

# Interim report Net Insight January – September 2015



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

Statement from our CEO Fredrik Tumegård:

”We’re acquiring US software company ScheduALL and we have secured a steady inflow of business.”

## THIRD QUARTER 2015

- Net sales amounted to SEK 84.3 (112.2) million, down -24.9 per cent year on year. The decrease is -31.6 per cent in comparable currencies.
- Operating earnings amounted to SEK 9.5 (31.4) million, equating to an operating margin of 11.3 per cent (28.0).
- Total cash flow was SEK -8.5 (55.6) million.

## JANUARY - SEPTEMBER 2015

- Net sales amounted to SEK 265.2 (287.3) million, a decrease of -7.7 per cent. In comparable currencies, this corresponds to a decrease of -16.8 per cent.
- Operating earnings amounted to SEK 20.6 (47.9) million, equating to an operating margin of 7.8 per cent (16.7).
- Total cash flow was SEK 4.3 (69.4) million.

## Q3 SIGNIFICANT EVENTS

- We have signed an agreement to acquire US software company ScheduALL, our intention being to advance Net Insight’s market positioning in media services and workflow orchestration. This acquisition was completed on October 1<sup>st</sup>.
- We signed a significant agreement with Swisscom Broadcast for the delivery of a nationwide digital terrestrial TV (DTT) network in Switzerland.
- Net Insight won IABM’s Design & Innovation Award in the Systems Automation & Control category for the company’s Customer Provisioned Networks solution.
- Net Insight is repurchasing 2.7 million of own shares in accordance with AGM mandate, worth SEK 7.5 million.

SEK millions	Jul-Sep 2015	Jul-Sep 2014	Change	Jan-Sep 2015	Jan-Sep 2014	Change	Oct 2014 Sep 2015	Jan-Dec 2014	Change
<b>Net sales by region</b>									
EMEA	45,0	49,4	-8,8%	154,3	130,8	17,9%	208,7	185,2	12,7%
Americas	29,2	52,9	-44,7%	87,5	136,9	-36,1%	119,0	168,4	-29,3%
APAC	10,0	9,9	1,0%	23,5	19,6	19,7%	29,4	25,5	15,1%
<b>Total net sales</b>	<b>84,3</b>	<b>112,2</b>	<b>-24,9%</b>	<b>265,2</b>	<b>287,3</b>	<b>-7,7%</b>	<b>357,0</b>	<b>379,1</b>	<b>-5,8%</b>
Operating earnings	9,5	31,4	-69,7%	20,6	47,9	-57,0%	26,2	53,6	-51,0%
Operating Margin	11,3%	28,0%	-	7,8%	16,7%	-	7,3%	14,1%	-
Net Income	6,5	24,7	-73,8%	14,1	36,8	-61,7%	18,8	41,5	-54,7%
EBITDA	11,4	37,2	-69,4%	26,2	59,0	-55,6%	34,2	67,1	-49,0%
EBITDA margin	13,5%	33,1%	-	9,9%	20,5%	-	9,6%	17,7%	-
Diluted and Basic EPS (SEK)	0,02	0,06	-73,8%	0,04	0,09	-61,7%	0,05	0,11	-54,7%
Total Cash Flow	-8,5	55,6	-115,3%	4,3	69,4	-93,9%	25,5	90,6	-71,9%

# CEO statement

Sales in the quarter were down on the previous quarter and the corresponding quarter of the previous year, but this was largely expected as we have strong comparable quarters. The most important thing is that we're staying with our strategy, and advancing our positioning for the longer term. The acquisition of ScheduALL is a strategic step towards future growth.

Sales were SEK 84 million, while our operating margin was a high 11 per cent thanks to a retained gross margin of 61 per cent. Sales in the quarter were down year on year, by -25 per cent, or -32 per cent currency adjusted. The previous year was strong, clearly featuring a number of large orders, which demonstrates that we are still sensitive to large single orders.

I'm still pleased that we so obviously delivered according to our strategic plan, which is a pre-requisite for future growth. The acquisition of ScheduALL is a strategic step. We're realigning from a product to a customer-oriented company where the launch of a new brand platform plays an important part. We've developed new product segments, with Customer Provisioned Networks being the most important and we had a steady inflow of new business in the quarter.

The acquisition of ScheduALL means us achieving a stronger offering in tailored media solutions, and gaining over 300 new customers, including some of the most important TV companies. We already had a long-term collaboration with ScheduALL, but saw the opportunity to bring the company into our business - we're very good mutual complements. ScheduALL delivers software for production planning of staffing, cameras, studios and other media equipment, while we deliver the control of capacity-intensive video transport between production and broadcast. This means that we can interlink crews, technology and network capacity, thus streamlining business processes for media companies. Our endeavor is to be able to follow the customer right along the value chain, from production to final consumer. There is high potential for cross selling between ScheduALL's 300 customers and our 250, to offer each customer a more extensive and complete service. The acquisition is primarily based on cross selling and limited cost synergies.

