
Tax	-2 084	-2 380	-12 589	-7 170
<b>Net income</b>	<b>-113 499</b>	<b>-120 502</b>	<b>-76 586</b>	<b>-103 940</b>

By adjusting assessments, the parent company has reclassified certain intercompany expenses from Administration expenses to Sales and marketing expenses. The re-classification has also been made for the comparative periods.

The re-classification has no impact on the Consolidated Income Statement.

The table below show s the effect of the re-classification by post in the income statement, compared with if the expenses had been recognized according to the previous classification.

Sales and marketing expenses	-5 154	-2 939	-23 239	-17 519
Administration expenses	5 154	2 939	23 239	17 519

## PARENT COMPANY BALANCE SHEET, IN SUMMARY

Amounts in SEK thousands	Dec 31, 2014	Dec 31, 2013
<b>ASSETS</b>		
<b>Intangible assets</b>		
Other intangible assets	1 151	1 340
<b>Tangible fixed assets</b>		
Equipment	3 358	4 354
<b>Financial assets</b>		
Participations in group companies	117 427	117 427
Deferred tax asset	6 545	19 134
Deposits	289	263
<b>Total non-current assets</b>	<b>128 770</b>	<b>142 518</b>
<b>Current assets</b>		
Inventory	44 207	42 604
Accounts receivables	66 169	70 653
Receivables from group companies	190 771	331 003
Other receivables	11 635	9 906
Cash and cash equivalents	267 111	167 499
<b>Total current assets</b>	<b>579 893</b>	<b>621 665</b>
<b>Total assets</b>	<b>708 663</b>	<b>764 183</b>
<b>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	507 528	611 467
Net Income	-76 586	-103 940
<b>Total shareholders' equity</b>	<b>610 657</b>	<b>687 242</b>
<b>Non-current liabilities</b>		
Other provisions	3 166	2 542
<b>Total non-current liabilities</b>	<b>3 166</b>	<b>2 542</b>
<b>Current liabilities</b>		
Accounts payable	14 327	14 362
Liabilities to group companies	15 278	15 278
Other liabilities	65 235	44 759
<b>Total current liabilities</b>	<b>94 840</b>	<b>74 399</b>
<b>Total equity and liabilities</b>	<b>708 663</b>	<b>764 183</b>

## ADDITIONAL INFORMATION

This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations of the Swedish Annual Accounts Act. The Interim Report of the parent company complies with chapter 9:e of the Swedish Annual Accounts Act, *Interim Financial Reporting*, and RFR 2 *Accounting for Legal Entities*. The same accounting policies have been applied consistently as in the annual accounts for 2013. The annual accounts include a review of these accounting policies.

There are no IFRS or IFRIC interpretation statements that apply for the first time for annual periods beginning 1 January 2014 that had any significant impact on the group.

This Report has not been reviewed by the company's auditor.

## NOMINATION COMMITTEE AND ANNUAL GENERAL MEETING

Net Insight's Nomination Committee for 2015 has been appointed. The Nomination Committee for the Annual General Meeting 2015 has the following members: Jan Barchan (Briban Invest), Lars Bergkvist (Lannebo Fonder), Ramsay Brufer (Alecta), Annika Andersson (Swedbank Robur fonder) and Lars Berg (Chairman of Net Insight AB). The Nomination Committee has appointed Lars Bergkvist (Lannebo Fonder) as its Chairman.

Shareholders that wish to submit proposals to the Nomination Committee can do so via e-mail, by no later than 12 March 2015 to the Chairman of the Nomination Committee Lars Bergkvist: [lars.bergkvist@lannebofonder.se](mailto:lars.bergkvist@lannebofonder.se).

Net Insight's AGM will be held at 10:00 a.m. on 7 May at the company's premises, Västberga Allé 9, Hägersten, Stockholm, Sweden.

Shareholders interested in submitting proposals to the Board for inclusion in the Invitation to the AGM, should do so by no later than 19 March 2015. Please submit proposals to [agm@netinsight.net](mailto:agm@netinsight.net), or by mail to

Net Insight AB (publ)  
Box 42093  
126 14 Stockholm  
Sweden

Mark the envelope, or enter the email subject line, "Proposal for AGM 2015."

## DIVIDEND

The Board of Directors is proposing to the AGM that no dividend is paid for the financial year 2014.

## 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 2015	29 April, 2015
Annual General Meeting	7 May, 2015
Interim report January – June 2015	22 July, 2015
Interim report January – September 2015	28 October, 2015

Stockholm, February 13, 2015

Fredrik Tumegård  
CEO

### For more information, please contact:

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