ANNUAL REPORT 2013

ONE HUNDRED PERCENT QUALITY OF SERVICE

Net Insight's products enable transport of video, voice and data in media rich networks without loss of quality

net insight™

Net Insight in brief

Net Insight enjoys a big advantage over its competitors, because we make an effective offering that simplifies planning, management and maintenance of video and data networks, and cuts total cost of ownership.

Fredrik Tumegård, CEO

- Net Insight is a technology leader in delivering routing solutions with the highest Quality of Service (QoS) in professional media and broadcast networks.

- Net Insight's Nimbra platform is an innovative and reliable transport solution for video, voice and data that enables media companies to introduce new revenue-generating services while also reducing capital expenditures and operating costs.

VALUE DRIVERS

- Net Insight operates on a growth market favored by growing volumes of video traffic in networks
- Net Insight offers an innovative technology with a strong portfolio of 30 patent families
- Global reach with 200 customers in over 60 countries, over 50 resellers and worldwide brand recognition

200 **Global reach with 200 customers in over 60 countries**

CONTENT

The year in brief

BUSINESS HIGHLIGHTS BY QUARTER

Q1

- Arqiva expands its global media network.
- Net Insight advances its market positioning in China with a new master distributor.
- Net Insight secures an order for a nationwide digital TV network, from Eastern Europe.

Q2

- The Switch selects Net Insight for expanding its network.
- Net Insight secures ViewSat as a new, global account.
- EBU, the world's largest public service company alliance, expands its global media network with Nimbra equipment.

Q3

- Fredrik Tumegård appointed as new CEO by Net Insight's Board.
- OBS selects Net Insight to manage data services for a major sports event in Russia in 2014.
- Net Insight launches the Nimbra 390, a compact fourth-generation access MSR.

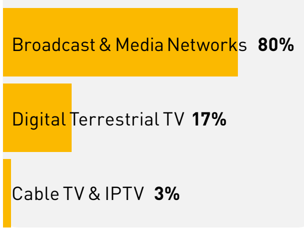
Q4

- Net Insight secures an order from a leading Latin American telecom operator to expand its nationwide contribution and distribution network.
- EBU expands its global media network with Nimbra 600 MSRs.
- Net Insight secures significant orders from a leading Western European telecom services operator.
- Net Insight secures its first Russian account when state-owned TV and radio corporation VGTRK selects the Nimbra platform.

KEY FIGURES

	2013	2012	2011
Net sales MSEK	280.8	280.3	294.5
Operating earnings MSEK	-9.7	2.7	42.8
Operating earnings MSEK, adjusted for one-time charges	8.9	5.8	49.9
Net income MSEK	-9.2	11.9	49.9
Earnings per share SEK	-0.02	0.03	0.13
Total cash flow MSEK	17.9	-10.4	-39.6
Equity/assets ratio %	88	89	86
Equity per share SEK	1.27	1.29	1.26
Average number of employees	143	155	142

Share of total sales



281
SEK million
Net sales

9
SEK million
Operating earnings, adjusted for one-time charges

18
SEK million
Cash flow

CEO's statement

Nobody can have missed the fact that more and more moving images are being transmitted across more and more channels. For Net Insight, this means new business opportunities. We're leading the company into a new phase, with the first step being to change our organizational structure, migrating from being a product-driven to a market and sales-driven company.

2013 was a stable year with marginally increased sales, a higher positive cash flow and stronger cash position.

A STABLE BUSINESS

2013 was a stable year with marginally increased sales, a higher positive cash flow and stronger cash position. Underlying profitability improved year on year, but despite this, we still posted a loss on the bottom line, mainly due to us impairing the value of our component inventories by SEK 13 million and being compelled to provision SEK 6 million for bad debt in our annual financial statement.

Our target is to outgrow the market, which has been a challenge in recent years. 2013 was no exception, even if we did achieve marginal growth year on year. In the latter half-year 2013, growth gathered momentum, and in the two latter quarters, our sales increased by 13%. The Broadcast & Media Networks (BMN) business area grew by 5% year on year, which is consistent with overall market growth rates and the Digital TV (DTT) business area had a negative growth rate of 23%. Once again, the reason for the absent growth in DTT is delays of existing projects.

Net Insight put some new and important flags on its world map in 2013, including securing our first account on the key Russian market, albeit with a small-scale deal, that is nevertheless important in establishing the Net Insight brand for the future.

Simultaneously, we advanced positioning with new business in Latin America and China. In China, our commencement of a partnership with NI Systems proved effective, and we now have over 25 customers, creating the potential for more business in this country.

We have a base of stable customers around the world who are placing repeat orders, as they need to upgrade and expand their networks. The fact is that most of our customers place repeat orders each year, Due to the fact that we have proved how Net Insight fulfils its customer pledge of 100% QoS.

MY REFLECTIONS

I became the CEO for Net Insight because I realized two things: that the company offers a unique combination of competence in media networks, and that Net Insight is in a market featuring rapid change. In the half-year I have been with the company, my perception has been reinforced.

The demands on networks are becoming more stringent and complexity is increasing, which means network owners' operating expenses are rising. This is where Net Insight enjoys a big advantage over its competitors, because we make an effective offering that simplifies the planning, management and maintenance of video and data networks. What we also need to keep doing is understanding market needs, so we can also continue to offer the right products and solutions.

