

# Interim report Net Insight January– June 2015



Net Insight AB (publ) reg.no 556533–4397

Statement from our CEO Fredrik Tumegård:

”Net sales in the second quarter were SEK 93 million, up SEK five million on the previous quarter. Although, this is SEK seven million less than the corresponding quarter of the previous year, which was heavily influenced by two major orders. We have steady new business inflows and stable underlying growth.”

## THE SECOND QUARTER 2015

- Net sales amounted to SEK 93.2 (100.7) million, down -7.4 per cent year on year. The decrease is -13.9 per cent in comparable currencies.
- Operating earnings amounted to SEK 4.9 (13.0) million, equating to an operating margin of 5.3 per cent (12.9).
- Total cash flow was SEK 2.2 (5.4) million.

## JANUARY - JUNE 2015

- Net sales amounted to SEK 180.9 (175.1) million, an increase of 3.3 per cent. In comparable currencies, this corresponds to a decrease of -7.8 per cent.
- Operating earnings amounted to SEK 11.1 (16.5) million, equating to an operating margin of 6.1 per cent (9.4).
- Total cash flow was SEK 12.8 (13.8) million.

## Q2 SIGNIFICANT EVENTS

- The Switch expands its media transport network for an American sports league.
- Net Insight’s customer satisfaction survey reveals that 75 per cent of its customers would recommend the company.
- Net Insight launches a new brand platform, with a new vision and visual identity.
- Net Insight’s Board of Directors decides on the repurchase of treasury shares.
- Net Insight launches synthetic option program for key individuals.

SEK millions	Apr-Jun 2015	Apr-Jun 2014	Change	Jan-Jun 2015	Jan-Jun 2014	Change	Jul 2014 Jun 2015	Jan-Dec 2014	Change
Net sales per region									
EMEA	65,2	36,4	79,2%	109,2	81,4	34,2%	213,0	185,2	15,0%
Americas	22,6	59,6	-62,1%	58,3	84,0	-30,7%	142,7	168,4	-15,3%
APAC	5,4	4,7	14,4%	13,5	9,7	38,8%	29,3	25,5	14,8%
Total net sales	93,2	100,7	-7,4%	180,9	175,1	3,3%	384,9	379,1	1,5%
Operating earnings	4,9	13,0	-62,0%	11,1	16,5	-32,8%	48,2	53,6	-10,1%
Operating Margin	5,3%	12,9%	-	6,1%	9,4%	-	12,5%	14,1%	-
Net Income	3,6	9,9	-63,2%	7,6	12,1	-36,7%	37,1	41,5	-10,7%
EBITDA	7,1	18,6	-61,8%	14,8	21,9	-32,1%	60,0	67,1	-10,5%
EBITDA Margin	7,6%	18,5%	-	8,2%	12,5%	-	15,6%	17,7%	-
Diluted and Basic EPS (SEK)	0,01	0,03	-63,2%	0,02	0,03	-36,7%	0,10	0,11	-10,7%
Total Cash Flow	2,2	5,4	-59,5%	12,8	13,8	-7,8%	89,5	90,6	-1,2%

# CEO statement

Net sales in the second quarter were SEK 93 million, up SEK five million on the previous quarter. Although, this is SEK seven million less than the corresponding quarter of the previous year, which was heavily influenced by two major orders. We have steady new business inflows and stable underlying growth.

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**We are now - and want to remain - a growth company. A strong brand is a key prerequisite for this. And we will be able to attract new customers with a clear vision of the media market of the future.**

Net sales decreased by 7.4 per cent in the second quarter. Adjusted for exchange rate fluctuations, the downturn was 13.9 per cent. If we consider the first half-year, net sales increased by 3.3 per cent (currency adjusted -7.8 per cent). Gross margin in the quarter was 60.6 per cent, and the operating margin was 5.3 per cent. In absolute terms, operating earnings were SEK 4.9 million. Operating earnings in the first half-year were SEK 11.1 million, corresponding to an operating margin of 6.1 per cent. We also achieved a positive cash flow of SEK 2.2 million in this quarter, and SEK 12.8 million for the first half-year.

We gained a new terrestrial network customer in Italy, which is promising because terrestrial TV has very strong positioning in the Mediterranean countries, completely unlike northern Europe. EMEA performed well in the quarter, with Western Europe achieving robust sales gains year on year. In the quarter, we secured new business from customers in Italy, the UK and Sweden. These countries are also our top revenue sources in Western Europe. One notable example is our solution being purchased by SIS LIVE, one of the largest network operators in the UK, to transport live video from English Premier league football matches. We also did positive deals in the US and Canada, and are starting to secure a stable presence on these major markets.

