

# Interim report Net Insight January – March 2016



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

## Statement from our CEO Fredrik Tumegård:

"Sales increased by 25 per cent in the quarter with a stable operating margin of 7 per cent. The quarter has been characterized by continuous market penetration of our solution for true Live OTT, integration of last year's acquisition of ScheduALL and both activities are progressing according to plan."

### Q1 SIGNIFICANT EVENTS

- New business from important customers in the Middle East and Australia.
- Net Insight wins significant network order for nationwide DTT network in Central Asia.
- Focus on integration of ScheduALL, new global sales organization launched.
- Net Insight awarded "Career Company 2016" - one of Sweden's top one hundred most exciting employers.

### FIRST QUARTER 2016\*

- Net sales amounted to SEK 110.0 (87.7) million, up to 25.3 per cent year on year. The increase is 24.1 per cent in comparable currencies. Adjusted net sales were SEK 112.6 (87.7) million. Organic growth amounted to 3.5 per cent.
- Operating earnings amounted to SEK 7.8 (6.2) million, corresponding to an operating margin of 7.1 (7.0) per cent. Adjusted operating earnings were SEK 11.2 (6.2) million, corresponding to an adjusted operating margin of 9.9 (7.0) per cent.
- Net financial items were credited with SEK 9.0 million relating to the revaluation of a synthetic option program.
- Earnings before tax were SEK 16.3 (5.6) million. Adjusted earnings before tax were SEK 10.7 (5.6) million.
- Total cash flow was SEK 11.8 (10.2) million.

SEK millions	Jan-Mar 2016	Jan-Mar 2015	Change	Apr 2015- Mar 2016	Jan-Dec 2015	Change
<b>Net sales by region</b>						
Western Europe	47,8	37,8	26,6%	203,1	193,1	5,2%
Americas	35,2	35,7	-1,2%	114,6	115,1	-0,4%
Rest of World	26,9	14,3	88,4%	80,3	67,6	18,7%
<b>Total net sales</b>	<b>110,0</b>	<b>87,7</b>	<b>25,3%</b>	<b>398,0</b>	<b>375,8</b>	<b>5,9%</b>
Operating earnings	7,8	6,2	27,0%	20,9	19,2	8,6%
Operating Margin	7,1%	7,0%		5,2%	5,1%	
Net Income	14,0	4,0	250,6%	12,0	1,9	521,2%
EBITDA	3,0	7,7	-61,1%	18,6	23,3	-20,2%
EBITDA margin	2,7%	8,8%		4,7%	6,2%	
Diluted and Basic EPS (SEK)	0,04	0,01	253,1%	0,03	0,00	522,3%
Total Cash Flow	11,8	10,2	15,8%	-99,5	-101,1	-1,6%
<b>Adjusted*</b>						
Net Sales	112,6	87,7	28,3%	404,2	379,4	6,5%
Operating earnings	11,2	6,2	81,3%	32,6	27,6	18,0%
Operating Margin	9,9%	7,0%		8,1%	7,3%	

\*For information on adjusted items, see page 7.

# CEO statement

The first quarter has been characterized by continuous market penetration of our solution for true Live OTT and we have seen a great interest, even though we are still in the early stages. Furthermore, the integration of ScheduALL continued into Net Insight's business. The acquisition of ScheduALL is not only strengthening our global positioning within tailored media solutions; it is also leading to a substantial cross-selling opportunity with a joint customer portfolio consisting of about 500 customers. I am pleased to say that the integration of ScheduALL is progressing according to plan.

The revenue for the first quarter increased by 25 per cent, to SEK 110 (88) million. The operating margin for the first quarter was 7 per cent, which is flat, compared to the same period 2015. Despite the fact that the ScheduALL acquisition affected the operating margin negatively by SEK -3 million. We also continued to invest in R&D focusing on Live OTT. The lion part of the revenue growth is related to ScheduALL, but we can also recognize a stable demand in our core business even though we did not deliver against any single large order during the first quarter.

We have already experienced several positive effects thanks to the acquisition of ScheduALL. One example is that we have transformed our organization to a global company and initiated a cohesive sales team, with one interface towards our customers. This has resulted in a more effective and streamlined organization. We have also reorganized our R&D department somewhat which has resulted in a one-off cost of SEK 3,4 million. The objective is to increase efficiency, but also create a more up to date testing process. The reorganization is also running smoothly and will show full effect during the next quarter.

The US market declined during the first quarter, compared to the same period last year. It is important to note that the first quarter 2015 was enhanced by a significant contract, which had a sizable impact on revenue. The US is the biggest and most important market in the world, and we will continue to activate our commercial strategy in order to raise brand awareness and take market share. Western Europe continued to show strength with increased revenue of 27 per cent to SEK 48 (38) million. The region Rest of World also had a positive quarter with a couple of larger deals with new customers.

The important business strategic commitment to develop and establish Live OTT on the market is also proceeding according to plan. We can clearly see a growing interest in this ground-breaking technology, both from existing and new customers. But, also from the industry itself. Solving the challenge of delivering true Live OTT to our customers was an important milestone for our company. No longer will a live audience be seconds, or even minutes delayed and out of sync with each other. Introducing Sye in the beginning of April, our solution for true Live OTT, was a proud moment. It was also very fulfilling to meet customers at the NAB show in Las Vegas, and see their reaction. At NAB Net Insight's Sye solution was awarded "Best in Show"



by TV Technology. We will continue to invest in true Live OTT and we are fully committed to drive the industry forward as global market leaders.