CHANGE CREATES OPPORTUNITIES

For several years, moving images have driven much of technological progress worldwide, so that now, media and TV are consumed in a completely new way via tablets, smart phones and computers. This has influenced, and will continue to influence, our customers' business models and operations fundamentally. Firstly, there is uncertainty on the market regarding who, ultimately, will be the winners from these changes, and secondly, when this technology will require change to occur.

OTT is now a reality, but the next stage of live applications and interactivity will present a challenge to how media is distributed. A few minutes' delay in a live broadcast is enough to eliminate the potential for services like betting and voting. This sets the demands for capacity, quality and flexibility in all contexts, and it is precisely these factors that are central to our technology and solutions. Currently, Net Insight is addressing contribution services for OTT, by delivering products that enable cost-efficient contribution of TV content. To date, these types of distribution services are not part of Net Insight's addressable market.

However, what is clear is that the sector is facing change with the resulting infrastructure investments. In this context, Net Insight enjoys advantages in its unique technology that ensures quality over the Internet and private IP networks, and the know-how necessary for our customers to compete in this new media landscape.

INNOVATION EVERYWHERE IN OUR BUSINESS

Our customer base includes many of the very largest broadcasters and media operators. These customers are the company's backbone and are an asset for the company to achieve its long-term target, of outgrowing the market. Thanks to a strong brand and knowledge of customer challenges, we'll be a key partner in the media landscape of the future.

We will continue to be an innovative business, which is part of our DNA. But innovation won't be confined to our products—just as much, it will be about developing new and existing business models, and continuing to develop our services portfolio.

Our focus is on growth. To achieve this, to some extent, we'll have to become a new company. Our strong media and network know-how combined with our innovative technology will enable us to find new paths out to new markets. We're evaluating those markets where our technology can add customer value, as part of our ongoing strategy work. We've got to lift our gaze from our products, towards our user interface and customer benefits.

Our journey has only just begun, but in the coming years, our customers in existing business areas will be the key to growth. Change work will intensify in 2014, and will continue as long as the media market is developing.

Fredrik Tumegård, CEO
Stockholm, Sweden, February 2014

Our customer base includes many of the very largest broadcasters and media operators. These customers are the company's backbone and are an asset for the company to achieve its long-term target, of outgrowing the market.

Vision, business concept, objectives and strategies

Net Insight supports its customers on the Eurovision Song Contest

Net Insight was founded in 1997 on the vision that network traffic will increasingly be dominated by video applications. This vision is proving correct and today we see a major increase in video consumption and production. New services and new ways of working in the media and broadcast industry are demanding substantially increased network capacity and 100% QoS. Net Insight offers service providers and broadcasters full service integrity and improved performance of IP networks.

DEVELOPMENT > CREATE DEMAND AND BRAND AWARENESS > SALES > PROFESSIONAL SERVICES AND TRAINING > SUPPORT AND MAINTENANCE

BUSINESS CONCEPT

Net Insight's business concept is to develop, market and sell products and services to public and private network owners that need high-quality transport for video, voice and data.

BUSINESS MODEL

Revenue is generated through direct and indirect sales of products and licenses, support and maintenance services, professional services and training. Revenue mostly stems from hardware sales, although revenue from software and services has increased in recent years. Net Insight's recurring revenues were over 17% in 2013. Net Insight has created the basis for a potential licensing business with its strong portfolio of over 30 patent families now held by subsidiary Net Insight Intellectual Property AB.

OVERALL OBJECTIVES

- Recognition as a premier provider of high-quality media transport networks
- Outgrow the market with good profitability
- Generate return on equity and earnings per share to make Net Insight an attractive investment

STRATEGY FOR PROFITABLE GROWTH

Net Insight's objective is to generate profitable growth. This is achieved by increasing the company's market share in the premium high-quality video transport segment, and leveraging its existing customer base by broadening its product portfolio.

When evaluating new market segments, Net Insight basis its judgment on a number of advantages Net Insight possesses that are relevant to the new media landscape such as mission critical transport, synchronization, predictable delay and immediate connection with a guaranteed allocation of resources.

5
A growth strategy built on five pillars

5 A GROWTH STRATEGY BUILT ON FIVE PILLARS:

Segment focus

Net Insight's strategy is to focus its sales, marketing and product development activities on three business areas: Broadcast and Media Networks (BMN), Digital Terrestrial TV (DTT), and Cable TV & IPTV (CATV/IPTV). The main focus in BMN and DTT is to gain market share. The Cable TV and IPTV segment is approached selectively. One way for Net Insight to enter the Cable TV segment is to approach operators with a contribution and primary distribution offering. Net Insight continuously evaluates new segments where its existing technology is suitable.

Geographical expansion

Net Insight has expanded its business geographically for several years and its Nimbra products are installed in more than 60 countries. The main focus moving forward is to uncover more business opportunities in these markets. Expansion is focused on markets such as China, Russia, India and selected markets in Eastern Europe and South America. Net Insight strengthened its presence in Russia, with its first two new Russian accounts in 2013.