We are seeing how a growing number of services, extending to social media, that were previously text based, are now focusing on moving image. We are migrating towards a video-centric world, where moving image becomes the dominant way to consume media. This means greater structural demand for effective transmission in real time end to end from production to consumption, where our role lies between production and operator.

The changes in the media market require that the company transforms into a more customer and market-oriented company focusing on sales, marketing, product development and competence development.

This year's customer satisfaction survey demonstrated that we have very satisfied customers. Our Net Promoter Score, the share of customers that would recommend us, is 75%, which can be viewed against the sector



average of 25%. As part of our work in getting closer to customers, we brought our key customers together at an event in Stockholm in mid-June. We presented our strategy, our view of market progress and forthcoming products. Customer feedback was positive, which corroborated our strategy and view of the market.

We have noted that our customers are satisfied once they have joined our customer base, but that like many other technology companies, we have had a tendency to talk more about technology than its benefit, which is often less easy to understand. There are a lot of companies on the market that we have yet to access, so now, we want to make it easier to become, and remain, a Net Insight customer. Our new branding platform, with its new vision and visual identity, announced on 14 July, is an important component of our growth strategy.

We are now—and want to remain—a growth company. A strong brand is a key prerequisite for this. And we will be able to attract new customers with a clear vision of the media market of the future.

Stockholm, July 2015

Fredrik Tumegård, CEO

## REVENUES

### Second quarter

Net sales for the second quarter were SEK 93.2 (100.7) million, down -7.4 per cent year on year. In comparable currencies, the decrease was -13.9 per cent.

The decrease in net sales was mainly sourced from the North and South America region, where record shipments to Zayo in the US took place in the second quarter 2014, which were not fully repeated in the second quarter 2015. However, the EMEA region partly compensated for this loss, primarily through strong sales in Western Europe.

Net sales in the EMEA region were SEK 65.2 (36.4) million. The increase of 79.2 per cent was primarily driven by existing customers in Western Europe, although new southern European customers also contributed.

In the North and South America region, net sales were SEK 22.6 (59.6) million. The decrease is primarily due to the major order for a nationwide network across the US from Zayo that was rolled out commencing the second quarter 2014. Adjusted for these shipments, quarterly sales in North and South America were comparable with the second quarter 2014, primarily due to expansion orders from existing customers in North America.

Net sales in the APAC region were SEK 5.4 (4.7) million.

Net sales in the Broadcast & Media Networks (BMN) business area were 82 per cent (91), in DTT 16 per cent (8) and in IPTV/CATV 2 per cent (1). Net sales from hardware were SEK 49.9 (61.5) million. Net sales of software licenses increased by SEK 1.9 million to SEK 22.6 (20.7) million, and support and service sales were SEK 21.4 (17.4) million. The above numbers exclude other operating income of SEK -0.7 (1.1) million, which consist of exchange rate differences on accounts receivable in foreign currency.

### Six months

Net sales in the first half of the year were SEK 180.9 (175.1) million. The increase of 3.3 per cent is currency related, primarily driven by a stronger USD versus the SEK. In comparable currencies, net sales decreased by -7.8 per cent.

In the first six months of the year, the EMEA region reported net sales of SEK 109.2 (81.4) million. The increase of 34.2 per cent was primarily driven by strong sales in the second quarter, and to some extent, a stronger euro versus the SEK.

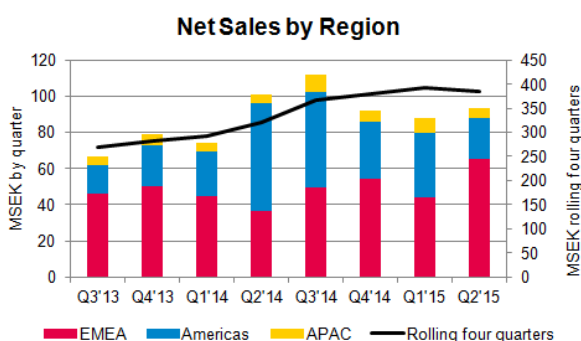
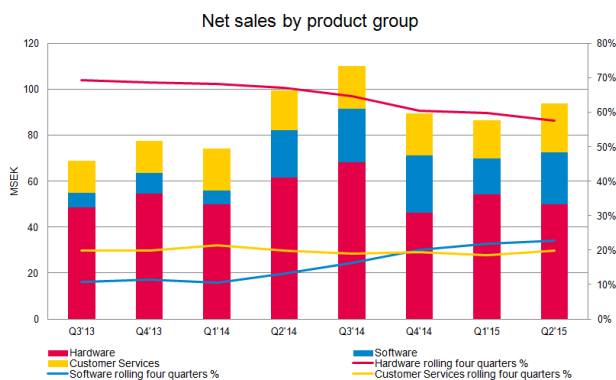
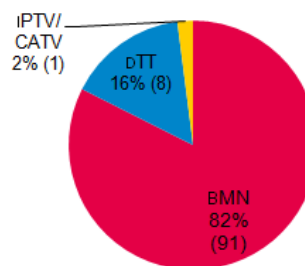
Net sales in the North and South America region were SEK 58.3 (84.0) million. Despite SEK depreciation against the USD, the decrease was -30.7 per cent, primarily driven by the major roll-out to Zayo in the second quarter of 2014, which was not repeated in 2015.