It's worth noting that we won the media technology trade organization IABM's Design & Innovation Award in the Systems Automation & Control category for our own and ScheduALL's joint solution for the planning and transport of media content.

We won new business in the Digital Terrestrial TV (DTT) market segment through a major order with Swisscom Broadcast, the Swiss digital terrestrial network operator. We're building a new, state-of-the-art IP-based transport solution for TV, radio and data, which is scalable and more efficient, thus making Swisscom more competitive. The Rugby World Cup takes place in the UK in September and October, and our customer, SIS Live of the UK, is delivering services based on our live broadcast solution from 13 arenas. This solution is compatible with HDTV and the



new high-resolution 4K format, known on the market as Ultra HD.

We demoed a development of our innovative Customer Provisioned Networks (CPN) solution at the IBC Exhibition in Amsterdam, including a mobile app called Nimbra Connect, enabling customers to control the capacity they need for video transport easily. We believe this simplicity creates a critical competitive edge. Nimbra FileTeleport is another new service that radically simplifies the transport of non-live TV production. For the customer, it brings the potential to combine live and non-live production and transport of TV content. Service providers are now able to offer TV companies new types of service, and thus generate new revenue streams.

We also conducted the full launch of our brand platform at IBC in Amsterdam, where it was very well received. The process includes an updated vision, new visual identity and a more contemporary feel for our website, and all materials for customer encounters. Through our brand, we want to demonstrate that we have high ambitions in a growth sector, and are focused on simple solutions that generate substantial business benefit.

Overall, we're not satisfied with the reduced sales for the quarter, but our underlying business is stronger. What we are more satisfied about is staying with our strategy, which means we are continuing to win business in our core segments, develop new, smart solutions centering on Customer Provisioned Networks, continuing on our way forward from a product to a customer-oriented company, and growing through acquisitions when attractive opportunities appear. The shared installed customer base, due to the acquisition of ScheduALL, is a major asset for future business.

Stockholm, October 2015

Fredrik Tumegård, CEO



**There is high potential for cross selling between ScheduALL's 300 customers and our 250, to offer each customer a more extensive and complete service.**

## REVENUES

### Third quarter

Sales for the third quarter were SEK 84.3 (112.2) million, down by -24.9 per cent year on year. In comparable currencies, the decrease was -31.6 per cent. As in the second quarter 2015, the decreased sales primarily relate to North and South America, where there were record shipments, primarily to Zayo in the US in the third quarter 2014. We were not able to match this fully in the third quarter 2015. But we do think that our underlying business, i.e. expansion orders, support and new small-scale initial business, has advanced over a 12-month period. This is mainly driven by a larger installed base, which will be an important platform going forward, conferring us with some stability even if revenues do vary between quarters, very dependent on how shipments on the major orders we secure are scheduled.

Net sales in the EMEA region were SEK 45.0 (49.4) million. Orders secured in the quarter included a significant deal with Swisscom Broadcast for the roll-out of the nationwide digital terrestrial network. This roll-out will be in phases, and is scheduled for execution in the first half-year 2016. The estimated value of the roll-outs is some EUR 2 million. In EMEA, we can also note that southern Africa, the UK and Switzerland enjoyed a strong quarter.

Net sales in the North and South America region were SEK 29.2 (52.9) million. The decrease primarily relates to the major order from Zayo for a nationwide network in the US, which rolled out commencing the second quarter 2014. Adjusted for this, North America is still strong, with good deliveries, primarily on existing accounts. The generally poor South American macro economy, where most local currencies have depreciated heavily against the USD over a 12-month period, left its mark on the quarter, and sales

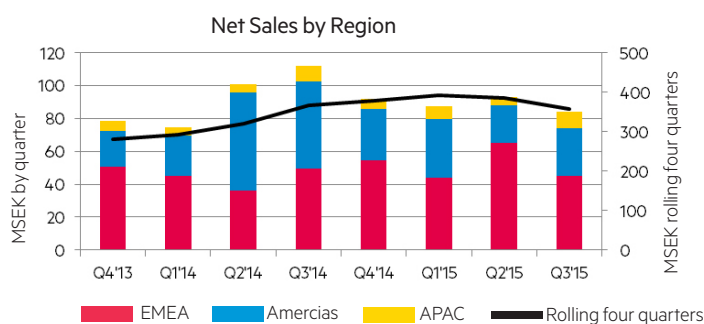
were low. Despite this, there is good potential for business, albeit with a delay. Net sales in the APAC region were SEK 10.0 (9.9) million. Most sales in the quarter were to Chinese customers.

Net sales in the Broadcast & Media Networks (BMN) business area were 76 (88) per cent, in Digital Terrestrial TV (DTT) 23 (8) per cent and in IPTV/CATV 1 (4) per cent of total sales. The increase in DTT was primarily sourced from Switzerland and southern Africa. Net sales from hardware were SEK 46.5 (68.3) million. The decrease is consistent with the general reduction in net sales. Net sales from software licenses were SEK 14.8 (23.2) million, and support and service sales were SEK 22.4 (18.7) million. The above numbers exclude other operating income of SEK 0.5 (2.0) million, which consist of the translation differences of accounts receivable in foreign currencies.