Indirect sales model

Net Insight's indirect sales model is based on long-term cooperation with partners. Net Insight works in partnership with telecom equipment providers, system integrators, and value-added resellers. The objective is to increase sales volume per partner. The global partner network is essential for expansion.

Leverage existing customer base with a broader product portfolio

Net Insight can take a larger share of the media and broadcast business by selling in a broader product and services portfolio to its existing customer base. During the last two years, Net Insight has broadened its portfolio to encompass venue and access networks, lowering total cost of ownership for its customers. Net Insight has opened a new product segment where we ensure video quality over the Internet. Net Insight is continuously evaluating new product segments to offer new solutions to existing customers.

Partnership with service providers

Net Insight's focus on service providers also gives the company the opportunity to reach the low-end media access market and to expand into new market segments. Service providers choosing the Nimbra platform can utilize the same network for new revenue-generating business, for example B2B media contribution, media production cloud services, wholesale CDN, over-the-top (OTT) hosting services and IPTV.

OVERALL TARGETS	MEASURABLE KEY FIGURES	OUTCOME 2013	OUTCOME 2012
Outgrow the market with good profitability.	Sales increase adjusted for currency	1.50%	-3.50%
	Total cash flow	17.9 MSEK	-10.4 MSEK
	Operating earnings adjusted for one-time charges	8.9 MSEK	5.8 MSEK
Generate a return on equity and earnings per share that make Net Insight an attractive investment.	Return on equity	-2%	2%
	Earnings per share	-0.02	0,03
Be perceived as a leading vendor of high-quality media routing networks.	Brand recognition	29%	28%
	Employee index	88% of 100 (benchmark 85)	N/A

KEY FACTS

- The world's largest digital TV network based on the ISDB-Tb standard
- The fastest and most reliable digital TV installation in Latin America
- Network ready for the World Cup 2010, less than six months after decision, and is undergoing further expansion for the World Cup 2014

Digital TV expansion in Argentina, for the FIFA World Cup 2014

»The Nimbra platform gives us the potential to keep expanding rapidly.«

Martin Fabris, Operations Manager, Arsat.

After the introduction of the ISDB-Tb digital TV standard in late-2009, the Argentinean government decided to implement a shared nationwide network for state-owned channels. State-owned satellite provider Arsat heads up the project.

The target for the new digital network was to cover Buenos Aires for the World Cup 2010, less than six months after the decision to digitalize.

SOLUTION

After an in-depth screening process, Arsat decided that Net Insight's Nimbra platform was the best fit for the new terrestrial digital TV network due to its flexibility, compact format and ease of configuration, as well as Net Insight's unique functionality for GPS-independent time synchronization, Time Transfer.

Arsat's TV network has two parts, which use different distribution strategies. In the Buenos Aires region, it utilizes a single frequency network (SFN) solution, meaning the whole region is covered by one frequency. Here, synchronizing signals using Time Transfer functionality is crucial. This network is a 700 km strip of continuous TV broadcast, offering the densely populated coastal region services such as mobile TV coverage for commuters. The second distribution strategy, multifrequency network (MFN) is used in other parts of the country.

The Nimbra equipment is preconfigured in Buenos Aires before transport to installation sites. Once on site, all that is required is to connect up and switch on the units, and they connect automatically to other network nodes, saving time and staff. All equipment in the remote parts of the country is managed centrally from Arsat's Network Operations Center in Buenos Aires.

OUTCOME

The first digital TV broadcasts started in Buenos Aires before the FIFA World Cup 2010 after setting a new implementation lead-time record. The whole Buenos Aires region and other cities received digital TV by late-2010—which was the fastest and most reliable digital TV installation in Latin America. The next objective was to cover a large portion of Argentina before year-end 2011, as was also achieved. The TV network is continuing to grow for the FIFA World Cup in Brazil in 2014.

"The Nimbra platform is reliable and easy to manage, which has helped us implement digital TV faster and with less problems than expected," commented Martin Fabris, Arsat's Operations Manager.

With its ten transmitter stations, the Argentinean digital TV network is currently the world's largest ISDB-Tb installation with SFN.

Market and competitors

The big trend in the TV and media industry is progress towards IP-based networks. To some extent, this is because IP networks enable more flexible infrastructure from managing various types of media. Additionally, this trend is being driven by how people are currently consuming media, with IP infrastructure enabling consumers to consume media far more flexibly nowadays. The previous main channel for media, home TV sets, is now facing competition from an array of different devices, such as smart phones, tablets and computers. These new consumption patterns are changing the media landscape. Broadband TV (OTT), a type of service enabling the delivery of film, TV and music without being fixed to a specific network operator, is an example of this new type of service.

Content owners can now become distributors by offering OTT services direct to consumers. As video traffic across contemporary networks has expanded, network operators have struggled to get paid for the greater usage, and to be part of the value chain. This has triggered consolidation of the media industry, network owners are becoming content owners, migrating in the value chain, and we are also noting geographical consolidation to secure long-term profitability.

But this new market progress is also creating opportunities for telecom and media operators and accentuating the need for network capacity. There is potential in transport networks from production to distribution, and this includes professional media contribution, centralized production, cloud services like high-quality CDN/OTT delivery networks.