The 38.8 per cent increase in the APAC region's net sales to SEK 13.5 (9.7) million is largely currency driven.

Net sales in the Broadcast & Media Networks (BMN) business area were 84 per cent (89), in DTT 14 per cent (8) and in IPTV/CATV 2 per cent (3).

Net sales from hardware were SEK 104.1 (111.3) million. Net sales of software licenses increased by SEK 11.3 million to SEK 38.1 (26.8) million, and support and service sales were SEK 38.3 (35.7) million. The above numbers exclude other operating income of SEK 0.4 (1.3) million, which consist of exchange rate differences on accounts receivable in foreign currency.

### Net sales by segment the second quarter



Key Ratios	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
Net Sales, SEK millions	93,2	100,7	180,9	175,1
Gross margin	60,6%	59,6%	60,4%	59,0%
Operating margin	5,3%	12,9%	6,1%	9,4%
Opex/Net sales	55,3%	46,7%	54,2%	49,6%
EBITDA margin	7,6%	18,5%	8,2%	12,5%

## EARNINGS

### Second quarter

Gross margin expanded by one percentage point because of positive currency effects, and amounted to 60.6 per cent (59.6).

Due to upscaled initiatives, primarily in marketing and sales resources, operating expenses increased by SEK 4.5 million to SEK 51.5 (47.0) million. These investments are partly intended to raise awareness of the company to facilitate new business customer sales, and stronger sales and sales support activities. The depreciated SEK also made a lesser contribution to increased operating expenses. Administration overheads and development expenses are comparable to the previous year. However, total R&D expenditure in the quarter did increase to SEK 22.3 (19.6) million.

Operating earnings decreased to SEK 4.9 (13.0) million due to lower sales volumes and increased operating expenses. The operating margin was 5.3 per cent (12.9), and the EBITDA margin was 7.6 per cent (18.5).

Net financial items was a negative SEK -0.3 (0.4) million, due to a revaluation of bank balances in foreign currencies. Net income was SEK 3.6 (9.9) million, resulting in a net margin of 3.9 per cent (9.8).

### Six months

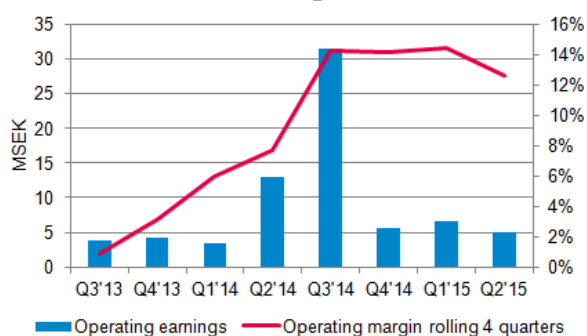
The gross margin for the first half-year 2015 expanded to 60.4 per cent (59.0), primarily due to a depreciated SEK.

Operating expenses increased by SEK 11.3 million to SEK 98.1 (86.8) million, mainly driven by more resources and activities in Net Insight's sales and marketing organizations.

Operating profit was SEK 11.1 (16.5) million, equating to an operating margin of 6.1 per cent (9.4). The decreased operating earnings is primarily attributable to higher sales and marketing expenses, partly offset by increased gross earnings.

Net income was SEK 7.6 (12.1) million, equating to a net margin of 4.2 per cent (6.9).

### Earnings trend



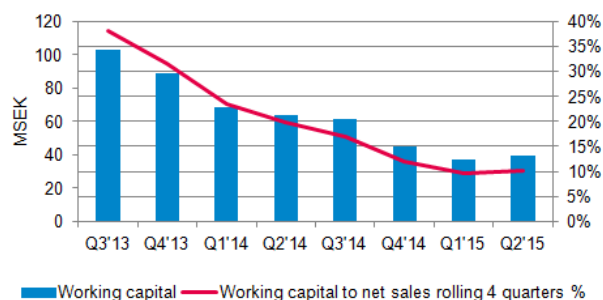
## CASH FLOW AND FINANCIAL POSITION

Cash flow for the second quarter was SEK 2.2 (5.4) million. Cash flow for the six-month period amounted to SEK 12.8 (13.8) million.

