

# NET INSIGHT YEAR-END REPORT 2012

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

## Fourth Quarter 2012

- Net Sales of SEK 68.3 million (80.3) a decrease of 14.9% compared to the same period previous year. In comparable currencies the decrease was 13.5%.
- Operating earnings, adjusted for restructuring expenses of SEK 3.0 million, amounted to SEK 0.8 million (16.1), corresponding to an adjusted operating margin of 1.2% (20.0)
- Earnings per share of SEK -0.01 (0.06).
- Total cash flow of SEK -4.7 million (0.8).

## January - December 2012

- Net sales of SEK 280.3 million (294.5) corresponding to a decrease of 4.8% compared to the same period previous year. The decrease in comparable currencies amounts to 3.5%.
- Operating earnings, adjusted for restructuring expenses of SEK 3.0 million, amounted to SEK 5.7 million (42.8), corresponding to an operating margin of 2.1% (14.5).
- Earnings per share of SEK 0.03 (0.13).
- Total cash flow of SEK -10.4 million (-39.6).

*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 February 14, 2012 at 08.45 am CET.*



## A WEAK QUARTER ENDING A CHALLENGING YEAR

### FOURTH QUARTER

Revenues of 68 MSEK (80 MSEK) are 15 % below the same period in the previous year. The revenue decline is driven by the same events as explained in the full year comment below. In summary it relates to project delays in Eastern Europe, Middle East and Africa while Western Europe and APAC performed well and ahead of previous year. The gross margin reached 59 % (62 %) a difference mainly due to increased depreciation of capitalized R&D. The fourth quarter result is affected by a one-time restructuring charge of 3 MSEK. Excluding the restructuring charge the operating earnings reached 1 MSEK (17 MSEK). The restructuring charge relates to the efficiency and cost reduction program announced in October that reduces our total cost base by 25 MSEK for 2013.

During the quarter we had a good flow of repeat business from customers across the world but it was the first quarter in a long time where we actually did not close any large single projects, which of course affects the result negatively. As communicated earlier, single large projects will have a significant effect on our quarterly financial performance.

### FULL YEAR 2012

Already the first three quarters indicated relatively flat revenues and, with a weak top line in the fourth quarter, we end the full year with total revenues of 280 MSEK (295 MSEK). The reported decline is 5 % and currency adjusted the decline would be 3.5 %. The gross margin reached 60 % (62 %) and the slight decline is mainly due to increased depreciations on capitalized R&D. The full year operating result, excluding the restructuring charge of 3 MSEK, reached 6 MSEK (43 MSEK). The decline is explained by; 22 MSEK of increased Operating Expenses, increased depreciation on R&D by 11 MSEK and lower revenues.

There are three main reasons why we were not able to grow in 2012. Projects identified and targeted for 2012 in Eastern Europe, Middle East and Africa did not materialize as planned and were delayed, but not lost. Secondly, five of our ten largest target project opportunities were DTT-projects, none of which materialized during the year, again not lost but delayed. Thirdly and consequently, the average order size declined significantly meaning more efforts to reach "flat" revenues.

Nevertheless, we had very important customer wins and we launched many new products. Overall we did business with over 100 of our total 175 customers around the world. We did business with over 25 new customers globally. We continued to win the DTT expansions and increase our business and presence in important countries like China and Brazil. The projects became smaller than expected but just as an example, we already count 20 different customers in China where we recently strengthened our presence.

The industry perception of a company is very important and as per recent report, Devoncroft "The Big Broadcast Survey 2012, Net Insight has improved its perception measurably over the last few years.

The market and technical trends that we have predicted are continuing in a way that increases our credibility and relevance for future video and data intensive network roll outs. During the year we also doubled the capacity of our core switches, we launched three new access products and we introduced a cost efficient possibility for network owners to improve picture quality over unmanaged public internet connections. We also did significant business and had very good market response for our new video compression module (JPEG2000).