Super Bowl 2015 became the most watched event in US TV history. The game between the New England Patriots and Seattle Seahawks set a new record, averaging 114.4 million viewers per minute on NBC's Sunday night broadcast. I am pleased to acknowledge that our Nimbra equipment played an important role in this broadcast. Another example where our technology made a difference was during the rugby union matches, where our customer Tata Communications delivered a seamless viewing experience for sports fans all over the world!

I feel privileged being part of this exciting industry that is currently experiencing a huge transformation. I am convinced that we have a lot of exciting business opportunities going forward. We have a strong position on the market, and will continue to focus on creating sustainable growth. We will also continue to activate our brand strategy step-by-step and become more visible. Recently we were appointed a "Career Company 2016" in Sweden, which is something we take great pride in. It means that we are seen as one of Sweden's top 100 career companies this year. We will also continue to strengthen and build our employer value proposition, which is a culture journey centered around the key message "join the transformation". This transformation is also something that we would like to invite all of you shareholders to join. The journey has just begun!

Stockholm, April 2016

Fredrik Tumegård, CEO

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Let me introduce our solution for Live OTT. Say hello to Sye.

Sye = Synchronize + Eye

## REVENUES

Net sales for the first quarter were SEK 110.0 (87.7) million, up by 25.3 per cent year on year. In comparable currencies, the increase was 24.1 per cent. Revenues of SEK 2.6 million that ScheduALL had recognized as an independent company were not included in first quarter earnings due to IFRS accounting rules. Adjusted for this, as indicated in the table on page 7, net sales were SEK 112.6 (87.7) million. For 2016, revenues of some SEK 6 million that ScheduALL would have recognized as an independent company will not be included due to IFRS accounting rules. Organic growth was 3.5 per cent.

Net Insight introduced a new global sales organization from January 1, 2016, which divides reporting into new geographical regions. Comparable periods have been converted to reflect the new organizational structure.

Western Europe generated sales of SEK 47.8 (37.8) million, an increase with 26.6 per cent. Sales in the quarter were mainly derived from existing customers. The region also returned growth adjusted for the acquisition of ScheduALL.

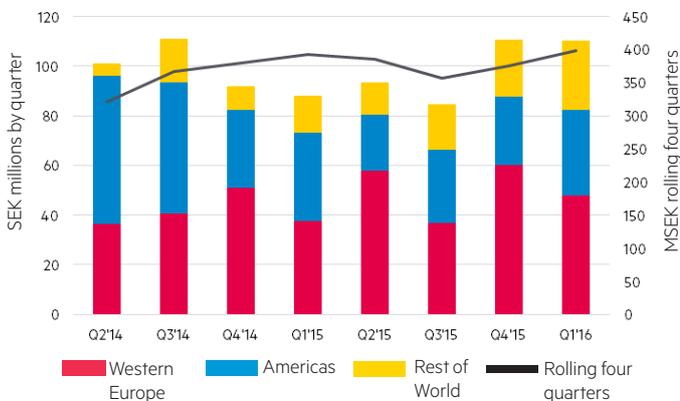
Rest of World generated sales of SEK 26.9 (14.3) million. Net Insight signed a number of important contracts in the quarter with new customers in the Middle East, Australia and elsewhere. The deals relate to both the Nimbra and ScheduALL product lines. Net Insight also completed its first delivery of a network for nationwide DTT in Central Asia in the quarter, announced in a press release in March. The roll-out is expected to be completed during 2017.

North and South Americas generated sales of SEK 35.2 (35.7) million. Sales to Canada were strong in the quarter, while the US and South America returned weaker figures. As previously communicated, the South American market is suffering from a weak economy and unfavorable exchange rates, which has hit investments hard. In the US, the decrease relates to customer investment cycles and a strong first quarter in 2015. The region as a whole decreased by SEK -10.8 million excluding the acquisition of ScheduALL.

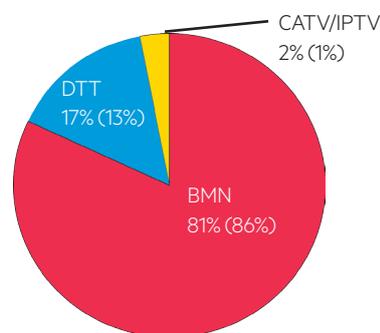
Net sales in the Broadcast & Media (BMN) business area were 81 (86) per cent, in Digital Terrestrial TV (DTT) 17 (13) per cent and in CATV/IPTV 2 (1) per cent of total sales.

Net sales from hardware were SEK 44.7 (54.2) million. The year on year reduction should be viewed as normal fluctuations between quarters. Net sales from software licenses were SEK 30.0 (15.5) million, and support and service sales were SEK 35.5 (16.9) million. The acquisition of ScheduALL implies that the value of software and services will increase as the business model is largely based on software licenses followed by support and upgrade agreements. The above numbers exclude other operating income of SEK -0.2 (1.1) million, which consist of translation differences on accounts receivable in foreign currencies.