Cash and cash equivalents were SEK 307.1 (217.6) million at the end of the quarter.

Remaining tax loss carry-forwards for the group companies were SEK 100.1 (145.6) million at the end of the period. Equity was SEK 545.0 (506.4) million, with an equity/assets ratio of 86.4 per cent (84.4).

### Working capital trend



## INVESTMENTS

Investments in the second quarter were SEK 12.7 (8.5) million, of which SEK 11.3 (8.3) million related to capitalization of R&D expenditure. Depreciation and amortization in the period was SEK 13.5 (13.9) million, of which SEK 13.0 (13.3) million related to amortization of capitalized R&D expenditure.

Investments in the first half-year were SEK 25.3 (21.9) million, of which SEK 23.4 (21.3) million related to capitalization of R&D expenditure. Depreciation and amortization in the period was SEK 27.2 (26.7) million, of which SEK 26.1 (25.4) million related to amortization of capitalized R&D expenditure.

At the end of the period, the net value of capitalized R&D expenditure was SEK 170.4 (180.0) million.

## EMPLOYEES

At the end of the quarter, Net Insight had 138 (136) employees, of which 123 (123) were employed by the parent company, Net Insight AB (publ).

## PARENT COMPANY

Parent company net sales in the second quarter were SEK 116.0 (120.9) million and net income for the period was SEK 6.2 (10.5) million.

Parent company net sales in the six-month period were SEK 226.5 (217.6) million and net income for the period was SEK 12.5 (15.5) 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 2014 arose in the first quarter.

For a complete review of the company's risk and sensitivity analysis, and its risk management process, see page 21 of the Annual Report for 2014.

## SEASONALITY

In the past three calendar years, average seasonality has been fairly modest. In the first quarter, net sales were 23%, in the second quarter 26%, in the third quarter 25%, and in the fourth quarter 26% of yearly sales.