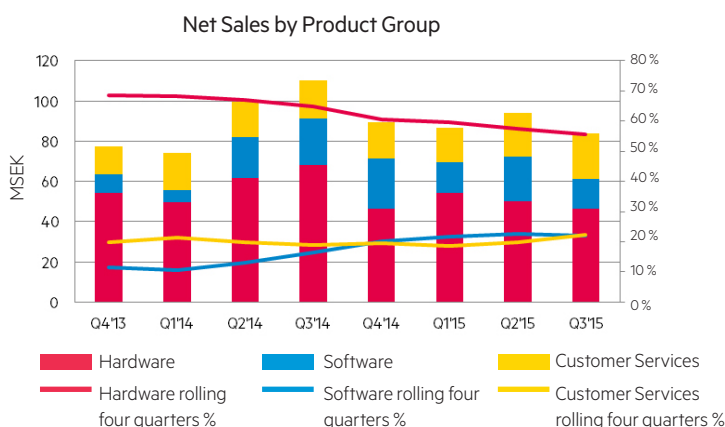
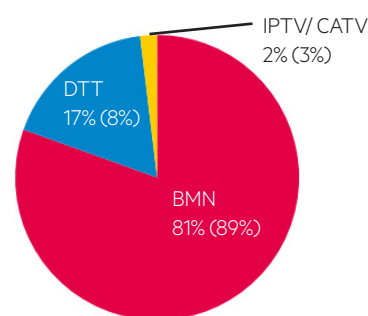
### Nine months

Net sales in the first nine months of the year were SEK 265.2 (287.3) million. The decrease is -7.7 per cent, or -16.8 per cent in comparable currencies, and relates to the North and South American region. In the nine-month period, the EMEA region reported net sales of SEK 154.3 (130.8) million. This increase of 17.9 per cent is driven by customers in Western Europe, although southern Africa and the Middle East also performed strongly in the period.

Despite USD appreciation against the SEK, net sales in North and South America decreased by -36.1 per cent. Net sales in the region were SEK 87.5 (136.9) million. The decrease on the corresponding period of the previous year relates to North and South America. Net sales in the APAC region increased by 19.7 per cent to SEK 23.5 (19.6) million. This increase is driven by higher sales in China, as well as a stronger USD.



**Net Sales by Segment Jan-Sep 2015**



Key Ratios	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Net sales, SEK millions	84,3	112,2	265,2	287,3
Gross margin	61,1%	67,2%	60,6%	62,2%
Operating margin	11,3%	28,0%	7,8%	16,7%
Opex/Net sales	49,8%	39,2%	52,8%	45,5%
EBITDA margin	13,5%	33,1%	9,9%	20,5%

Net sales in the Broadcast & Media Networks (BMN) business area were 81 (89) per cent, in DTT 17 (8) per cent and in IPTV/CATV 2 (3) per cent of total sales.

Net sales from hardware were SEK 150.7 (179.6) million. Net sales from software licenses were SEK 52.9 (50.0) million, and support and service sales were SEK 60.6 (54.4) million. The above numbers exclude other operating income of SEK 0.9 (3.3) million, which consist of translation differences on accounts receivable in foreign currency.

## EARNINGS

### Third quarter

The gross margin for the quarter was 61.1 (67.2) per cent, an improvement quarter on quarter, but a six percentage point decrease on the corresponding period of the previous year. The increase on the previous quarter was primarily driven by fewer initial deals, generating higher margins, while the decrease compared to the third quarter 2014 was primarily driven by lower sales volumes.

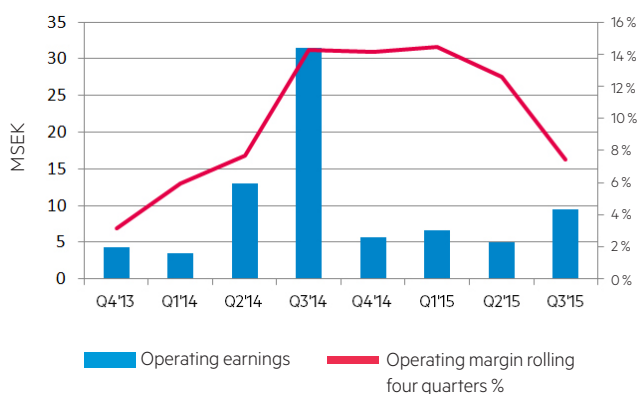
Operating expenses for the third quarter were SEK 42.0 (43.9) million. Mainly, the decrease in operating expenses is due to lower variable staff costs in the period and a higher capitalization level of R&D expenditure. Total R&D expenditure was SEK 19.1 (17.7) million. Third-quarter administration expenses were charged with transaction expenses of SEK 2.7 million relating to the acquisition of ScheduALL.

Operating profit decreased to SEK 9.5 (31.4) million due to reduced sales volumes. The operating margin was 11.3 (28.0) per cent and the EBITDA margin was 13.5 (33.1) per cent.