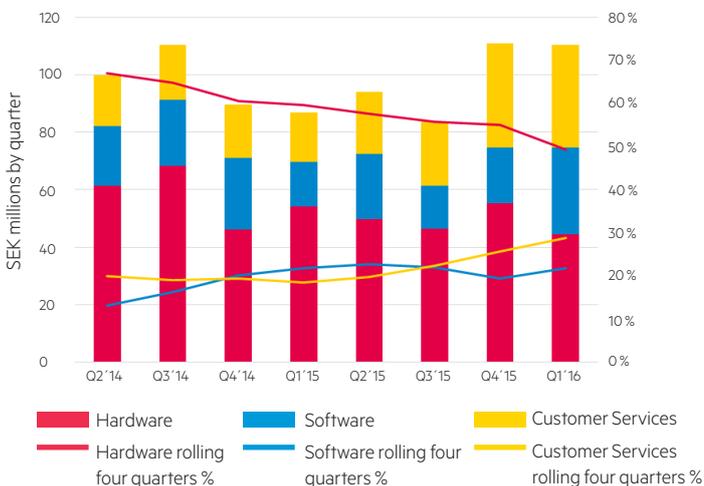
Net Sales by Region



Net Sales by Business Area Jan-Mar 2016



Net Sales by Product Group



Key Ratios	Jan-Mar 2016	Jan-Mar 2015
Net sales, SEK millions	110,0	87,7
Gross margin	61,7%	60,1%
Operating margin	7,1%	7,0%
Opex/Net sales	54,6%	53,1%
EBITDA margin	2,7%	8,8%
<b>Adjusted*</b>		
Net Sales	112,6	87,7
Operating Margin	9,9%	7,0%

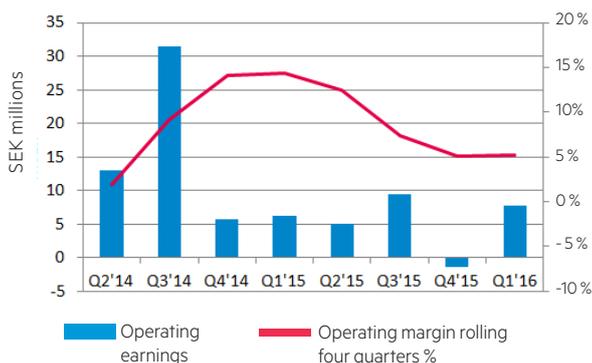
\* See table page 7.

## EARNINGS

First quarter earnings were also affected by acquisition-related items and substantial revaluation effects from a synthetic option program. For an overview of these effects, see the table on page 7.

Gross earnings were SEK 67.8 (52.7) million. The increase is mainly due to the additional sales volumes generated by the acquisition of ScheduALL. The gross margin for the quarter was 61.7% (60.1), a minor improvement year on year driven by increased volumes.

Earnings trend



Operating expenses for the first quarter were SEK 60.0 (46.6) million. The increase is mainly due to the addition of ScheduALL's organization. Operating expenses decreased by SEK 2.0 million in the quarter as a result of the lower share price in the first quarter, which generated positive revaluation effects on expenses. Development expenses in the quarter were charged with a non-recurring expense of SEK 3.4 million as a result of a minor re-organization of the R&D operations aimed at rationalizing the development process. Total R&D expenditure was SEK 37.5 (22.1) million. The increase is a combination of the consolidation of ScheduALL and the Live OTT initiative.

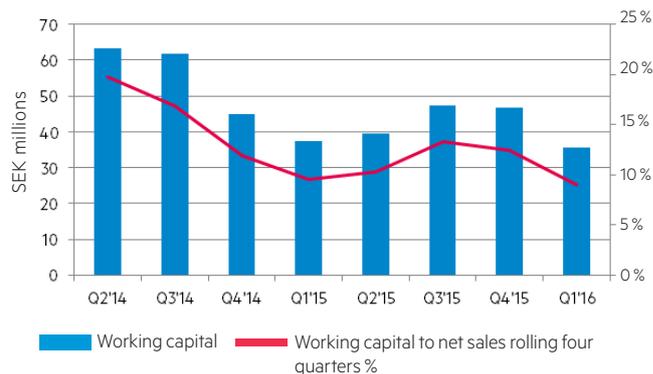
Operating earnings were SEK 7.8 (6.2) million, corresponding to an operating margin of 7.1 per cent, against 7.0 per cent in the comparative period of 2015. Adjusted operating earnings, see table on page 7, were SEK 11.2 (6.2) million, which corresponded to an adjusted operating margin of 9.9 (7.0) per cent.

In the first quarter, net financial items were credited with SEK 9.0 million in value changes on the synthetic option program introduced in the second quarter 2015, and accordingly, net financial items were SEK 8.5 (-0.5) million. The synthetic options are re-measured on a current basis using the Black & Scholes model, and given wide share price fluctuations, do exert a substantial impact on net financial items. The synthetic option program is fully hedged through repurchases of treasury shares, and accordingly, the value fluctuations do not have any future cash flow effect.

Earnings before tax were SEK 16.3 (5.6) million. Adjusted earnings before tax were SEK 10.7 (5.6) million, see table on page 7.