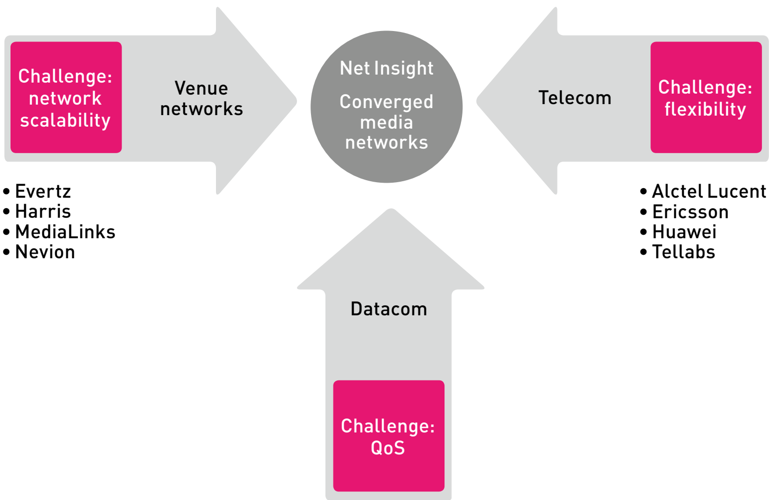
VALUE DRIVERS

The key value drivers affecting Net Insight's progress are in three categories: a growth market, innovative technology and global reach. Progress is dependent on our ability to leverage these value drivers.

COMPETITORS

The media and TV market is fragmented, as reflected in the competition, which depends on market sub-segments. Generally, there are three categories of competitor from different parts of the sector: datacommunication, telecommunication and studio companies.

Competitors



- Evertz
- Harris
- MediaLinks
- Nevion

- Alctel Lucent
- Ericsson
- Huawei
- Tellabs

- Cisco
- Huawei
- Juniper

GROWTH MARKET

- Increased video traffic
- New TV formats network upgrades and 40x capacity expansion
- Centralized production requires more network capacity
- Satellite to fiber conversion
- Analog to digital TV

INNOVATIVE TECHNOLOGY

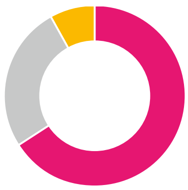
- Improves QoS over IP networks
- Unique functionality, QoS-enhanced links, service-centric network management and lossless routing
- Optimizing bandwidth utilization
- Time transfer

GLOBAL REACH

- 200 customers
- 60 countries
- 50 partners
- Partnerships with telecom equipment vendors
- A global brand in professional media

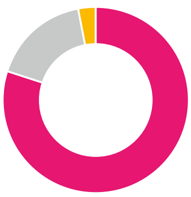
Operations

Net sales by segment



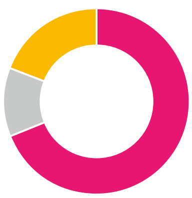
- EMEA 66% (64)
- Americas 26% (20)
- APAC 8% (16)

Net sales by business area



- DMN 80% (76)
- DTT 17% (22)
- Cable TV & IPTV 3% (2)

Net sales by product group



- Hardware 69% (71)
- Licenses 12% (11)
- Support and services 19% (18)

CUSTOMERS

Net Insight's customer base consists of broadcasters, telecom, satellite, DTT, cable TV and IP TV operators. The majority of sales are sourced from service providers. Net Insight added 25 new customers to its customer base in 2013, and by year-end 2013, Net Insight had over 200 customers in over 60 countries. 70% of the customer base placed repeat orders in 2013. The repeat revenues from support were over 17% of total revenues.

SALES

Net Insight divides its sales into three geographical regions: EMEA, Americas and APAC. Most sales stem from the EMEA region. In 2013, the largest business area was Broadcast & Media Networks, BMN.

NET INSIGHT'S MARKET MODEL

Net Insight's strategy is to expand its customer base effectively. This will be achieved by combining the company´s sales strenght with its global partner network. Net Insight addresses the market in different ways depending on business segment and customer group. The company works according to the principle that all business is local, and accordingly, Net Insight is continuing to develop its local partner network, which mainly consists of system integrators and resellers. The company currently has some 50 partners in its global partner network. To guarantee customer satisfaction, the company trains and certifies its partners, which all represent specific verticals, either geographically or in the form of specialist segment know-how. Net Insight also collaborates with leading telecom vendors of network equipment, when applicable to various customer projects. These telecom vendors view the Nimbra platform as a competitive complement to their own portfolios. Revenues from Net Insight's partners were 39% of total in 2013.

THE NET INSIGHT BRAND

In recent years, Net Insight has invested to increase recognition of the company. The annual Big Broadcast Survey 2013, Global Brand Report conducted by Devoncroft, indicated that Net Insight had succeeded in altering the impression of its brand positively in the past two years. Net Insight is associated with values like credibility, expert media know-how, and is perceived as a global company. Brand recognition is strongest in the EMEA region, and some 35% of all respondents to the survey are aware of Net Insight.