We were not able to deliver a satisfactory result. In summary 2012 was a year when; we won business with over 100 existing customers and 25 new ones. We actually concluded 30 % more business transactions and we introduced more new products than ever before. Net Insight is very well positioned with medium and large size network operators to win larger projects, and to get back to profitable growth again.

Stockholm, February 14, 2013  
Fredrik Trägårdh  
CEO

## BUSINESS ACTIVITIES DURING THE FOURTH QUARTER

Net Insight had good repeat business with a large number of customers in all regions during the quarter but no single large project was delivered. The business area Broadcast and Media Networks represented 58% of total revenues, the business area Digital Terrestrial TV represented 35% and CATV/IPTV 7%.

The Brazilian broadcaster TV Integração, affiliate to TV Globo, selected Net Insight's Nimbra platform for building a new multi-service, regional DTT network covering contribution, distribution and IT services. The network is part of a governmental initiative and should be finalized before FIFA 2014.

North American PacTV expanded its media network with Net Insight's Nimbra solution. PacTV serves multiple customers across North America, Latin America, Australia and Europe.

The revenue through our global partner network varies between quarters and represented 30% (60) of total revenues in the fourth quarter. Net Insight signed a few new partners and phased out others during the quarter and at the end of the year Net Insight had about 50 resellers in its global partner network.

Net Insight participated in several exhibitions in Japan, Germany and the US. The exhibitions in the US covered market sectors such as telecommunications, government and cableTV. Net Insight participated for the first time at SCTE Cable-Tec Expo together with our partner Geartech in Orlando, Florida. PR and marketing efforts were focused on communicating Net Insight's capabilities of improving QoS over unmanaged IP networks.

## NEW PRODUCT INTRODUCTION

Net Insight launched the Nimbra VA 210 in November 2012. The Nimbra VA 210 offers media operators and broadcasters the opportunity to extend their network reach in an efficient way by using unmanaged IP networks to transport content with an improved level of quality for video contribution and in a way that significantly reduces costs for content creation and production. By connecting Nimbra VA 210 video appliances to the nearest Nimbra MSR node, broadcasters can significantly reduce cost for first-mile connectivity and shift resources from transmission to content creation to improve their service offerings and attract new target audiences.

## SALES AND EARNINGS

### Fourth Quarter

Net Sales for the fourth quarter amounted to SEK 68.3 million (80.3), which represents a decrease of 14.9% compared to the fourth quarter 2011. In comparable currencies the decrease amounts to 13.5%. Revaluation of accounts receivables in foreign currencies had a positive effect on Net Sales of SEK 1.0 million (-0.7).

The EMEA region accounted for SEK 49.6 million (56.7) of total sales. The reason for the decreased turnover in EMEA is weaker sales in Eastern Europe and the Middle East. The Americas showed a decrease of SEK 6.4 million to SEK 11.9 million (18.3) and APAC is up compared to previous year at SEK 6.8 million (5.3).

### NET SALES PER REGION

	Q4	Q4	Q1	Q2	Q3	Full year	Full year
Amount in SEK million	2012	2011	2011	2012	2012	2012	2011
EMEA	49,6	56,7	54,6	45,6	31,0	180,8	203,9
Americas	11,9	18,3	13,7	17,5	12,2	55,3	70,1
APAC	6,8	5,3	8,3	11,9	17,1	44,2	20,5
<b>Total</b>	<b>68,3</b>	<b>80,3</b>	<b>76,6</b>	<b>75,0</b>	<b>60,3</b>	<b>280,3</b>	<b>294,5</b>

Sales in the Broadcast & Media business area made up 58% (94) of total sales. DTT accounted for 35% (6) and IPTV/CATV for 7% (0). The volume in business area DTT tends to vary between quarters and years as investments are driven mainly by government decisions.