Net financial income/expense was a negative SEK -0.5 (0.6) million, mainly due to the revaluation of cash and cash equivalents denominated in foreign currency.

Net income was SEK 6.5 (24.7) million, resulting in a net margin of 7.7 (22.1) per cent.

### Earnings trend



### Nine months

Gross margin for the period January to September was 60.6 (62.2) per cent. The decrease on the corresponding period of the previous year is primarily a result of lower sales volumes, partly offset by a depreciated Swedish krona.

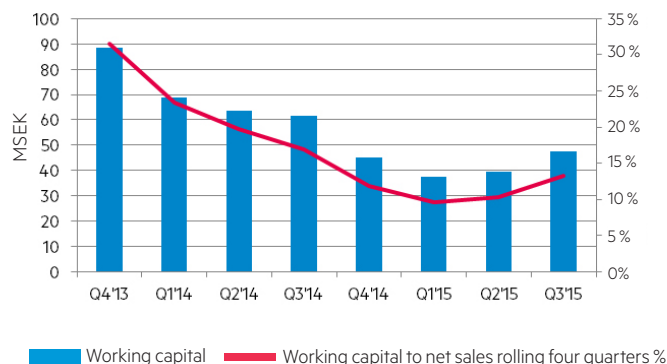
Operating expenses increased by SEK 9.3 million to SEK 140.1 (130.8) million, mainly driven by more resources and activities in Net Insight's sales and marketing organizations.

Operating profit was SEK 20.6 (47.9) million, corresponding to an operating margin of 7.8 (16.7) per cent. The decreased operating profit was mainly caused by lower sales volumes, but also and mainly, by increased sales and marketing expenses.

Net financial income/expense was a negative SEK -1.3 (1.2) million, mainly due to the translation of cash and cash equivalents denominated in foreign currency.

Net income was SEK 14.1 (36.8) million, corresponding to a net margin of 5.3 (12.8) per cent.

### Working capital trend



## CASH FLOW AND FINANCIAL POSITION

Cash flow for the third quarter was SEK -8.5 (55.6) million. The negative cash flow was caused by the repurchase of own shares for SEK 7.5 million and a build-up of accounts receivable. There was also substantial accumulation of inventory in the quarter, linked to hedging of the component inventory. However, this had no cash flow effect in the quarter.

Cash flow for the nine-month period was SEK 4.3 (69.4) million. Cash flow in the period was negatively impacted by the repurchase of own shares for SEK 7.5 million and the build-up of accounts receivable. Cash and cash equivalents at the end of the quarter were SEK 298.6 (273.1) million.

Remaining tax loss carry-forwards for group companies were SEK 88.6 (112.4) million at the end of the period.

Equity was SEK 544.3 (531.6) million, with an equity/assets ratio of 84.9 (85.9) per cent. Equity reduced by SEK -7.5 million in the period, which relates to the value of repurchased own shares.

## INVESTMENTS

Investments in the third quarter were SEK 12.8 (8.4) million, of which SEK 12.3 (8.2) million related to capitalization of R&D expenditure. Depreciation and amortization in the period was SEK 14.2 (14.0) million, of which SEK 13.7 (13.4) million related to amortization of capitalized R&D expenditure.

Investments in the nine-month period were SEK 38.1 (30.2) million, of which SEK 35.7 (29.5) million related to capitalization of R&D expenditure. Depreciation and amortization in the nine-month period was SEK 41.3 (40.6) million, of which SEK 39.8 (38.3) 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 169.0 (174.8) million.

## EMPLOYEES

At the end of the quarter, Net Insight had 138 (137) employees, of which 123 (124) were employed by the parent company, Net Insight AB (publ).

## PARENT COMPANY

Parent company net sales in the third quarter were SEK 103.8 (130.4) million and net income for the period was SEK 11.1 (21.4) million.

Parent company net sales in the nine-month period were SEK 330.3 (348.0) million and net income for the period was SEK 23.6 (36.9) 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 2014 arose in the nine-month period.

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 per cent, in the second quarter 26 per cent, in the third quarter 25 per cent, and in the fourth quarter 26 per cent of yearly sales.