Net Insight received an honorable mention for the Nimbra VA 210, for unique usability, purpose or technological advance. The Nimbra VA 210 was also rated highly in Broadband Technology Report's prestigious 2013 Diamond Technology Reviews. Net Insight also won the BIRTV 2013 award for the Nimbra 640 Multiservice Access Gateway at the Beijing International Radio, TV & Film Equipment Exhibition (BIRTV), the most influential trade event in the Asian TV sector, for high-quality video routing, and was recognized as an outstanding product.

PRODUCTS AND DEVELOPMENT

Net Insight is developing the Nimbra Media Switch Router (MSR), the foundation of service aware media networks, that guarantee 100% QoS and service integrity, simultaneous with cutting costs and reducing complexity. The Nimbra MSR has unique qualities such as service integrity and superior quality over fiber and IP networks. Net Insight improves QoS via optical, private and public IP networks.

ORGANIZATIONAL RESOURCES

Net Insight endeavors to achieve an organization where its people can influence the company's targets and results. The organization is based on employee competence and the continuous development of their know-how. The goal is long-term employee commitment based on career opportunities and continuous, professional training in a growing, multinational corporation.

KEY FACTS

- Kordia gained more network capacity and flexibility thanks to Net Insight
- Now capable of delivering high-quality video and data transport
- Generated cost savings for equipment, operations and staffing

The Rugby World Cup – broadcasted over Nimbra Networks

»Net insight's Nimbra platform satisfies all Kordia's requirements for video transport with the highest possible quality, minimal latency and the highest availability. We got the flexibility we need to address increasing customer demands.«

Geoff Collins, Network Architect at Kordia.

When, as in the rest of the world, video traffic volumes exploded in New Zealand with new services like HDTV and live streaming, network owners started to search for a solution that would enable them to strengthen their infrastructure, and create the opportunity of capitalizing on the possibilities of new media and video

THE SOLUTION

State-owned infrastructure corporation Kordia, which delivers services to TV and telecom companies, wanted to expand its existing fiber network and selected Net Insight's Nimbra platform to achieve a multifaceted media network tailored to rapidly satisfy new standards and be able to deliver new services.

The Rugby World Cup, the world's third-largest sports event, was held in 2011, and was the largest event ever held in New Zealand. Kordia then transported uncompressed HD video over the new Nimbra-based media network from rights holder Sky TV's venues in Auckland to various broadcasters worldwide. New Zealand won the Rugby World Cup, but Sky TV and Kordia also emerged as winners because the broadcasts were faultless.

OUTCOME

As a result of a collaboration with Net Insight, Kordia has now gained more capacity and flexibility, the Nimbra platform enables the routing of compressed and uncompressed video, as well as Ethernet/IP services.

Kordia succeeded in exceeding customer expectations by delivering high-quality video routing with zero latency. Live broadcasts have enabled Kordia to reduce the volume of equipment and number of staff previously necessary, enabling it to focus on enhancing services instead, but without increasing production expenses.

The choice of Net Insight also meant that Kordia needed to assign fewer resources to network operations, and using the Nimbra Vision network management tool, it is easy to provision network services for customers.

Business areas

BROADCAST & MEDIA NETWORKS (BMN)

80%

Business area share of total sales

The BMN business area covers networking solutions for the production and contribution of media services. Net Insight's products are used to transmit TV images and sound from sports arenas, concerts and other events to TV and media company venues. They are also used to interconnect venues and media companies to simplify and rationalize content production and delivery. Telecom and satellite operators are growing customer segments. BMN was Net Insight's largest business area in 2013, with 80% of total sales, and increased by 5% year on year. The addressable market for Net Insight in this business area is estimated at EUR 300 million and the compound annual growth rate is estimated at 8%.

TRENDS

IP-based services are a trend in the TV and media industry, with progress towards fully IP-based networks. Unique Nimbra MSR functionality improves QoS over existing IP networks, while offering simple and consistent management, protection and monitoring of networks. Live broadband TV and niche TV content, which can now be produced cost-efficiently by utilizing the Internet, is a growing trend.

For some time, Net Insight has driven the trend towards remote production and workflows. For production companies, digitalization and usage of media-centered networks brings new opportunities for improved productivity and lower operating expenses. Networks become an integrated component of production and workflows, which will probably result in continued virtualization and the introduction of cloud services. Databased editing of large files instead of as previously on tape, is already a reality.

The continuous expansion of media content in networks, combined with demands from new TV formats such as HDTV and 4K Ultra HD, require network routing capacity up to 40 times higher than at present.

SOLUTIONS

Over optical, private and public IP networks, TV and production companies can exchange high-quality content in real-time for a low cost, and independent of geographical distance. Net Insight helps service providers to be competitive in segments like B2B media distribution and production, and cloud-based offerings like coding, transcoding and storage hosting. Net Insight demonstrated live 4K Ultra HD transport at trade events in Europe and the US in the year. Net Insight already has a commercial solution for 4K Ultra HD transport thanks to its JPEG2000 compression solution.

Efficiency and shorter production lead-times

The selection of Net Insight network solutions means greater utilization of network capacity and smooth transition from standard resolution to high resolution HD, 3D and 4K Ultra HD. The Nimbra platform delivers cost-efficient transport of compressed and uncompressed video signals, and deals with broadcasters' production, contribution and distribution. Venue equipment and data servers can be directly connected to standard video and sound interfaces in the platform. Minimal latency and high transmission quality confer producers with a remote environment with a live feel. Overall, this enables better utilization of venue resources and shorter production schedules for broadcasters. Centralizing production offers significant savings potential. For example, in large-scale sports events, the only equipment required in campuses is for transmitting the event. No OB bus, bus crew or uplinks to the event site, which implies major cost savings.