Hardware revenue was SEK 49.2 million (59.5). Sales of software licenses amount to SEK 6.2 million (8.3) whereas support and service revenue amount to SEK 11.6 million (12.9). The above figures are exclusive of other revenues of SEK 1.3 million (-0.3), which mainly consist of revaluation effects of the accounts receivables stock in foreign currencies and leasing revenue.

As shown in the condensed income statement on page 11, the gross margin is 58.6% (62.0). Depreciation on capitalized R&D projects, which is charged to Cost of Sales, amounts to SEK 10.6 million (7.6). Adjusted for this, the Gross Margin amounted to 74.1% (71.5)

Total operating expenses for the fourth quarter amount to SEK 42.2 million (33.7). R&D expenses have increased by SEK 1.3 million to SEK 5.0 million (3.7) as less R&D expenditures have been capitalized. Administration expenses amount to SEK 6.2 million (4.9). The difference compared to last year is related to resolved provisions in the fourth quarter of 2011. Sales & Marketing expenses are at SEK 28.0 million (25.1), SEK 2.9 million higher than last year as more resources have been added in sales and sales support functions. In Q4 the Company launched an efficiency and cost reduction program aiming at reducing the cost base by SEK 25 million on an annual basis with full effect from January 1, 2013. The restructuring charges amount to SEK 3 million which is recorded as Other expenses in the profit and loss statement. The charges consist of severance and salary related expenses and will affect the 2012 results only.

Operating earnings adjusted for restructuring charges amount to SEK 0.8 million (16.1), which corresponds to an operating margin of 1.2% (20). The decline is primarily attributable to lower sales volumes, increased depreciation on capitalized R&D expenditures and increased operating expenses.

Operating earnings for the fourth quarter, including the restructuring charges, amounted to SEK -2.2 million (16.1), which correspond to an Operating Margin of -3.3% (20.0)

Earnings before tax amounted to SEK -1.3 million (16.5), which corresponds to a profit margin of -1.9% (20.6).

Net Income amounted to SEK -2.3 million (21.5) resulting in a Net Profit margin of -3.3% (26.8).

## Full Year

Net Sales for the twelve months period ending December 31<sup>st</sup>, amounted to SEK 280.3 million (294.5), which is a decline of 4.8% over last year. In comparable currencies the decline amounts to 3.5%. Revaluation of the accounts receivables stock had a negative effect on Net Sales of SEK 1.8 million (+1.8).

The EMEA region accounted for SEK 180.8 million (203.9) of total sales. The reason for the decreased turnover in EMEA is mainly related to fewer DTT projects in the roll-out phase in Eastern Europe and Middle East. Americas declined by SEK 14.8 million to SEK 55.3 million (70.1). During 2011, Net Insight delivered equipment to a new nationwide BMN network, which was not repeated in 2012. APAC showed good growth increasing sales from SEK 20.5 million to SEK 44.2 million. The majority of the growth comes from China and South Korea.

Sales by business area are distributed between Broadcast & Media 76% (79), DTT 22% (17) and IPTV/CATV 2% (4). Hardware sales amounted to SEK 197.8 million (215.7), software licenses SEK 30.3 million (28.5) and support and services revenue SEK 49.9 million (47.4). The above figures are exclusive of other revenues of SEK 2.2 million (3.3), which mainly consists of revaluation effects of the accounts receivables stock in foreign currencies and leasing.

The Gross Margin amounted to 59.7% (61.9). The decrease is solely related to increased amounts of depreciation on capitalized R&D projects, which is charged to Cost of Sales. Depreciation amounts to SEK 39.2 million (27.5). Adjusted for this, the Gross Margin amounts to 73.7% (71.2). The improvement is mainly related to favorable product and customer mix.