## FINANCIAL INFORMATION

	Jan-Mar	Apr-Jun	Jul-Sep	Jul-Sep	Oct-Dec	Jan-Sep	Jan-Sep	Oct 2014-	Jan-Dec
SEK millions (if not defined differently)	2015	2015	2015	2014	2014	2015	2014	Sep 2015	2014
<b>Net sales by region</b>									
EMEA	44,0	65,2	45,0	49,4	54,4	154,3	130,8	208,7	185,2
Americas	35,7	22,6	29,2	52,9	31,5	87,5	136,9	119,0	168,4
APAC	8,1	5,4	10,0	9,9	5,9	23,5	19,6	29,4	25,5
<b>Net sales</b>	<b>87,7</b>	<b>93,2</b>	<b>84,3</b>	<b>112,2</b>	<b>91,8</b>	<b>265,2</b>	<b>287,3</b>	<b>357,0</b>	<b>379,1</b>
<i>Net sales YoY, change in %</i>	17,9%	-7,4%	-24,9%	67,7%	16,5%	-7,7%	42,2%	-2,5%	35,0%
<b>Income statement</b>									
Gross earnings	52,7	56,5	51,5	75,4	53,2	160,7	178,7	213,9	232,0
<i>Gross margin</i>	60,1%	60,6%	61,1%	67,2%	58,0%	60,6%	62,2%	59,9%	61,2%
Operating expenses	46,6	51,5	42,0	43,9	47,6	140,1	130,8	187,7	178,4
<i>Opex/Net sales</i>	53,1%	55,3%	49,8%	39,1%	51,9%	52,8%	45,5%	52,6%	47,1%
Operating earnings	6,2	4,9	9,5	31,4	5,6	20,6	47,9	26,2	53,6
<i>Operating margin</i>	7,0%	5,3%	11,3%	28,0%	6,1%	7,8%	16,7%	7,3%	14,1%
Profit/loss after financial items	5,6	4,7	9,0	32,0	5,9	19,3	49,2	25,2	55,1
Net Income	4,0	3,6	6,5	24,7	4,7	14,1	36,8	18,8	41,5
<i>Net margin</i>	4,6%	3,9%	7,7%	22,1%	5,1%	5,3%	12,8%	5,3%	10,9%
<b>EBITDA</b>									
Operating earnings	6,2	4,9	9,5	31,4	5,6	20,6	47,9	26,2	53,6
Amortization of capitalized R&D expenditure	13,1	13,0	13,7	13,4	13,1	39,8	38,8	52,9	51,9
Other depreciation & amortization	0,6	0,5	0,5	0,6	0,6	1,6	1,8	2,1	2,4
Capitalization of R&D expenditure	-12,1	-11,3	-12,3	-8,2	-11,3	-35,7	-29,5	-47,1	-40,9
<b>EBITDA</b>	<b>7,7</b>	<b>7,1</b>	<b>11,4</b>	<b>37,2</b>	<b>8,0</b>	<b>26,2</b>	<b>59,0</b>	<b>34,2</b>	<b>67,1</b>
<i>EBITDA margin</i>	8,8%	7,6%	13,5%	33,1%	8,7%	9,9%	20,5%	9,6%	17,7%
<b>Balance sheet</b>									
Working capital	37,4	39,6	47,5	61,7	45,1	42,4	61,7	44,6	59,5
<i>Working capital/Net sales</i>	4,2,6%	4,2,5%	5,6,3%	5,5,0%	4,9,1%	1,6,0%	2,1,5%	1,2,5%	1,5,7%
<i>Return on capital employed</i>	1,1%	0,9%	1,8%	6,2%	1,1%	3,7%	9,7%	4,8%	10,7%
<i>Equity/asset ratio</i>	87,5%	86,4%	84,9%	85,9%	86,1%	84,9%	85,9%	84,9%	86,0%
<i>Return on equity</i>	0,8%	0,7%	1,2%	4,8%	0,9%	2,6%	7,3%	3,5%	8,0%
Cash and cash equivalents	304,9	307,1	298,6	273,1	294,3	298,6	273,1	298,6	294,3
Total cash flow	10,6	2,2	-8,5	55,6	21,2	4,3	69,4	25,5	90,6
<b>The share</b>									
Dividend per share, SEK	-	-	-	-	-	-	-	-	-
Earnings per share diluted and basic, SEK	0,01	0,01	0,02	0,06	0,01	0,04	0,09	0,05	0,11
Cash flow per share, SEK	0,03	0,01	-0,02	0,14	0,05	0,01	0,18	0,07	0,23
Equity per share basic and diluted, SEK	1,39	1,40	1,40	1,36	1,38	1,40	1,36	1,40	1,38
Average number of shares at the end of the period, in thousands	389 933	389 933	389 484	389 933	389 933	389 783	389 933	389 821	389 933
<b>Employees</b>									
No. of employees at the end of the period	138	138	138	137	134	138	137	138	134

For definitions, see page 13.

## CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014	Oct 2014- Sep 2015	Jan-Dec 2014
Sales	84 284	112 172	265 221	287 293	357 038	379 110
Cost of sales	-32 802	-36 820	-104 532	-108 571	-143 116	-147 155
<b>Gross earnings</b>	<b>51 482</b>	<b>75 352</b>	<b>160 689</b>	<b>178 722</b>	<b>213 922</b>	<b>231 955</b>
Sales and marketing expenses	-26 152	-26 433	-88 087	-78 091	-117 865	-107 869
Administration expenses	-9 053	-8 010	-24 191	-23 118	-30 592	-29 518
Development expenses	-6 770	-9 483	-27 800	-29 565	-39 226	-40 992
<b>Operating earnings</b>	<b>9 507</b>	<b>31 426</b>	<b>20 611</b>	<b>47 948</b>	<b>26 239</b>	<b>53 576</b>
Net financial items	-504	622	-1 281	1 229	-1 036	1 474
<b>Profit before tax</b>	<b>9 003</b>	<b>32 048</b>	<b>19 330</b>	<b>49 177</b>	<b>25 203</b>	<b>55 050</b>
Tax	-2 531	-7 304	-5 225	-12 381	-6 420	-13 576
<b>Net income</b>	<b>6 472</b>	<b>24 744</b>	<b>14 105</b>	<b>36 796</b>	<b>18 783</b>	<b>41 474</b>
<b>Net income for the period attributable to the shareholders of the parent company</b>	<b>6 472</b>	<b>24 744</b>	<b>14 105</b>	<b>36 796</b>	<b>18 783</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	0,02	0,06	0,04	0,09	0,05	0,11
Earnings per share, diluted	0,02	0,06	0,04	0,09	0,05	0,11
Average number of shares in thousands, basic	389 484	389 933	389 783	389 933	389 821	389 933
Average number of shares in thousands, diluted	389 484	389 933	389 783	389 933	389 821	389 933