Net earnings for the period were SEK 14.0 (4.0) million, corresponding to a net margin of 12.8 (4.6) per cent.

Working capital trend



## CASH FLOW AND FINANCIAL POSITION

Cash flow for the first quarter was SEK 11.8 (10.2) million. The increased cash flow from ongoing activities in the quarter was offset by increased investment activity consisting almost exclusively of R&D initiatives.

Cash and cash equivalents at the end of the quarter were SEK 204.9 (304.9) million. The year on year decrease was almost exclusively due to the purchase consideration for ScheduALL.

Remaining tax loss carry-forwards for group companies were SEK 86.7 (110.6) million at the end of the period.

Equity was SEK 543.6 (541.8) million, with an equity/assets ratio of 77.8 (87.5) per cent.

## INVESTMENTS

Investments in the first quarter were SEK 22.4 (12.6) million, of which SEK 20.0 (12.1) million related to capitalization of expenditure for development. Depreciation and amortization in the period was SEK 15.2 (13.7) million, of which SEK 14.0 (13.1) million related to amortization of capitalized expenditure for development.

At the end of the period, the net value of capitalized expenditure for development was SEK 214.9 (172.1) million. Capitalized expenditure for development of SEK 37.1 million was received coincident with the acquisition of ScheduALL.

## EMPLOYEES

At the end of the period, Net Insight had 204 (138) employees, of which 124 (123) were employed by the parent company Net Insight AB (publ). The increase for the group primarily relates to the acquisition of ScheduALL.

## PARENT COMPANY

Parent company net sales in the first quarter were SEK 121.7 (110.5) million and net earnings for the period were SEK 19.3 (6.3) 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 2015 arose in 2016.

For a complete review of the company's risk and sensitivity analysis, and its risk management process, see page 32 of the Annual Report for 2015.

## SEASONALITY

In the past three calendar years, average seasonality has been fairly modest. In the first quarter, net sales were 22 per cent, in the second quarter 26 per cent, in the third quarter 25 per cent, and in the fourth quarter 27 per cent of yearly sales.

## FINANCIAL INFORMATION

SEK millions (if not defined differently)	Jan-Mar 2016	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Apr 2015- Mar 2016	Jan-Dec 2015
<b>Net sales by region</b>							
Western Europe	47,8	37,8	58,1	37,1	60,0	203,1	193,1
Americas	35,2	35,7	22,6	29,3	27,6	114,6	115,1
Rest of World	26,9	14,3	12,5	17,9	23,0	80,3	67,6
<b>Net sales</b>	<b>110,0</b>	<b>87,7</b>	<b>93,2</b>	<b>84,3</b>	<b>110,6</b>	<b>398,0</b>	<b>375,8</b>
<i>Net sales YoY, change in %</i>	25,3%	17,9%	-7,4%	-24,9%	20,4%	1,4%	-0,9%
<b>Income statement</b>							
Gross earnings	67,8	52,7	56,5	51,5	65,4	241,2	226,1
<i>Gross margin</i>	61,7%	60,1%	60,6%	61,1%	59,1%	60,6%	60,2%
Operating expenses	60,0	46,6	51,5	42,0	66,8	220,3	206,8
<i>Opex/Net sales</i>	54,6%	53,1%	55,3%	49,8%	60,4%	55,3%	55,0%
Operating earnings	7,8	6,2	4,9	9,5	-1,4	20,9	19,2
<i>Operating margin</i>	7,1%	7,0%	5,3%	11,3%	-1,3%	5,2%	5,1%
Operating earnings, adjusted	11,2	6,2	4,9	12,2	4,3	32,6	27,6
<i>Operating margin, adjusted</i>	9,9%	7,0%	5,3%	14,5%	3,8%	8,1%	7,3%
Profit/loss after financial items	16,3	5,6	4,7	9,0	-12,7	17,3	6,7
Net Income	14,0	4,0	3,6	6,5	-12,2	12,0	1,9
<i>Net margin</i>	12,8%	4,6%	3,9%	7,7%	-11,0%	3,0%	0,5%
<b>EBITDA</b>							
Operating earnings	7,8	6,2	4,9	9,5	-1,4	20,9	19,2
Amortization of capitalized R&D expenditure	14,0	13,1	13,0	13,7	14,2	54,8	54,0
Other depreciation & amortization	1,3	0,6	0,5	0,5	1,3	3,5	2,8
Capitalization of R&D expenditure	-20,0	-12,1	-11,3	-12,3	-16,9	-60,6	-52,7
<b>EBITDA</b>	<b>3,0</b>	<b>7,7</b>	<b>7,1</b>	<b>11,4</b>	<b>-2,9</b>	<b>18,6</b>	<b>23,3</b>
<i>EBITDA margin</i>	2,7%	8,8%	7,6%	13,5%	-2,6%	4,7%	6,2%
<b>Balance sheet</b>							
Working capital	35,7	37,4	39,6	47,5	46,9	40,8	41,9
<i>Working capital/Net sales</i>	32,4%	42,6%	42,5%	56,3%	42,4%	10,3%	11,2%
<i>Return on capital employed</i>	1,4%	1,0%	0,9%	1,8%	-0,2%	3,8%	3,5%
<i>Equity/asset ratio</i>	77,8%	87,5%	86,4%	84,9%	79,3%	77,8%	79,3%
<i>Return on equity</i>	2,5%	0,7%	0,7%	1,2%	-2,3%	2,1%	0,4%
Cash and cash equivalents	204,9	304,9	307,1	298,6	193,6	204,9	193,6
Total cash flow	11,8	10,2	2,2	-8,5	-105,0	-99,5	-101,1
<b>The share</b>							
Dividend per share, SEK	-	-	-	-	-	-	-
Earnings per share diluted and basic, SEK	0,04	0,01	0,01	0,02	-0,03	0,03	0,00
Cash flow per share, SEK	0,03	0,03	0,01	-0,02	-0,27	0,00	-0,26
Equity per share basic and diluted, SEK	1,40	1,39	1,40	1,40	1,37	1,40	1,37
Average number of outstanding shares in thousands, basic and diluted	387 158	389 933	389 933	389 484	387 200	388 444	389 138
Share price at end of period, SEK	4,74	2,98	2,64	2,68	8,30	4,74	8,30
<b>Employees</b>							
No. of employees at the end of the period	204	138	138	138	205	204	205