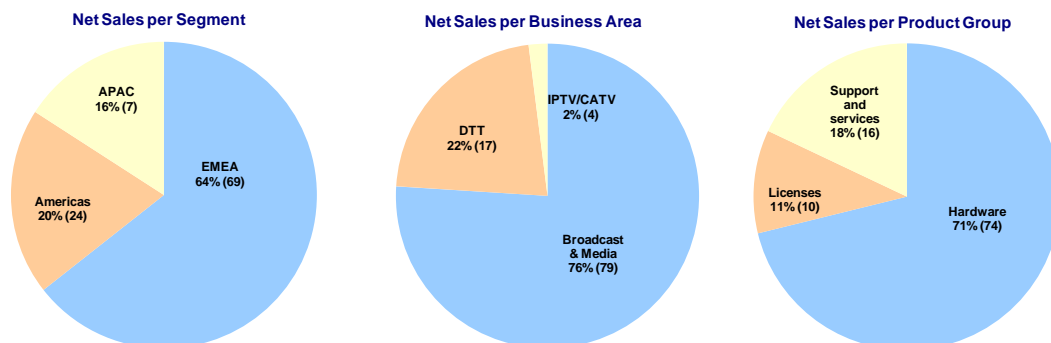
Operating expenses for the full year amounted to SEK 164.6 million (139.3). Sales & Marketing expenses amount to SEK 104.6 million (91.9). The increase is mainly related to added sales and sales support staff in Sweden and abroad. Administration expenses are in line with previous year and amounted to SEK 27.1 million (27.4). R&D expenses amounted to SEK 29.9 million (20.1). The increase is related to a higher average number of R&D resources in combination with a lower rate of capitalization. R&D expenditures amount to SEK 96.9 million (86.1).

Adjusted for restructuring charges of SEK 3 million, Operating earnings amount to SEK 5.8 million (42.8), which corresponds to an Operating margin of 2.1% (14.5). Operating earnings are negatively affected mainly by increased depreciation on capitalized R&D expenditures of SEK 11.7 million and increased operating expenses of SEK 22.2 million exclusive of restructuring charges.

Operating earnings, including the restructuring charges, amounted to SEK 2.7 million (42.8), which correspond to an Operating Margin of 1.0% (14.5).

The financial net amounts to SEK 2.4 million (4.2). The decrease is related to a lower interest rate on- and lower average level of cash balances in combination with unfavorable revaluation effects of balances held in foreign currencies.

Net Income amounted to SEK 11.9 million (49.9), which corresponds to a net profit margin of 4.2% (17.0). A further SEK 14.4 million (26.2) of loss carry forwards have been capitalized resulting in a positive effect on Net income. Partially offsetting this is the revaluation of the deferred tax asset, which has been revalued following the lowering of Swedish corporate tax rates from 26.3% to 22%. This had a negative effect on the Net income of SEK 7.6 million. Remaining loss carry forwards for the companies in the group amount to SEK 211 million.



## CASH FLOW AND FINANCIAL POSITION

In the fourth quarter, cash flow from ongoing operations before changes in working capital amounted to SEK 9.9 million (23.0). The decrease is a result of lower net income before tax. Working capital decreased in the fourth quarter, mainly accounts receivables, following good collections and lower sales volumes. Cash flow from the investment activity was a negative SEK 18.1 million (20.9), mainly related to capitalization of R&D expenditures resulting in a negative cash flow for the quarter of SEK 4.7 million (0.8).

Full year cash flow from ongoing operations before changes in working capital amount to SEK 49.1 million (77.0). The decrease is related to lower Net income before tax. Working capital has decreased by SEK 10.7 million following good collections and lower sales volumes, partially offset by increased inventory levels and reduced levels of current liabilities. Acquisition of intangible assets, mainly capitalization of R&D expenditures was on par with previous year at SEK 68.1 million (66.0). This resulted in a negative cash flow for the year of SEK 10.4 million (-39.6). Liquid funds at the end of the year amount to SEK 185.9 million (196.2).

Shareholders' equity amounted to SEK 503.4 million (491.7) with a resulting equity ratio of 88.8% (86.4).