## FINANCIAL INFORMATION

SEK millions (if not defined differently)	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	Jul-Sep 2014	Oct-Dec 2014	Jan-Jun 2015	Jan-Jun 2014	Jul 2014- Jun 2015	Jan-Dec 2014
<b>Net sales by region</b>									
EMEA	44,0	65,2	36,4	49,4	54,4	109,2	81,4	213,0	185,2
Americas	35,7	22,6	59,6	52,9	31,5	58,3	84,0	142,7	168,4
APAC	8,1	5,4	4,7	9,9	5,9	13,5	9,7	29,3	25,5
<b>Net sales</b>	<b>87,7</b>	<b>93,2</b>	<b>100,7</b>	<b>112,2</b>	<b>91,8</b>	<b>180,9</b>	<b>175,1</b>	<b>384,9</b>	<b>379,1</b>
<i>Net sales YoY, change in %</i>	17,9%	-7,4%	38,5%	67,7%	16,5%	3,3%	29,6%	20,0%	35,0%
<b>Income statement</b>									
Gross earnings	52,7	56,5	60,1	75,4	53,2	109,2	103,4	237,8	232,0
<i>Gross margin</i>	60,1%	60,6%	59,6%	67,2%	58,0%	60,4%	59,0%	61,8%	61,2%
Operating expenses	46,6	51,5	47,0	43,9	47,6	98,1	86,8	189,6	178,4
<i>Opex/Net sales</i>	53,1%	55,3%	46,7%	39,1%	51,9%	54,2%	49,6%	49,3%	47,1%
Operating earnings	6,2	4,9	13,0	31,4	5,6	11,1	16,5	48,2	53,6
<i>Operating margin</i>	7,0%	5,3%	12,9%	28,0%	6,1%	6,1%	9,4%	12,5%	14,1%
Profit/loss after financial items	5,6	4,7	13,4	32,0	5,9	10,3	17,1	48,2	55,1
Net Income	4,0	3,6	9,9	24,7	4,7	7,6	12,1	37,1	41,5
<i>Net margin</i>	4,6%	3,9%	9,8%	22,1%	5,1%	4,2%	6,9%	9,6%	10,9%
<b>EBITDA</b>									
Operating earnings	6,2	4,9	13,0	31,4	5,6	11,1	16,5	48,2	53,6
Amortization of capitalized R&D expenditure	13,1	13,0	13,3	13,4	13,1	26,1	25,4	52,6	51,9
Other depreciation & amortization	0,6	0,5	0,6	0,6	0,6	1,1	1,2	2,3	2,4
Capitalization of R&D expenditure	-12,1	-11,3	-8,3	-8,2	-11,3	-23,4	-21,3	-43,0	-40,9
<b>EBITDA</b>	<b>7,7</b>	<b>7,1</b>	<b>18,6</b>	<b>37,2</b>	<b>8,0</b>	<b>14,8</b>	<b>21,9</b>	<b>60,0</b>	<b>67,1</b>
<i>EBITDA margin</i>	8,8%	7,6%	18,5%	33,1%	8,7%	8,2%	12,5%	15,6%	17,7%
<b>Balance sheet</b>									
Working capital	37,4	39,6	63,4	61,7	45,1	38,6	69,1	47,9	59,5
<i>Working capital/Net sales</i>	42,6%	42,5%	63,0%	55,0%	49,1%	21,4%	39,5%	12,4%	15,7%
<i>Return on capital employed</i>	1,1%	0,9%	2,7%	6,2%	1,1%	1,9%	3,5%	9,1%	10,7%
<i>Equity/asset ratio</i>	87,5%	86,4%	84,4%	85,9%	86,1%	86,4%	84,4%	86,4%	86,0%
<i>Return on equity</i>	0,8%	0,7%	2,0%	4,8%	0,9%	1,4%	2,4%	7,0%	8,0%
Cash and cash equivalents	304,9	307,1	217,6	273,1	294,3	307,1	217,6	307,1	294,3
Total cash flow	10,6	2,2	5,4	55,6	21,2	12,8	13,8	89,5	90,6
<b>The share</b>									
Dividend per share, SEK	-	-	-	-	-	-	-	-	-
Earnings per share diluted and basic, SEK	0,01	0,01	0,03	0,06	0,01	0,02	0,03	0,10	0,11
Cash flow per share, SEK	0,03	0,01	0,01	0,14	0,05	0,03	0,04	0,23	0,23
Equity per share diluted and basic, SEK	1,39	1,40	1,30	1,36	1,38	1,40	1,30	1,40	1,38
Average number of shares at the end of the period, in thousands	389 933	389 933	389 933	389 933	389 933	389 933	389 933	389 933	389 933
<b>Employees</b>									
No. of employees at the end of the period	138	138	136	137	134	138	136	138	134

### Definitions

**EMEA** Europe, Middle-East and Africa

**Americas** North and South America

**APAC** Asia-Pacific region

**Gross margin** Gross earnings as a percentage of net sales.

**Operating margin** Operating earnings as a percentage of net sales.

**Net margin** Net Income as a percentage of net sales.

**EBITDA** Operating earnings before amortization of R&D expenditure, depreciation, and capitalization of development expenditure.

**EBITDA margin** EBITDA as a percentage of net sales

**Working capital** Current assets less cash and cash equivalents, accounts payable and other interest-free current liabilities.

**Total cash flow** Change in cash and cash equivalents during the period.

**Equity/asset ratio** Shareholders' equity divided by the balance sheet total.

**Return on capital employed** Operating earnings after financial items plus financial expenses in relation to average capital employed.

Capital employed is total assets less non-interest bearing liabilities including deferred tax liabilities.

**Return on equity** Net income as a percentage of average shareholders' equity.

**Earnings per share diluted and basic** Net income divided by the average number of shares issued during the period.

**Cash flow per share** Total cash flow divided by average number of shares issued

**Equity per share diluted and basic** Shareholders' equity plus undisclosed reserves in assets with an objective market value less deferred tax divided by number of shares during the period.

## CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Jul 2014- Jun 2015	Jan-Dec 2014
Net sales	93 198	100 693	180 937	175 121	384 926	379 110
Cost of sales	-36 719	-40 634	-71 730	-71 751	-147 134	-147 155
<b>Gross earnings</b>	<b>56 479</b>	<b>60 059</b>	<b>109 207</b>	<b>103 370</b>	<b>237 792</b>	<b>231 955</b>
Sales and marketing expenses	-32 631	-27 781	-61 935	-51 658	-118 146	-107 869
Administration expenses	-7 861	-7 943	-15 138	-15 107	-29 549	-29 518
Development expenses	-11 038	-11 306	-21 030	-20 083	-41 939	-40 992
<b>Operating earnings</b>	<b>4 949</b>	<b>13 029</b>	<b>11 104</b>	<b>16 522</b>	<b>48 158</b>	<b>53 576</b>
Net financial items	-263	402	-777	607	90	1 474
<b>Profit/loss before tax</b>	<b>4 686</b>	<b>13 431</b>	<b>10 327</b>	<b>17 129</b>	<b>48 248</b>	<b>55 050</b>
Tax	-1 054	-3 572	-2 694	-5 077	-11 193	-13 576
<b>Net income</b>	<b>3 632</b>	<b>9 859</b>	<b>7 633</b>	<b>12 052</b>	<b>37 055</b>	<b>41 474</b>
<b>Net income for the period attributable to the shareholders of the parent company</b>	<b>3 632</b>	<b>9 859</b>	<b>7 633</b>	<b>12 052</b>	<b>37 055</b>	<b>41 474</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, basic	0,01	0,03	0,02	0,03	0,10	0,11
Earnings per share, diluted	0,01	0,03	0,02	0,03	0,10	0,11
Average number of shares in thousands, basic	389 933	389 933	389 933	389 933	389 933	389 933
Average number of shares in thousands, diluted	389 933	389 933	389 933	389 933	389 933	389 933

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands						
<b>Net Income</b>	<b>3 632</b>	<b>9 859</b>	<b>7 633</b>	<b>12 052</b>	<b>37 055</b>	<b>41 474</b>
<b>Other comprehensive income</b>						
Items that may be reclassified subsequently to the income statement						
Translation differences	-367	202	524	236	1 549	1 261
<b>Total other comprehensive income, after tax</b>	<b>-367</b>	<b>202</b>	<b>524</b>	<b>236</b>	<b>1 549</b>	<b>1 261</b>
Total other comprehensive income for the period	3 265	10 061	8 157	12 288	38 604	42 735
<b>Total comprehensive income for the period attributable to the shareholders of the parent company</b>	<b>3 265</b>	<b>10 061</b>	<b>8 157</b>	<b>12 288</b>	<b>38 604</b>	<b>42 735</b>

## CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Jun 30 2015	Jun 30 2014	Dec 31 2014
<b>ASSETS</b>			
<b>Intangible assets</b>			
Capitalized expenditure for development	170 387	179 966	173 016
Goodwill	4 354	4 354	4 354
Other intangible assets	1 214	1 005	1 151
<b>Tangible assets</b>			
Equipment	4 084	4 032	3 358
<b>Financial fixed assets</b>			
Deferred tax asset	20 912	32 026	23 544
Deposits	327	272	378
<b>Total non-current assets</b>	<b>201 278</b>	<b>221 655</b>	<b>205 801</b>
<b>Current assets</b>			
Inventories	39 647	40 402	44 207
Accounts receivable	70 386	107 700	66 169
Other receivables	12 242	12 643	13 025
Cash and cash equivalents	307 081	217 576	294 318
<b>Total current assets</b>	<b>429 356</b>	<b>378 321</b>	<b>417 719</b>
<b>TOTAL ASSETS</b>	<b>630 634</b>	<b>599 976</b>	<b>623 520</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to parent company's shareholders</b>			
Share capital	15 597	15 597	15 597
Other paid-in capital	1 192 727	1 192 727	1 192 727
Translation difference	-169	-1 718	-693
Accumulated deficit	-663 112	-700 166	-670 745
<b>Total shareholders' equity</b>	<b>545 043</b>	<b>506 440</b>	<b>536 886</b>
<b>Non-current liabilities</b>			
Other provisions	4 499	2 869	3 166
<b>Total non-current liabilities</b>	<b>4 499</b>	<b>2 869</b>	<b>3 166</b>
<b>Current liabilities</b>			
Accounts payable	21 915	16 716	14 550
Other liabilities	59 177	73 951	68 918
<b>Total current liabilities</b>	<b>81 092</b>	<b>90 667</b>	<b>83 468</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>630 634</b>	<b>599 976</b>	<b>623 520</b>