For definitions, see page 14.

## MATERIAL PROFIT AND LOSS ITEMS

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group:

SEK millions	Not	Jan-Mar 2016	Jan-Mar 2015	Apr 2015- Mar 2016	Jan-Dec 2015
<b>Accounting effects due to the acquisition of ScheduALL in October 2015</b>					
Deferred revenue	(a)	-2,6	-	-6,2	-3,6
Amortization on intangible assets	(b)	-0,7	-	-1,4	-0,7
Acquisition related costs	(c)	-	-	-4,1	-4,1
		<b>-3,3</b>	<b>0,0</b>	<b>-11,8</b>	<b>-8,4</b>
<b>Effects of the Net Insight share price development during the period</b>					
Share-based benefits	(d)	2,0	0,0	-0,8	-2,8
Synthetic options, change in value	(e)	9,0	-	-2,8	-11,8
		<b>11,0</b>	<b>0,0</b>	<b>-3,6</b>	<b>-14,6</b>
<b>Other</b>					
Restructuring	(f)	-3,4	-	-3,4	-
		<b>-3,4</b>	<b>0,0</b>	<b>-3,4</b>	<b>0,0</b>

(a) Support revenues that ScheduALL would have recognized if they had remained a stand-alone entity, but that Net Insight is not permitted to recognize as revenue under IFRS as a result of business combination accounting rules. The effects of these business combination rules will gradually decrease, and has most effect on the income during the first six months after the acquisition.

(b) Amortizations related to the intangible assets - trademark and customer relations - that Net Insight recognized under IFRS as a result of business combination accounting rules, but that ScheduALL would not have recognized if they had remained a stand-alone entity. These amortizations will continue to effect the income over time.

(c) Acquisition related third-party advisory expenses. These costs are one-time expenses.

(d) Share-based benefits are value changes in amounts held in escrow for participation in the synthetic share program.

(e) During the second quarter 2015, after decision at the AGM, the group and parent company introduced a synthetic option program and in connection with this started to repurchase own shares.

The synthetic options are remeasured on a current basis to fair value by applying an options valuation model. The changes in value during the term of the options are recognized as a financial item. The synthetic option program is fully hedged via repurchase of own shares, hence the changes in value will have no future effect on cash flow. The repurchased of own shares is deducted from equity; retained earnings, and are not remeasured to fair value on a current basis.

(f) Development expenses in the quarter were charged with a non-recurring expense of SEK 3.4 million as a result of a minor reorganization of the R&D operations aimed at rationalizing the development process.

## CONSOLIDATED INCOME STATEMENT, ADJUSTED

We believe that the disclosed supplemental non-IFRS financial information provides useful information to investors because management uses this information, in addition to financial data prepared in accordance with IFRS, to attain a more transparent understanding of Net Insight's performance in the first quarter 2016. The adjustments below refers to some of the items listed in the section Material profit and loss items above and the notes refers to this section.

SEK millions	Jan-Mar 2016 IFRS	Jan-Mar 2016 Adjustment	Jan-Mar 2016 Non-IFRS	
Net sales	110,0	2,6	112,6	(a)
Cost of sales	-42,1		-42,1	
<b>Gross earnings</b>	<b>67,8</b>	<b>2,6</b>	<b>70,5</b>	
<i>Gross margin</i>	61,7%		62,6%	
Sales and marketing expenses	-31,2	0,7	-30,5	(b)
Administration expenses	-11,3		-11,3	
Development expenses	-17,5		-17,5	
<b>Operating earnings</b>	<b>7,8</b>	<b>3,3</b>	<b>11,2</b>	
<i>Operating margin</i>	7,1%		9,9%	
Net financial items	8,5	-9,0	-0,5	(e)
<b>Profit before tax</b>	<b>16,3</b>	<b>-5,7</b>	<b>10,7</b>	