## INVESTMENTS

Fourth quarter investments in tangible assets amounted to SEK 1.3 million (0.7) and depreciation of tangible assets amounted to SEK 0.4 million (0.6). Investments in other intangible assets amounted to SEK 0.0 million (0.1) and depreciation amounted to SEK 0.4 million (0.2). Capitalization of development expenditures totaled SEK 16.8 million (20.3). Depreciation of capitalized development expenditures totaled SEK 10.6 million (7.6).

Investments in tangible assets for the twelve months period amounted to SEK 2.2 million (3.5) and depreciation of tangible assets amounted to SEK 1.3 million (1.9). Investments in other intangible assets amount to SEK 2.4 million (0.1) and depreciation amounted to SEK 1.3 million (0.9). Capitalization of development expenditures totaled SEK 65.7 million (66.0). Depreciation of capitalized development expenditures totaled SEK 39.2 million (27.5).

At the end of the period, net book value of capitalized development expenditures amounted to SEK 183.2 million (158.9).

## EMPLOYEES

At the end of the period Net Insight had 156 (150) employees. The parent company Net Insight AB had 146 (140) employees, Net Insight Intellectual Property AB had 5 (5) employees and the US subsidiary Net Insight Inc. had 5 (5) employees.

## PARENT COMPANY

The parent company's net sales during the fourth quarter were SEK 91.9 million (103.5). Net income amounted to SEK -4.8 million (-114.6). The large negative result for the fourth quarter in 2011 was due to a write down of shares in a fully owned subsidiary and had no effect on the result of the Group.

For the twelve month period ending December 31<sup>st</sup>, the net sales were SEK 372.7 million (381.2) and the Net income amounted to -45.3 (-77.7). The negative net income during 2012 is attributable to adjustments of Group internal charges for development expenditures which resulted in a one-time charge of SEK 59.8 million. This was announced in the Q1 report and has no effect on the result of the Group. At the end of the period the Parent company had 146 (140) employees.

Liquid funds amounted to SEK 144.3 million (123.7).

## 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 2011 have developed in the fourth quarter.

For a complete description of the Company's risk analysis and risk management, see page 23 in the 2011 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 to 24% and the fourth quarter amount to 27% of annual sales.

## KEY FIGURES

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2012	2012	2012	2012	2011	2011	2011	2011
Net sales	68 324	60 302	75 038	76 627	80 303	75 367	72 236	66 618
Profit/loss after financial items	-1 302	-2 925	4 068	5 254	16 503	17 008	9 745	3 815
Earnings per share, SEK	-0,01	-0,01	0,03	0,01	0,06	0,04	0,02	0,01
Cash flow from operations per share, SEK	-0,01	-0,02	0,04	-0,03	0,00	0,01	-0,70	-0,05
Return on capital employed (%)	-0,3%	-0,6%	0,8%	1,1%	3,4%	3,7%	2,2%	0,9%
Return on equity (%)	-0,5%	-0,7%	2,5%	1,1%	4,5%	3,1%	2,1%	1,1%
Equity per share, SEK								
- before dilution, SEK	1,31	1,30	1,31	1,27	1,26	1,20	1,17	1,14
- after dilution, SEK	1,31	1,30	1,31	1,27	1,26	1,20	1,17	1,14