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands						
<b>Net Income</b>	<b>6 472</b>	<b>24 744</b>	<b>14 105</b>	<b>36 796</b>	<b>18 783</b>	<b>41 474</b>
<b>Other comprehensive income</b>						
Items that may be reclassified subsequently to the income statement						
Translation differences	248	458	772	694	1 339	1 261
<b>Total other comprehensive income, after tax</b>	<b>248</b>	<b>458</b>	<b>772</b>	<b>694</b>	<b>1 339</b>	<b>1 261</b>
Total other comprehensive income for the period	6 720	25 202	14 877	37 490	20 122	42 735
<b>Total comprehensive income for the period attributable to the shareholders of the parent company</b>	<b>6 720</b>	<b>25 202</b>	<b>14 877</b>	<b>37 490</b>	<b>20 122</b>	<b>42 735</b>

## CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Sep-30 2015	Sep-30 2014	Dec-31 2014
<b>ASSETS</b>			
<b>Intangible assets</b>			
Capitalized expenditure for development	168 984	174 837	173 016
Goodwill	4 354	4 354	4 354
Other intangible assets	1 578	757	1 151
<b>Tangible assets</b>			
Equipment	3 742	3 798	3 358
<b>Financial fixed assets</b>			
Deferred tax asset	18 381	24 721	23 544
Deposits	337	277	378
<b>Total non-current assets</b>	<b>197 376</b>	<b>208 744</b>	<b>205 801</b>
<b>Current assets</b>			
Inventories	53 128	43 646	44 207
Accounts receivable	76 551	80 602	66 169
Other receivables	15 731	12 885	13 025
Cash and cash equivalents	298 586	273 130	294 318
<b>Total current assets</b>	<b>443 996</b>	<b>410 263</b>	<b>417 719</b>
<b>TOTAL ASSETS</b>	<b>641 372</b>	<b>619 007</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	78	-1 260	-693
Accumulated deficit	-664 133	-675 422	-670 745
<b>Total shareholders' equity</b>	<b>544 269</b>	<b>531 642</b>	<b>536 886</b>
<b>Non-current liabilities</b>			
Other liabilities	5 425	3 632	3 166
<b>Total non-current liabilities</b>	<b>5 425</b>	<b>3 632</b>	<b>3 166</b>
<b>Current liabilities</b>			
Accounts payable	33 040	21 352	14 550
Other liabilities	58 638	62 381	68 918
<b>Total current liabilities</b>	<b>91 678</b>	<b>83 733</b>	<b>83 468</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>641 372</b>	<b>619 007</b>	<b>623 520</b>