## CONSOLIDATED INCOME STATEMENT, IN SUMMARY

SEK thousands	Jan-Mar 2016	Jan-Mar 2015	Apr 2015- Mar 2016	Jan-Dec 2015
Net sales	109 955	87 739	397 989	375 773
Cost of sales	-42 131	-35 011	-156 839	-149 719
<b>Gross earnings</b>	<b>67 824</b>	<b>52 728</b>	<b>241 150</b>	<b>226 054</b>
Sales and marketing expenses	-31 186	-29 304	-124 261	-122 379
Administration expenses	-11 323	-7 277	-44 544	-40 498
Development expenses	-17 498	-9 992	-51 463	-43 957
<b>Operating earnings</b>	<b>7 817</b>	<b>6 155</b>	<b>20 882</b>	<b>19 220</b>
Net financial items	8 494	-514	-3 555	-12 563
<b>Profit before tax</b>	<b>16 311</b>	<b>5 641</b>	<b>17 327</b>	<b>6 657</b>
Tax	-2 283	-1 640	-5 376	-4 733
<b>Net income</b>	<b>14 028</b>	<b>4 001</b>	<b>11 951</b>	<b>1 924</b>
<b>Net income for the period attributable to the shareholders of the parent company</b>	<b>14 028</b>	<b>4 001</b>	<b>11 951</b>	<b>1 924</b>

### Earnings/loss per share, based on net profit attributable to the parent company's shareholders during the period

Earnings per share, basic (SEK)	0,04	0,01	0,03	0,00
Earnings per share, diluted (SEK)	0,04	0,01	0,03	0,00
Average number of outstanding shares in thousands, basic	387 158	389 933	388 444	389 138
Average number of outstanding shares in thousands, diluted	387 158	389 933	388 444	389 138

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands				
<b>Net Income</b>	<b>14 028</b>	<b>4 001</b>	<b>11 951</b>	<b>1 924</b>
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to the income statement				
Translation differences	-1 993	891	-2 418	466
<b>Total other comprehensive income, after tax</b>	<b>-1 993</b>	<b>891</b>	<b>-2 418</b>	<b>466</b>
Total other comprehensive income for the period	12 035	4 892	9 533	2 390
<b>Total comprehensive income for the period attributable to the shareholders of the parent company</b>	<b>12 035</b>	<b>4 892</b>	<b>9 533</b>	<b>2 390</b>

## CONSOLIDATED BALANCE SHEET, IN SUMMARY

SEK thousands	Mar 31 2016	Dec 31 2015
<b>ASSETS</b>		
<b>Intangible assets</b>		
Capitalized expenditure for development	214 876	208 792
Goodwill	57 894	59 242
Other intangible assets	25 962	25 590
<b>Tangible assets</b>		
Equipment	4 050	3 743
<b>Financial fixed assets</b>		
Deferred tax asset	20 993	23 322
Deposits	423	379
<b>Total non-current assets</b>	<b>324 198</b>	<b>321 068</b>
<b>Current assets</b>		
Inventories	55 096	56 037
Accounts receivable	96 320	84 620
Other receivables	18 589	15 051
Cash and cash equivalents	204 850	193 616
<b>Total current assets</b>	<b>374 855</b>	<b>349 324</b>
<b>TOTAL ASSETS</b>	<b>699 053</b>	<b>670 392</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to parent company's shareholders</b>		
Share capital	15 597	15 597
Other paid-in capital	1 192 727	1 192 727
Translation difference	-2 220	-227
Accumulated deficit	-662 519	-676 547
<b>Total shareholders' equity</b>	<b>543 585</b>	<b>531 550</b>
<b>Non-current liabilities</b>		
Other liabilities	16 752	23 198
<b>Total non-current liabilities</b>	<b>16 752</b>	<b>23 198</b>
<b>Current liabilities</b>		
Accounts payable	19 517	21 410
Other liabilities	119 199	94 234
<b>Total current liabilities</b>	<b>138 716</b>	<b>115 644</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>699 053</b>	<b>670 392</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>2015-01-01</b>	15 597	1 192 727	-693	-670 745	536 886
Repurchase of own shares	-	-	-	0	0
Total comprehensive income	-	-	891	4 001	4 892
<b>2015-03-31</b>	<b>15 597</b>	<b>1 192 727</b>	<b>198</b>	<b>-666 744</b>	<b>541 778</b>
<b>2015-04-01</b>	15 597	1 192 727	198	-666 744	541 778
Repurchase of own shares	-	-	-	-7 726	-7 726
Total comprehensive income	-	-	-425	-2 077	-2 502
<b>2015-12-31</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-227</b>	<b>-676 547</b>	<b>531 550</b>
<b>2016-01-01</b>	15 597	1 192 727	-227	-676 547	531 550
Repurchase of own shares	-	-	-	-	0
Total comprehensive income	-	-	-1 993	14 028	12 035
<b>2016-03-31</b>	<b>15 597</b>	<b>1 192 727</b>	<b>-2 220</b>	<b>-662 519</b>	<b>543 585</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Jan-Mar 2016	Jan-Mar 2015	Apr 2015-Mar 2016	Jan-Dec 2015
<b>Ongoing activities</b>				
Profit/loss before tax	16 311	5 641	17 327	6 657
Income tax paid	-	-63	-16	-79
Depreciation and amortization	15 232	13 672	58 334	56 774
Other items not affecting liquidity	-9 737	1 248	-4 972	6 013
<b>Cash flow from operating activities before changes in working capital</b>	<b>21 806</b>	<b>20 498</b>	<b>70 673</b>	<b>69 365</b>
Changes in working capital				
Increase-/decrease+ in inventories	941	3 821	-14 710	-11 830
Increase-/decrease+ in receivables	-15 238	8 367	-25 619	-2 014
Increase+/decrease- in liabilities	26 722	-9 997	42 434	5 715
<b>Cash flow from operating activities</b>	<b>34 231</b>	<b>22 689</b>	<b>72 778</b>	<b>61 236</b>
<b>Investment activities</b>				
Investment in intangible assets, net	-21 538	-12 117	-64 899	-55 478
Investment in tangible assets, net	-853	-466	-2 259	-1 872
Acquisition or group companies, net effect on cash	-	-	-98 217	-98 217
Investment in financial assets, net	-44	82	-77	49
<b>Cash flow from investment activities</b>	<b>-22 435</b>	<b>-12 501</b>	<b>-165 452</b>	<b>-155 518</b>
<b>Financing activities</b>				
Option premium	-	-	860	860
Repurchase of own shares	-	-	-7 726	-7 726
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>-6 866</b>	<b>-6 866</b>
Net change in cash and cash equivalents	11 796	10 188	-99 540	-101 148
Exchange differences in cash and cash equivalents	-562	371	-487	446
Cash and cash equivalents at the beginning of the period	193 616	294 318	304 877	294 318
<b>Cash and cash equivalents at the end of the period</b>	<b>204 850</b>	<b>304 877</b>	<b>204 850</b>	<b>193 616</b>