## CONSOLIDATED INCOME STATEMENT

Amount in SEK thousands	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Net sales	68 324	80 303	280 291	294 524
Cost of goods & service sold	-28 314	-30 497	-112 956	-112 352
<b>Gross earnings</b>	<b>40 010</b>	<b>49 806</b>	<b>167 335</b>	<b>182 172</b>
Sales and marketing expenses	-28 009	-25 131	-104 606	-91 918
Administration expenses	-6 226	-4 903	-27 050	-27 365
Development expenses	-4 981	-3 674	-29 929	-20 065
Other expenses	-3 027	0	-3 027	0
<b>Operating earnings</b>	<b>-2 233</b>	<b>16 098</b>	<b>2 723</b>	<b>42 824</b>
Net financial items	931	405	2 373	4 247
<b>Earnings before tax</b>	<b>-1 302</b>	<b>16 503</b>	<b>5 096</b>	<b>47 071</b>
Tax	-982	5 005	6 788	2 857
<b>Net income</b>	<b>-2 284</b>	<b>21 508</b>	<b>11 884</b>	<b>49 928</b>
<b>Net income for the period attributable to the stockholders of the parent company</b>	<b>-2 284</b>	<b>21 508</b>	<b>11 884</b>	<b>49 928</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	0,06	0,03	0,13
Earnings per share after dilution	-0,01	0,06	0,03	0,13
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>-2 284</b>	<b>21 508</b>	<b>11 884</b>	<b>49 928</b>
<b>Other comprehensive income</b>				
Exchange rate differences	0	79	-420	139
<b>Total other comprehensive income, net after tax</b>	<b>0</b>	<b>79</b>	<b>-420</b>	<b>139</b>
<b>Total comprehensive income for the period</b>	<b>-2 284</b>	<b>21 587</b>	<b>11 464</b>	<b>50 067</b>
<b>Total comprehensive income for the period attributable to the stockholders of the parent company</b>	<b>-2 284</b>	<b>21 587</b>	<b>11 464</b>	<b>50 067</b>



## CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousands	Q4 2012	Q4 2011	Full year 2012	Full year 2011
<b>Ongoing operations</b>				
Net income before tax	-1 302	16 503	5 095	47 071
Depreciation	11 353	8 196	41 772	29 456
Other items not affecting liquidity	-176	-1 703	2 232	440
<b>Cash flow from ongoing operations before change in working capital</b>	<b>9 875</b>	<b>22 996</b>	<b>49 099</b>	<b>76 967</b>
<b>Change in working capital</b>				
Increase-/decrease+ in inventories	-865	374	-13 691	-8 125
Increase-/decrease+ in receivables	9 042	-8 729	37 991	-27 945
Increase+/decrease- in current liabilities	-4 694	7 074	-13 650	-11 040
<b>Cash flow from ongoing operations</b>	<b>13 358</b>	<b>21 715</b>	<b>59 749</b>	<b>29 857</b>
<b>Investment activity</b>				
Acquisitions of intangible fixed assets	-16 834	-20 281	-68 075	-66 006
Acquisitions of tangible fixed assets	-1 323	-659	-2 218	-3 454
Acquisition of net assets	0	0	0	0
Increase-/decrease+ in long-term receivables	57	57	189	-44
<b>Cash flow from investment activity</b>	<b>-18 100</b>	<b>-20 883</b>	<b>-70 104</b>	<b>-69 504</b>
Increase/decrease in liquid funds	-4 742	832	-10 355	-39 647
Liquid funds, opening balance	190 597	195 378	196 210	235 857
<b>Liquid funds, closing balance</b>	<b>185 855</b>	<b>196 210</b>	<b>185 855</b>	<b>196 210</b>

## CONSOLIDATED BALANCE SHEET

Amount in SEK thousands	Dec 31 2012	Dec 31 2011
<b>ASSETS</b>		
<b>Intangible assets</b>		
Capitalized expenditure for development	183 150	158 871
Goodwill	4 354	4 354
Other intangible assets	2 460	1 291
<b>Tangible fixed assets</b>		
Equipment	4 937	4 075
<b>Financial assets</b>		
Deferred tax asset	38 719	31 932
Deposits paid, long-term	208	397
<b>Total fixed assets</b>	<b>233 828</b>	<b>200 920</b>
<b>Current assets</b>		
Inventory	50 044	36 353
Customer receivables	85 298	123 896
Other receivables	12 120	11 513
Cash and bank balances	185 855	196 210
<b>Total current assets</b>	<b>333 317</b>	<b>367 972</b>
<b>Total assets</b>	<b>567 145</b>	<b>568 892</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	-1 940	-1 520
Accumulated deficit	-702 979	-715 088
<b>Total shareholders' equity</b>	<b>503 405</b>	<b>491 716</b>
<b>Long-term liabilities</b>		
Provisions	3 612	3 398
<b>Total long-term liabilities</b>	<b>3 612</b>	<b>3 398</b>
<b>Current liabilities</b>		
Accounts payable	20 145	26 130
Other liabilities	39 983	47 648
<b>Total current liabilities</b>	<b>60 128</b>	<b>73 778</b>
<b>Total liabilities and equity</b>	<b>567 145</b>	<b>568 892</b>