CUSTOMERS

Customers that use the Nimbra solution include well-recognized operators like EBU, Arqiva The Switch, Globecast, Hibernia Networks, Norkring, TATA Communications, Korea Telecom, KPN, Broadcast Services, and CCTV, as well as large broadcasters like ESPN, TV Globo, WDR and ZDF, but is also used for major live events. Most revenues stemmed from repeat customers. In 2013, several customers placed additional orders relating to the winter games in Russia. Net Insight also succeeded in starting up on the Russian market by securing two new customers, VGTRK and Rostelecom. Despite a fairly weak year in China, Net Insight continued to increase its new business customer base on the Chinese market.

DIGITAL TERRESTRIAL TV (DTT)

17%

Business area share of total sales

The DTT business area covers the distribution of TV broadcasts from a head-end to transmission towers in a country or region. DTT complements the new, growing OTT service by providing a cheap, universally available live TV platform. Net Insight's revenues in the DTT business area are 17% of total, and this business area decreased by 23% year on year. The business area's addressable market is very changeable between years, because it is project based. The total market is worth EUR 50-100 million, and growth in 2014 will probably be higher than actual market growth in 2013 considering several countries' intentions to migrate from analog to digital TV in 2014.

TRENDS

Most customers and countries have decided what DTT standard they will be implementing, and the roll-out of the DTT project is ongoing worldwide. A number of major countries like Russia, Brazil, China and India are expanding their digital terrestrial networks in the coming years. The DVB-T2 standard, which offers 50% better spectrum utilization, is also driving new upgrades of existing, digital terrestrial networks on several markets.

Rapid technological progress, such as the next generation of DTT transmitters for IP MPEG streams instead of ASI, is another trend.

SOLUTIONS

Digital TV offers superior image and sound quality and allows viewers more alternatives than analog technology. The transition to digital terrestrial networks also frees up more frequencies for mobile applications like wireless broadband. For operators, the new technology offers lower operating expenses and the capacity to offer more TV channels and new services. Nimbra-based DTT networks not only offer access to national TV distribution, but also support supplementary services such as contribution for TV and radio, radio broadcasts and mobile backhaul. Net Insight can facilitate DTT operator transitions to becoming multi-service operators.

Precision and security with Time Transfer—GPS-Independent synchronization

The Nimbra platform's time transfer function is an attractive product benefit that has sharpened Net Insight's competitiveness as a provider of equipment for terrestrial digital TV networks. It offers an integrated synchronization solution between transmission towers without utilizing expensive and vulnerable GPS receivers. The Nimbra platform's technology enables high-precision and secure synchronization direct over TV networks.

CUSTOMERS

The DTT business area has customers in all regions worldwide. In the year, Net Insight secured a new terrestrial digital TV customer in Singapore. Most of the business area's revenues were sourced from Norway, Sweden and Brazil in 2013.

DTT—NEW CUSTOMER IN 2013

The broadcaster MediaCorp operates Singapore's new national terrestrial digital network. Net Insight delivers video transport solutions through the Nimbra platform. All MediaCorp's seven channels have been broadcast digitally since December 2013, four of them in HD and the remaining channels will follow at a later stage. MediaCorp is Singapore's leading media corporation and provides a portfolio of services covering TV, radio, newspapers, magazines, films, digital and mobile media.

CABLE TV & IPTV

3%

Business area share of total sales

Cable and IPTV operators address households and the entertainment market with bundled services within TV, video, broadband and telephony. Net Insight has approached the cable and IPTV segment selectively, and in total, this segment represented 3% of sales in 2013. While it has great potential, it is more competitive than Net Insight's other business areas. The total addressable cable and IPTV market is worth 2 billion EUR, with Net Insight's share being EUR 100-300 million. The estimated annual growth rate of cable TV is 5%. The yearly growth rate for IPTV is hard to predict, considering competition from OTT.

TRENDS

End-customer media consumption habits are transforming rapidly. Users expect to be able to view media anywhere, any time from any media device, and with more interactivity. These new consumption patterns are drastically transforming the TV distribution landscape. Content owners are becoming independent distributors by offering OTT services direct to subscribers through broadband connections, and new players like Google, Apple and Netflix are offering the market tailored solutions that break the traditional value chain. For cable and IPTV operators, these new services are also contributing to an increase in the number of broadband subscribers, but simultaneously, they represent a threat to traditional TV services. To retain its competitiveness and subscriber loyalty, cable and IPTV operators are searching for solutions that can enhance the Quality of Experience (QoE) of the content delivered through their networks, and optimize utilization of their core infrastructure.