## SEGMENT REPORT

SEK millions	Jan-Mar 2016				Jan-Mar 2015			
	WE	Americas	RoW	Total	WE	Americas	RoW	Total
Net sales	48	35	27	<b>110</b>	38	36	14	<b>88</b>
Regional contribution	18	13	5	<b>37</b>	13	9	1	<b>23</b>
<i>Regional contribution margin</i>	38%	38%	19%	<b>33%</b>	36%	26%	5%	<b>27%</b>
Adjustment for R&D amortization	7	4	3	<b>14</b>	6	5	2	<b>13</b>
Adjusted regional contribution	25	17	9	<b>51</b>	19	15	3	<b>36</b>
<i>Adjusted regional contribution margin</i>	52%	49%	32%	<b>46%</b>	51%	41%	20%	<b>42%</b>

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

The CEO reviews the business from Western Europe (WE), North and South America (Americas, AM) and Rest of World (RoW) geographic perspectives. The segments are new from January 1st, 2016, due to a new global sales organization. Comparable periods have been converted to reflect the new segments.

## FINANCIAL ASSETS AND LIABILITIES

Group's financial instruments by category	Mar 31 2016			Dec 31 2015		
	Value-tier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss	Value-tier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss
SEK thousands						
<b>Assets in Balance Sheet</b>						
Derivative instruments	2	-	922	2	-	543
<i>Accounts receivable and other receivables, excluding interim receivables</i>		105 298	-		91 175	-
Cash and cash equivalents		204 850	-		193 616	-
<b>Total</b>		<b>310 148</b>	<b>922</b>		<b>284 791</b>	<b>543</b>

Group's financial instruments by category	Mar 31 2016			Dec 31 2015		
	Value-tier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss	Value-tier	Loan receivables and accounts receivables	Assets measured at fair value through profit or loss
SEK thousands						
<b>Liabilities in Balance Sheet</b>						
Synthetic options	2	-	3 663	2	-	12 626
<i>Derivative instruments</i>	2	-	-	2	-	-
Accounts payable and other liabilities, excluding non-financial liabilities		29 384	-		27 519	-
<b>Total</b>		<b>29 384</b>	<b>3 663</b>		<b>27 519</b>	<b>12 626</b>

### Financial instruments in tier 2

The fair value of derivative instruments is measured using exchange rates of currency forwards on the reporting date where the resulting value is discounted to present value.

The closing balance for synthetic options represents the total assessed value of a number of outstanding options, which has been measured on the basis of accepted market principles and are based on Net Insight's share price.

## PARENT COMPANY INCOME STATEMENT, IN SUMMARY

SEK thousands	Jan-Mar 2016	Jan-Mar 2015	Apr 2015- Mar 2016	Jan-Dec 2015
Net sales	121 694	110 491	464 151	452 948
Cost of sales	-46 016	-44 492	-182 535	-181 011
<b>Gross earnings</b>	<b>75 678</b>	<b>65 999</b>	<b>281 616</b>	<b>271 937</b>
Sales and marketing expenses	-23 994	-27 463	-106 182	-109 651
Administration expenses	-7 475	-7 270	-31 910	-31 705
Development expenses	-30 253	-22 109	-97 756	-89 612
<b>Operating earnings</b>	<b>13 956</b>	<b>9 157</b>	<b>45 768</b>	<b>40 969</b>
Net financial items	8 335	-537	-3 861	-12 733
<b>Earnings before tax</b>	<b>22 291</b>	<b>8 620</b>	<b>41 907</b>	<b>28 236</b>
Tax	-2 992	-2 295	-7 088	-6 391
<b>Net income</b>	<b>19 299</b>	<b>6 325</b>	<b>34 819</b>	<b>21 845</b>