## CHANGES IN GROUP SHAREHOLDERS' EQUITY

Amount in SEK thousands	Share capital	Other contributed capital	Translation difference	Accumulated deficit	Total shareholders' equity
<b>2011-01-01</b>	15 597	1 192 727	-1 659	-766 091	440 574
Total comprehensive income	0	0	139	49 928	50 067
New shares issued - employee stock options	0	0	0	0	0
Employee stock option program:					
Value of employees' services	0	0	0	1 075	1 075
<b>2011-12-31</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-1 520</b>	<b>-715 088</b>	<b>491 716</b>
<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
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>

## SEGMENT REPORT

Amount in SEK million	Q4 2012				Q4 2011				Jan-Dec 2012				Jan-Dec 2011			
	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total	EMEA	APAC	AM	Total
Net Sales	50	7	12	<b>68</b>	57	5	18	<b>80</b>	180	45	55	<b>280</b>	204	21	69	<b>294</b>
Regional Contribution	10	-1	3	<b>11</b>	21	0	4	<b>25</b>	43	3	13	<b>59</b>	68	-1	22	<b>90</b>
Regional Contribution (%)	20%	-18%	21%	<b>17%</b>	37%	0%	20%	<b>31%</b>	24%	7%	24%	<b>21%</b>	33%	-6%	31%	<b>31%</b>
Adjusted for R&D Depreciation	8	1	2	<b>11</b>	5	1	2	<b>8</b>	25	6	8	<b>39</b>	19	2	7	<b>28</b>
Adjusted Regional Contribution	18	0	4	<b>22</b>	26	1	6	<b>33</b>	68	9	21	<b>98</b>	87	1	28	<b>118</b>
Adjusted Regional Contribution (%)	36%	-3%	36%	<b>32%</b>	46%	18%	31%	<b>41%</b>	38%	20%	38%	<b>35%</b>	43%	3%	41%	<b>40%</b>

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 2012	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Full year 2012	Full year 2011
Net Sales	68,3	80,3	76,6	75,0	60,3	280,3	294,5
Gross earnings	40,0	49,8	46,8	45,6	34,9	167,3	182,2
<b>Gross margin</b>	<b>58,6%</b>	<b>62,0%</b>	<b>61,1%</b>	<b>60,8%</b>	<b>57,9%</b>	<b>59,7%</b>	<b>61,9%</b>
Operating earnings	-2,2	16,1	5,2	3,4	-3,6	2,7	42,8
<b>Operating margin</b>	<b>-3,3%</b>	<b>20,0%</b>	<b>6,8%</b>	<b>4,5%</b>	<b>-6,0%</b>	<b>1,0%</b>	<b>14,5%</b>
Pretax profit	-1,3	16,5	5,3	4,1	-2,9	5,1	47,1
Net income	-2,3	21,5	5,3	12,5	-3,6	11,9	49,9
<b>Net margin</b>	<b>-3,4%</b>	<b>26,8%</b>	<b>6,9%</b>	<b>16,7%</b>	<b>-6,0%</b>	<b>4,2%</b>	<b>16,9%</b>