## CHANGES IN CONSOLIDATED EQUITY, IN SUMMARY

SEK thousands	Attributable to parent company's shareholders				
	Share capital	Other paid-in capital	Translation differences	Accumulated deficit	Total shareholders' equity
<b>2014-01-01</b>	15 597	1 192 727	-1 954	-712 218	494 152
Total comprehensive income	-	-	694	36 796	37 490
<b>2014-09-30</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-1 260</b>	<b>-675 422</b>	<b>531 642</b>
<b>2014-10-01</b>	15 597	1 192 727	-1 260	-675 422	531 642
Total comprehensive income	-	-	567	4 678	5 245
<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
Repurchase of own shares	-	-	-	-7 493	-7 493
Total comprehensive income	-	-	771	14 105	14 876
<b>2015-09-30</b>	<b>15 597</b>	<b>1 192 727</b>	<b>78</b>	<b>-664 133</b>	<b>544 269</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014	Oct 2014- Sep 2015	Jan-Dec 2014
<b>Ongoing activities</b>						
Profit/loss before tax	9 003	32 048	19 330	49 177	25 203	55 050
Income tax paid	0	-	-79	-	-79	-
Depreciation and amortization	14 162	13 965	41 327	40 622	55 055	54 350
Other items not affecting liquidity	-40	1 222	1 817	1 203	1 917	1 303
<b>Cash flow from operating activities before changes in working capital</b>	<b>23 125</b>	<b>47 235</b>	<b>62 395</b>	<b>91 002</b>	<b>82 096</b>	<b>110 703</b>
Changes in working capital						
Increase-/decrease+ in inventories	-13 481	-3 235	-8 921	-1 033	-9 482	-1 594
Increase-/decrease+ in receivables	-9 655	26 865	-13 089	-12 320	1 205	1 974
Increase+/-decrease- in current liabilities	11 799	-6 933	9 440	22 021	9 157	21 738
Total changes in working capital	-11 337	16 697	-12 570	8 668	880	22 118
<b>Cash flow from operating activities</b>	<b>11 788</b>	<b>63 932</b>	<b>49 825</b>	<b>99 670</b>	<b>82 976</b>	<b>132 821</b>
<b>Investment activities</b>						
Investment in intangible assets, net	-12 679	-8 222	-36 565	-29 687	-47 890	-41 012
Investment in tangible assets, net	-102	-142	-1 541	-570	-2 078	-1 107
Investment in financial assets, net	-10	-14	41	-14	-60	-115
<b>Cash flow from investment activities</b>	<b>-12 791</b>	<b>-8 378</b>	<b>-38 065</b>	<b>-30 271</b>	<b>-50 028</b>	<b>-42 234</b>
<b>Financing activities</b>						
Repurchase of own shares	-7 493	-	-7 493	-	-7 493	-
<b>Cash flow from financing activities</b>	<b>-7 493</b>	<b>0</b>	<b>-7 493</b>	<b>0</b>	<b>-7 493</b>	<b>0</b>
Net change in cash and cash equivalents	-8 496	55 554	4 267	69 399	25 455	90 587
Cash and cash equivalents at the beginning of the period	307 081	217 576	294 318	203 731	273 130	203 731
<b>Cash and cash equivalents at the end of the period</b>	<b>298 585</b>	<b>273 130</b>	<b>298 585</b>	<b>273 130</b>	<b>298 585</b>	<b>294 318</b>

## SEGMENT REPORT

SEK millions	Jul-Sep 2015				Jul-Sep 2014				Jan-Sep 2015				Jan-Sep 2014			
	EMEA	AM	APAC	Total	EMEA	AM	APAC	Total	EMEA	AM	APAC	Total	EMEA	AM	APAC	Total
Net sales	45	29	10	<b>84</b>	49	53	10	<b>112</b>	154	87	23	<b>265</b>	131	136	20	<b>287</b>
Regional contribution	15	8	2	<b>25</b>	22	24	3	<b>49</b>	47	22	3	<b>72</b>	50	48	3	<b>101</b>
<i>Regional contribution margin</i>	33%	28%	20%	<b>30%</b>	45%	45%	30%	<b>44%</b>	30%	26%	12%	<b>27%</b>	38%	35%	15%	<b>35%</b>
Adjustment for R&D amortization	7	5	2	<b>14</b>	6	6	1	<b>13</b>	23	13	4	<b>40</b>	18	18	3	<b>39</b>
Adjusted regional contribution	22	13	4	<b>39</b>	28	30	4	<b>62</b>	70	36	7	<b>112</b>	68	66	6	<b>140</b>
<i>Adjusted regional contribution margin</i>	49%	45%	40%	<b>46%</b>	57%	57%	40%	<b>55%</b>	45%	41%	28%	<b>42%</b>	52%	49%	30%	<b>49%</b>

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	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014	Oct 2014-Sep 2015	Jan-Dec 2014
Net sales	103 786	130 400	330 302	348 044	445 576	463 318
Cost of sales	-39 332	-52 669	-130 897	-144 125	-179 681	-192 909
<b>Gross earnings</b>	<b>64 454</b>	<b>77 731</b>	<b>199 405</b>	<b>203 919</b>	<b>265 895</b>	<b>270 409</b>
Sales and marketing expenses	-24 358	-25 350	-82 304	-75 229	-110 138	-103 063
Administration expenses	-6 364	-8 008	-21 489	-23 110	-27 884	-29 505
Development expenses	-19 077	-17 708	-63 533	-59 104	-86 285	-81 856
<b>Operating earnings</b>	<b>14 655</b>	<b>26 665</b>	<b>32 079</b>	<b>46 476</b>	<b>41 588</b>	<b>55 985</b>
Net financial items	-505	555	-1 312	942	-122 236	-119 982
<b>Earnings before tax</b>	<b>14 150</b>	<b>27 220</b>	<b>30 767</b>	<b>47 418</b>	<b>-80 648</b>	<b>-63 997</b>
Tax	-3 083	-5 782	-7 174	-10 505	-9 258	-12 589
<b>Net income</b>	<b>11 067</b>	<b>21 438</b>	<b>23 593</b>	<b>36 913</b>	<b>-89 906</b>	<b>-76 586</b>

## PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	30 Sep 2015	30 Sep 2014	31 Dec 2014
<b>ASSETS</b>			
<b>Intangible assets</b>			
Other intangible assets	1 578	757	1 151
<b>Tangible fixed assets</b>			
Equipment	3 742	3 798	3 358
<b>Financial assets</b>			
Participations in group companies	117 427	117 427	117 427
Deferred tax asset	-	8 629	6 545
Deposits	210	277	289
<b>Total non-current assets</b>	<b>122 957</b>	<b>130 888</b>	<b>128 770</b>
Current assets			
Inventories	53 128	43 646	44 207
Accounts receivable	76 551	80 602	66 169
Receivables from group companies	189 726	309 783	190 771
Other receivables	18 136	12 798	11 635
Cash and cash equivalents	275 925	243 970	267 111
<b>Total current assets</b>	<b>613 466</b>	<b>690 799</b>	<b>579 893</b>
<b>Total assets</b>	<b>736 423</b>	<b>821 687</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	423 450	507 528	507 528
Net Income	23 592	36 913	-76 586
<b>Total equity</b>	<b>626 757</b>	<b>724 156</b>	<b>610 657</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	629	-	-
Other liabilities	5 425	3 632	3 166
<b>Total non-current liabilities</b>	<b>6 054</b>	<b>3 632</b>	<b>3 166</b>
<b>Current liabilities</b>			
Accounts payable	32 805	21 144	14 327
Liabilities to group companies	15 278	15 278	15 278
Other liabilities	55 529	57 477	65 235
<b>Total current liabilities</b>	<b>103 612</b>	<b>93 899</b>	<b>94 840</b>
<b>Total equity and liabilities</b>	<b>736 423</b>	<b>821 687</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.

During the year, the parent company has started to repurchase own shares, hence the principle below has been added to the accounting policies for the group and the parent company in 2015.

Where any group company purchases the company's equity share capital (repurchase of own shares), the consideration paid, including any direct attributable incremental costs (net of income taxes) is deducted from retained earnings until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects, is included in retained earnings.

Except for the new principle above, 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.

## CONTRIBUTED EQUITY

During September 3-28, the parent company acquired 2 691 769 of its own class B shares through purchases on the NASDAQ OMX. The total amount paid to acquire the shares, net of income tax, was SEK 7.5 million.

At the end of the reporting period, the parent company had a total of 2 691 769 of its own class B shares, at an average cost of SEK 2.78 per share. The shares are held as own shares. The parent company has the right to reissue these shares at a later date.

Total amount of class B shares in Net Insight are 388 933 009. At the end of the reporting period, there were 1 000 000 class A shares and 386 241 240 class B shares outstanding. All shares issued by the parent company were fully paid.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On October 1, 2015, Net Insight acquired 100 per cent of the shares in the privately held US software company VizuAll Inc, trading under the name of ScheduALL, for USD 14 million on a cash and debt free basis. The acquisition price will be paid in cash at closing and will be adjusted for the actual level of debt, working capital and cash. The payment was funded by using available cash. Transactional costs are estimated to SEK 5 million, of which SEK 2.7 million in the consolidated earnings of the third quarter.

The acquisition will strengthen Net Insight's market position in media service and workflow orchestration. The transaction is expected to have a positive impact on earnings per share from January 1, 2016.

## NOMINATION COMMITTEE AND ANNUAL GENERAL MEETING

Net Insight's nomination committee for the 2016 Annual General Meeting consists of Jan Barchan (Briban Invest), Lars Bergkvist (Lannebo Fonder), Ramsay Brufer (Alecta), Marianne Flink (Swedbank Robur), and Lars Berg (Chairman of the Net Insight Board). The nomination committee appointed Lars Bergkvist (Lannebo Fonder) to serve as Chairman of the Committee.

Shareholders wishing to make proposals to the nomination committee can do so by e-mail, by March 15, 2016, to the Chairman of the Nomination Committee Lars Bergkvist, [lars.bergkvist@lannebofonder.se](mailto:lars.bergkvist@lannebofonder.se).

The Annual Shareholders' Meeting of Net Insight AB (publ) will be held on May 10, at 10 am by the company's offices, Västberga Allé 9, Hägersten, Stockholm.

Shareholders who wish to have a matter considered at the Annual general Meeting should send their proposals in writing to the chairman of the Board no later than March 22, 2016 by email: [agm@netinsight.net](mailto:agm@netinsight.net) or by post:

Net Insight AB (publ)  
Box 42093  
126 14 Stockholm

Mark the envelope or email with "Proposals to AGM 2016".

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

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### 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.

## REPORTING DATES

Year-end report 2015	February 17	2016
Interim report January - March 2016	April 27	2016
Annual General Meeting 2016	May 10	2016
Interim report January - June 2016	July 22	2016
Interim report January - September 2016	October 28	2016

Stockholm, October 28, 2015

Fredrik Tumegård,  
CEO

### For more information, please contact:

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## Report of Review of Interim Financial Information

### Introduction

We have reviewed the condensed interim financial information (interim report) of Net Insight AB (publ) as of September 30, 2015 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

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

### Conclusion

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

Stockholm, October 28, 2015

PricewaterhouseCoopers AB

**Mikael Winkvist**

Authorized Public Accountant

**Net Insight AB (publ)**

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