## PARENT COMPANY BALANCE SHEET, IN SUMMARY

SEK thousands	Mar 31 2016	Dec 31 2015
<b>ASSETS</b>		
<b>Intangible assets</b>		
Other intangible assets	4 888	3 493
<b>Tangible fixed assets</b>		
Equipment	3 840	3 494
<b>Financial assets</b>		
Participations in group companies	248 243	248 243
Deferred tax asset	-	154
Deposits	249	205
<b>Total non-current assets</b>	<b>257 220</b>	<b>255 589</b>
<b>Current assets</b>		
Inventories	55 096	56 037
Accounts receivable	86 478	77 983
Receivables from group companies	185 438	162 926
Other receivables	14 322	12 913
Cash and cash equivalents	170 363	164 955
<b>Total current assets</b>	<b>511 697</b>	<b>474 814</b>
<b>Total assets</b>	<b>768 917</b>	<b>730 403</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Restricted equity	128 419	128 419
Non-restricted equity	515 656	496 357
<b>Total equity</b>	<b>644 075</b>	<b>624 776</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	2 839	-
Other liabilities	10 565	21 032
<b>Total non-current liabilities</b>	<b>13 404</b>	<b>21 032</b>
<b>Current liabilities</b>		
Accounts payable	18 612	20 288
Liabilities to group companies	12 585	0
Other liabilities	80 241	64 307
<b>Total current liabilities</b>	<b>111 438</b>	<b>84 595</b>
<b>Total equity and liabilities</b>	<b>768 917</b>	<b>730 403</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 of the Swedish Annual Accounts Act, Interim Financial Reporting, and RFR 2 Accounting for Legal Entities.

Disclosures in accordance with IAS 34.16A are presented in the interim financial statements and the associated notes as well as elsewhere in the interim financial report.

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.

Net Insight introduced a new global sales organization from January 1, 2016, which divides the CEO review of the business into new geographical regions. Hence, the segment reporting has changed to Western Europe (WE), North and South America (Americas, AM) and Rest of World (RoW). Comparable periods have been converted to reflect the new segments.

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

At the end of the reporting period, the parent company had a total of 2 775 000 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. No own shares have been acquired during 2016.

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 386 158 009 class B shares outstanding. All shares issued by the parent company were fully paid.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

After the period end, Sye, a solution for the OTT market was launched. Sye enables live streaming over the Internet on all devices without delays, which provides new experiences that TV viewers want to be a part of and are willing to pay for. It also puts service providers back into the OTT value chain with new unique opportunities to generate revenue. Sye was also awarded "Best in Show" at NAB Show in Las Vegas in April.

## AUDITORS' REVIEW

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

## ANNUAL GENERAL MEETING

The Annual Shareholders Meeting of Net Insight AB (publ) will be held on May 10, 2016 at 10 a.m. by the company's offices, Västberga Allé 9, Hägersten, Stockholm.

Shareholders who wish to participate in the annual general meeting must be included in the shareholders' register maintained by Euroclear Sweden AB as of Tuesday, May 3, 2016. And notify the company of their participation in the annual general meeting no later than 4.00 p.m. on Tuesday, May 3, 2016.

### The notification shall be in writing to

Net Insight AB,  
Attn: Susanne Jonasson,  
Box 42093, SE-126 14 Stockholm,  
via telephone: +46 8-685 04 00,  
via fax: +46 8-685 04 20  
via e-mail: [agm@netinsight.net](mailto:agm@netinsight.net).

### The notification must state

Name,  
Personal/corporate identity number, address,  
Telephone number  
Shareholding

When applicable, should state information about representatives, counsels and assistants. When applicable, complete authorization documents, such as registration certificates and powers of attorney for representatives and counsels, shall be appended the notification.

Read more at

<http://investors.netinsight.net/corporate-governance/>

## THIS IS NET INSIGHT

### Business concept and model

Net Insight delivers products, software and services for effective, high-quality media transport, coupled with the effective management of resources, all, which creates an enhanced TV experience. Net Insight's offerings starts from the TV cameras to the TV studios, right through to the TV viewer. Net Insight's solutions offer network operators, TV and production companies the benefit of lower total cost of ownership and the potential for effective new media service launches.

Revenues are generated through direct and indirect sales of hardware, software and services. 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 benefit. To grow for the long term, we need to transform Net Insight into a customer and market-oriented company.

### Value creators

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, live streaming and file transfers, the adoption of remote production and workflows, more widespread TV broadcasting over the Internet and wider coverage of live events.

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### Definitions

**Western Europe** Western Europe

**Americas** North and South America

**Rest of World** Countries outside of Western Europe and Americas.

**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, excluding exchange differences in cash and cash equivalents.

**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 outstanding shares during the period.

**Cash flow per share** Total cash flow divided by average number of outstanding shares during the period.

**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

Annual General Meeting 2016	10 May	2016
Interim report January-June 2016	22 July	2016
Interim report January-September 2016	28 October	2016

Stockholm April 27, 2016

Fredrik Tumegård,  
CEO

### For more information, please contact:

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