## PARENT COMPANY INCOME STATEMENT

Amount in SEK thousands	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Net Sales	91 877	103 519	372 665	381 211
Cost of goods & services sold	-35 421	-51 510	-100 394	-187 697
<b>Gross earnings</b>	<b>56 456</b>	<b>52 009</b>	<b>272 271</b>	<b>193 514</b>
Sales and marketing expenses	-24 652	-29 921	-93 073	-86 665
Administration expenses	-8 912	1 717	-36 382	-27 364
Development expenses	-20 395	-3 675	-195 539	-20 065
Other expenses	-3 027	0	-3 027	0
<b>Operating earnings</b>	<b>-530</b>	<b>20 130</b>	<b>-55 750</b>	<b>59 420</b>
Net financial items	719	-138 607	1 229	-135 739
<b>Earnings before tax</b>	<b>189</b>	<b>-118 477</b>	<b>-54 521</b>	<b>-76 319</b>
Tax	-5 031	3 905	9 195	-1 336
<b>Net income</b>	<b>-4 842</b>	<b>-114 572</b>	<b>-45 326</b>	<b>-77 655</b>

## PARENT COMPANY BALANCE SHEET

Amount in SEK thousands	Dec 31, 2012	Dec 31, 2011
<b>ASSETS</b>		
<b>Intangible assets</b>		
Capitalized expenditure for development	0	158 871
Other intangible assets	2 460	1 291
<b>Tangible fixed assets</b>		
Equipment	4 937	4 075
<b>Financial assets</b>		
Shares in group companies	117 427	18 398
Deferred tax asset	26 304	17 109
Deposits paid, long-term	208	397
<b>Total fixed assets</b>	<b>151 336</b>	<b>200 141</b>
<b>Current assets</b>		
Inventory	50 044	36 353
Customer receivables	85 298	123 896
receivables, subsidiaries	423 507	429 097
Other receivables	12 840	13 390
Cash and bank balances	144 332	123 670
<b>Total current assets</b>	<b>716 021</b>	<b>726 406</b>
<b>Total assets</b>	<b>867 357</b>	<b>926 547</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	656 793	734 224
Net Income	-45 326	-77 656
<b>Total shareholders' equity</b>	<b>791 182</b>	<b>836 283</b>
<b>Long-term liabilities</b>		
Other provisions	3 433	3 398
<b>Total long-term liabilities</b>	<b>3 433</b>	<b>3 398</b>
<b>Current liabilities</b>		
Accounts payable	19 653	25 839
Liabilities, subsidiaries	15 278	16 618
Other liabilities	37 811	44 408
<b>Total current liabilities</b>	<b>72 742</b>	<b>86 865</b>
<b>Total liabilities and equity</b>	<b>867 357</b>	<b>926 546</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 2011, as described in those annual financial statements.

This report has not been subject to review by the company's auditors.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held Thursday April 25, 2013, at 10:00 am at the Net Insight's office in Stockholm.

Shareholders who are entered in the share register kept by the Securities Register Center (EuroClear Sweden AB) on April 19, 2013 and apply to the Company no later than April 19, 2013 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 2013 should send their proposals in writing to the Board of Directors no later than February 28, 2013 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 2012 will be published in the week starting with April 1, 2013 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 2012.

## REPORTING DATES

Annual General Meeting 2013	April 25, 2013
Interim report January - March 2013	May 3, 2013
Interim report January – June 2013	July 19, 2013
Interim report January – September 2013	October 25, 2013

## 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. Net Insight's customers benefit from the opportunity to introduce new revenue-generating services while reducing their capital expenditures and operating costs. 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, reseller partnerships, partnerships with the global telecom equipment providers, 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 (OTT), adoption of remote workflows and production as well a wider coverage of live events. An important driver is also the conversion to new TV formats in the broadcast and media industry.

Stockholm, February 14, 2013

### Fredrik Trägårdh

Chief Executive Officer

### For more information, please contact:

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Corporate Reg. No. 556533-4397

Net Insight delivers the world's most efficient and scalable transport solution for Broadcast and IP Media, Digital Terrestrial TV, Mobile 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 Insights 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.

For more information, visit [www.netinsight.net](http://www.netinsight.net)



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