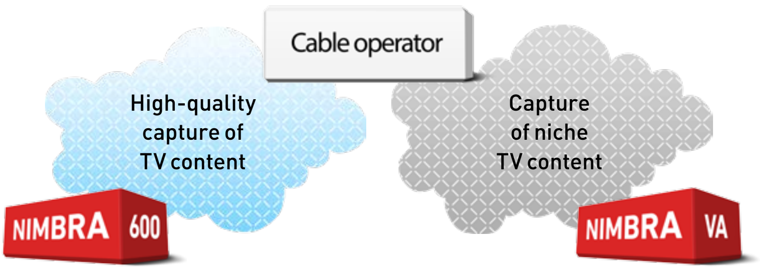
SOLUTIONS

The biggest advantage of the Nimbra platform for cable and IPTV players is that it can deliver high QoS with effective utilization of bandwidth. Utilizing Net Insight's award-winning solutions for lossless transport of uncompressed and compressed video (JPEG 2000) content can be delivered to head-ends with unsurpassed quality. This enhanced quality means operators can use lower transmission capacity over the final link to the end-user, simultaneous with improving image quality. The capacity freed up by using lower transmission capacity can then be allocated to other business-driving services, like broadband. Which is a significant income source for cable TV operators at present.

Apart from offering end-customers better image quality, cable and IPTV providers can also become more competitive by offering end-customers more TV content. Net Insight enables a lower cost of content contribution compared to satellite, for example, because images can now be transmitted reliably over the Internet.

CUSTOMERS

The Nimbra platform is used by a raft of large and small cable and IPTV operators across Europe, Asia and North America. Net Insight secured new assignments from cable TV operators in 2013 for contribution networks and primary distribution in Western Europe and North America. In North America, a leading North American cable TV provider selected Net Insight's Nimbra VA 210 solution for video transport from six broadcasters over the public Internet to replace traditional satellite broadcasts with retained QoS.



- Enhanced consumer experience
- Re-allocation of network capacity to broadband services

- Cost-efficient material capture
- High service reliability

Innovative and reliable technology for the media industry

The TV and media industry is heading towards a world where IP is dominant, but the quality and integrity of media services are crucial. The volume of video traffic has expanded dramatically, and as new production models are implemented, network complexity increases. The implementation of new services and network components also presents a challenge for network management and maintenance. Because video is a mission-critical application, it requires high QoS, thorough planning, which in turn generates greater complexity and higher costs. Simultaneously, consumer-driven demands for QoE are also increasing, and there have been no major changes to traditional data-centric QoS mechanisms for IP in recent years. Net Insight makes a unique value offering to customers, and increases quality and control over media services in IP networks.

NET INSIGHT'S PROMISE

Net Insight's technology ensures quality and service integrity across all IP networks, public or private. Net Insight helps cut the total cost of ownership of customers' media networks thanks to the simplicity of designing and planning media services in Nimbra-based networks. Configuring and installing Net Insight's Nimbra products is also straightforward. Reduced cost can be achieved via three unique functions: service-centric network management, QoS-enhanced links and lossless routing.

SERVICE-CENTRIC NETWORKS

Net Insight's methodology is the only one to offer a genuine service-centric network. The Nimbra product family has the capacity to manage all media services in IP networks individually. This means operators can deliver, monitor and protect every media service on demand throughout IP networks, making the network service-centric. By measuring packet loss and jitter in real-time and in all the intermediate links, is the underlying network performances monitored, enabling SLA reporting and fault localization per link.

TWO ROUTES TO SUCCESS

Net Insight can also deliver 100% QoS for media network-rich network traffic, which is achieved in two ways. The Nimbra platform ensures zero packet losses at each node thanks to its lossless routing and improved quality in IP networks through QoS-enhanced links.

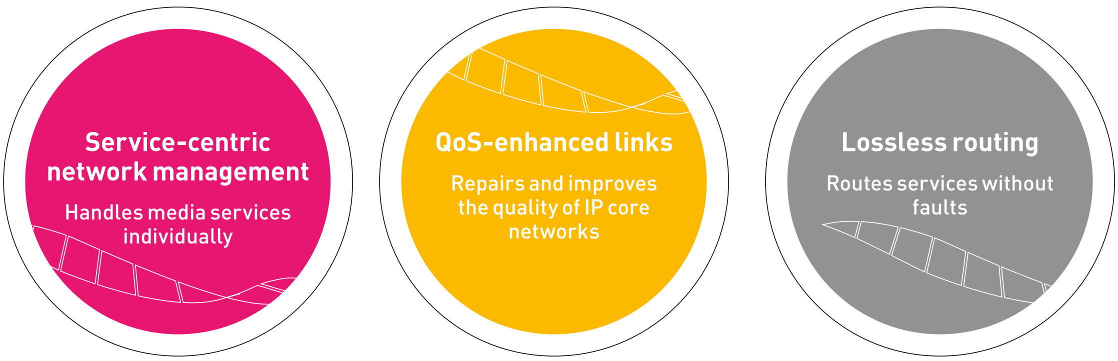
The Nimbra platform synchronizes traffic at each hop, resulting in significantly less jitter and wander. This means that before traffic is transmitted to the next node, it is reshaped, making it easier for the IP core to handle traffic and avoid buffer overflow. In fact, it improves QoS for low-priority traffic, because it will not be starved by high-priority traffic.

Net Insight can deliver end-to-end solutions over all types of IP network for multiple applications such as virtual workflows for venue, campus, contribution and distribution networks.