## CHANGES IN CONSOLIDATED EQUITY, IN SUMMARY

SEK thousands	Attributable to parent company's shareholders				Total shareholders' equity
	Share capital	Other paid-in capital	Translation differences	Accumulated deficit	
<b>2014-01-01</b>	15 597	1 192 727	-1 954	-712 218	494 152
Total comprehensive income	-	-	236	12 052	12 288
<b>2014-06-30</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-1 718</b>	<b>-700 166</b>	<b>506 440</b>
<b>2014-07-01</b>	15 597	1 192 727	-1 718	-700 166	506 440
Total comprehensive income	-	-	1 025	29 422	30 447
<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>
<b>2015-01-01</b>	15 597	1 192 727	-693	-670 745	536 886
Total comprehensive income	-	-	524	7 633	8 157
<b>2015-06-30</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-169</b>	<b>-663 112</b>	<b>545 043</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Jul 2014-Jun 2015	Jan-Dec 2014
<b>Ongoing activities</b>						
Profit/loss before tax	4 686	13 431	10 327	17 129	48 248	55 050
Income tax paid	-16	-	-79	-	-79	-
Depreciation and amortization	13 493	13 918	27 165	26 657	54 858	54 350
Other items not affecting liquidity	238	-51	1 857	-19	3 179	1 303
<b>Cash flow from operating activities before changes in working capital</b>	<b>18 401</b>	<b>27 298</b>	<b>39 270</b>	<b>43 767</b>	<b>106 206</b>	<b>110 703</b>
<b>Changes in working capital</b>						
Increase-/decrease+ in inventories	739	210	4 560	2 202	764	-1 594
Increase-/decrease+ in receivables	-11 801	-36 702	-3 434	-39 184	37 725	1 974
Increase+/decrease- in current liabilities	7 638	23 218	-2 359	28 953	-9 575	21 738
<b>Cash flow from operating activities</b>	<b>14 977</b>	<b>14 024</b>	<b>38 037</b>	<b>35 738</b>	<b>135 120</b>	<b>132 821</b>
<b>Investment activities</b>						
Investment in intangible assets, net	-11 769	-8 455	-23 886	-21 465	-43 433	-41 012
Investment in tangible assets, net	-973	-120	-1 439	-428	-2 118	-1 107
Investment in financial assets, net	-31	-1	51	0	-64	-115
<b>Cash flow from investment activities</b>	<b>-12 773</b>	<b>-8 576</b>	<b>-25 274</b>	<b>-21 893</b>	<b>-45 615</b>	<b>-42 234</b>
Net change in cash and cash equivalents	2 204	5 448	12 763	13 845	89 505	90 587
Cash and cash equivalents at the beginning of the period	304 877	212 128	294 318	203 731	217 576	203 731
<b>Cash and cash equivalents at the end of the period</b>	<b>307 081</b>	<b>217 576</b>	<b>307 081</b>	<b>217 576</b>	<b>307 081</b>	<b>294 318</b>

## SEGMENT REPORT

SEK millions	Apr-Jun 2015				Apr-Jun 2014				Jan-Jun 2015				Jan-Jun 2014			
	EMEA	AM	APAC	Total	EMEA	AM	APAC	Total	EMEA	AM	APAC	Total	EMEA	AM	APAC	Total
Net sales	65	23	5	93	36	60	5	101	109	58	13	181	81	84	10	175
Regional contribution	18	5	0	24	13	19	0	32	32	14	1	47	28	24	0	52
Regional contribution margin	28%	23%	5%	26%	35%	32%	10%	32%	29%	25%	6%	26%	34%	28%	2%	30%
Adjustment for R&D amortization	9	3	0	13	5	8	1	13	16	8	2	26	12	12	1	25
Adjusted regional contribution	27	8	1	37	18	27	1	46	48	23	3	73	40	36	2	77
Adjusted regional contribution margin	42%	37%	14%	39%	48%	45%	23%	45%	44%	39%	19%	40%	49%	43%	17%	44%

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

The CEO reviews the business from Europe, Middle East and Africa (EMEA),

North and South America (Americas, AM), and Asia-Pacific (APAC) geographic perspectives.

## PARENT COMPANY INCOME STATEMENT, IN SUMMARY

SEK thousands	Apr-Jun 2015	Apr-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Jul 2014- Jun 2015	Jan-Dec 2014
Net sales	116 025	120 904	226 516	217 644	472 190	463 318
Cost of sales	-47 073	-55 766	-91 565	-91 456	-193 018	-192 909
<b>Gross earnings</b>	<b>68 952</b>	<b>65 138</b>	<b>134 951</b>	<b>126 188</b>	<b>279 172</b>	<b>270 409</b>
Sales and marketing expenses	-30 483	-25 509	-57 946	-49 879	-111 130	-103 063
Administration expenses	-7 855	-5 082	-15 125	-15 102	-29 528	-29 505
Development expenses	-22 347	-21 154	-44 456	-41 396	-84 916	-81 856
<b>Operating earnings</b>	<b>8 267</b>	<b>13 393</b>	<b>17 424</b>	<b>19 811</b>	<b>53 598</b>	<b>55 985</b>
Net financial items	-270	294	-807	387	-121 176	-119 982
<b>Earnings before tax</b>	<b>7 997</b>	<b>13 687</b>	<b>16 617</b>	<b>20 198</b>	<b>-67 578</b>	<b>-63 997</b>
Tax	-1 796	-3 145	-4 091	-4 723	-11 957	-12 589
<b>Net income</b>	<b>6 201</b>	<b>10 542</b>	<b>12 526</b>	<b>15 475</b>	<b>-79 535</b>	<b>-76 586</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 shows 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	-5 743	-6 953	-12 030	-11 393	-23 876	-23 239
Administration expenses	5 743	6 953	12 030	11 393	23 876	23 239

## PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Jun 30 2015	Jun 30 2014	Dec 31 2014
<b>ASSETS</b>			
<b>Intangible assets</b>			
Other intangible assets	1 214	1 645	1 151
<b>Tangible fixed assets</b>			
Equipment	4 084	3 392	3 358
<b>Financial assets</b>			
Participations in group companies	117 427	117 427	117 427
Deferred tax asset	2 454	14 411	6 545
Deposits	197	272	289
<b>Total non-current assets</b>	<b>125 376</b>	<b>137 147</b>	<b>128 770</b>
<b>Current assets</b>			
Inventories	39 647	40 402	44 207
Accounts receivable	70 386	107 700	66 169
Receivables from group companies	190 748	325 297	190 771
Other receivables	12 496	12 804	11 635
Cash and cash equivalents	281 912	183 926	267 111
<b>Total current assets</b>	<b>595 189</b>	<b>670 129</b>	<b>579 893</b>
<b>Total assets</b>	<b>720 565</b>	<b>807 276</b>	<b>708 663</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	15 597	15 597	15 597
Statutory reserve	112 822	112 822	112 822
<b>Non-restricted equity</b>			
Share premium reserve	51 296	51 296	51 296
Retained earnings	430 942	507 528	507 528
Net Income	12 526	15 475	-76 586
<b>Total equity</b>	<b>623 183</b>	<b>702 718</b>	<b>610 657</b>
<b>Non-current liabilities</b>			
Other provisions	4 499	2 869	3 166
<b>Total non-current liabilities</b>	<b>4 499</b>	<b>2 869</b>	<b>3 166</b>
<b>Current liabilities</b>			
Accounts payable	21 656	16 446	14 327
Liabilities to group companies	15 278	15 278	15 278
Other liabilities	55 949	69 965	65 235
<b>Total current liabilities</b>	<b>92 883</b>	<b>101 689</b>	<b>94 840</b>
<b>Total equity and liabilities</b>	<b>720 565</b>	<b>807 276</b>	<b>708 663</b>

## ACCOUNTING POLICIES

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 preparation of the Interim Report requires management to make judgments, estimates and assumptions that affect the company's earnings and position and information presented generally. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The same accounting principles and basis of calculation as those used in the latest Annual Report have been applied to the group and parent company. For a description of these accounting principles, please refer to the Annual Report.

Figures in brackets in this report refer to comparison with the corresponding period or date in the previous year. Divergences due to rounding may occur in this report.

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

There were no significant events after the end of the period.

## REVIEW

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

## THIS IS NET INSIGHT

### Business concept and model

Net Insight delivers network products and services for effective, high-quality media transport for broadcasters and service providers. Net Insight's solutions offer customers the benefit of lower cost and the potential for effective new media service launches.

Revenues are generated through direct and indirect sales of products and licenses, support and maintenance, professional services and training. Revenues are primarily sourced from hardware sales, although revenues from software and services have increased in recent years.

### Strategy

Our ambition is to be a growth company, and our target is to create profitable growth. On a market in fundamental transformation, we create growth and profitability through close and strategic partnerships with customers. We create innovative solutions together that make our customers successful and generate business benefits. To grow for the long term, we need to transform Net Insight into a customer and market-oriented company.

### Value Drivers

Value drivers affect Net Insight's progress and can be divided into three groups: market transformation, innovative technology and global reach.

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 a wider coverage of live events. An important driver is also the conversion to new TV formats in the broadcast and media industry.

## REPORTING DATES

Interim report January-September 2015	October 28	2015
Year-end report 2015	February 17	2016

## CERTIFICATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and the CEO certify that the Interim report for the period January - June 2015 gives a true and fair overview of the Parent Company Net Insight AB and the Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 22, 2015

Lars Berg  
Chairman

Jan Barchan  
Board member

Cecilia Beck-Friis  
Board member

Crister Fritzson  
Board member

Gunilla Fransson  
Board member

Anders Harrysson  
Board member

Regina Nilsson  
Board member

Fredrik Tumegård  
CEO

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