"We can leave the equipment switched on, and basically go home, which is fantastic. No news is good news to us. If we don't hear from our customers, this means they're satisfied with their services.

Christopher Stocking,
Head of Special Events
at TATA Communications
Media Services

Net Insight cuts total cost of ownership of media networks



Our people create innovation and customer value

Net Insight is customer and technology driven. Like other innovative global players in high technology, the company's success is dependent on its people's expertise, creativity and commitment.

The success factor for an innovation business will always be the value generated by the members of its organization. To remain at the leading edge in future, Net Insight must be an attractive workplace with values all its people share. Net Insight encourages creativity and commitment, which is how innovation is created. Its organizational structure is flat to increase individual influence and enable individual engagement, commitment and competence to make a real difference. For example, the company offers flexitime and work from home, encourages its people to share parental leave and offers good opportunities for wellness. Net Insight has policies that clearly define the company's view of competence development, occupational health and safety and its corporate culture.

Net Insight endeavors to secure diversity and equal opportunities for its staff in terms of background and experience, and offers all employees equal treatment regardless of age, sex, ethnicity, religion, sexual orientation or other factors that do not affect the individual's ability to perform his/her duties. Some parts of equal opportunities work are a challenge for Net Insight, because the company is active in a clearly male-dominated sector. Net Insight's Board of Directors has equal representation of women and men.

CORE VALUES

Net Insight's core values of value creation, innovation, personal commitment and continuous improvement characterize our business. Our conduct, our culture and our view of challenges creates Net Insight's identity. Customers, collaboration partners and other stakeholders should recognize us regardless of where they encounter us in the world.

COMMITTED, SKILFUL PEOPLE

Net Insight is characterized by the high educational standards of its staff—over 70% of them are university graduates. Because Net Insight's unique solutions challenge many established sector concepts, the company needs people with pioneering ability that creates solutions with significant value-added for customers.

Nearly half of our staff have worked with Net Insight for over five years, and many have been with us since the company was founded. There is a generally very high sence of loyalty, and the company strives to create a working environment were everyone feels they are participating.

An employee satisfaction survey was introduced in 2013, which will be regularly conducted to measure initiatives to increase employee commitment for the long term. The survey had a 94% response rate, a very positive result demonstrating that employees are interested in influencing their situations. The company's Employee Satisfaction Index (ESI) was 88%, which is a measure of satisfaction with working conditions. The corresponding ESI value for the sector is 85%.

At year-end 2013, Net Insight had 142 employees, including Net Insight Intellectual Property AB with five employees, and North American subsidiary Net Insight Inc., which also had five employees.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility means employees assuming social and environmental responsibility. Net Insight's CSR Code of Conduct deals with managing environmental, ethical and social considerations in a manner that creates value for customers, shareholders and wider society. Management arranges strategic initiatives for CSR and sets guidelines and directives for the environmental, social and accounting controls.

Net Insight's operation is characterized by respect for the company's customers, business partners and employees. Operations should also be conducted in accordance with applicable legislation in each country and be consistent with accepted principles of fair competition and good business practice. In all parts of Net Insight, the company supports fair and open competition for bids, tenders, contracts and procurement.

Net Insight's anti-corruption policy

Net Insight has a zero-tolerance approach to undue advantage, improper influence and other types of corruption. As part of reinforcing anti-corruption work, Net Insight implemented its Anti-corruption Policy, which details the stipulations for all employees and partners consistent with applicable legislation.

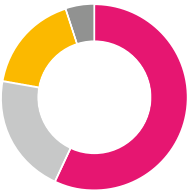
Net Insight's whistleblower policy

As a supplement to regular reporting paths, all Net Insight employees can anonymously report serious impropriety (such as bribery and fraud as well as false accounting) involving senior executives or key individuals anonymously through a whistleblower function.

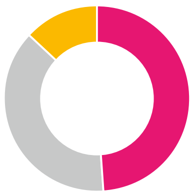
70%

of staff are university graduates

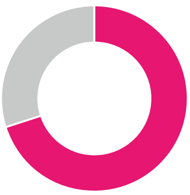
Average lenght of employment



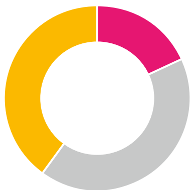
Employees per area



Educational standard



Age profile



Employee key figures	2013	2012	2011	2010
Average number of employees	143	155	142	133
Share of women, %	8	12	14	13
Staff turnover, %	16.8*	4.5	5.6	3.1
Sickness absence (see also note 7), %	1.6	1.7	3.2	2.1
Cost/employee for competence development, SEK	1,207	1,405	2,129	1,706
Value-added/employee**, SEK 000	1,039	1,072	1,361	1,343

* High staff turnover is a result of the efficiency and cost reduction program executed in the fourth quarter of 2012.

** Definition: operating profit/loss plus salaries and fringe benefits in relation to average number of employees.

SUSTAINABLE DEVELOPMENT

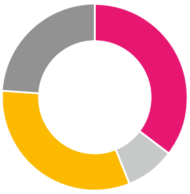
All manufacture is contracted to external business partners and has a minimal environmental impact on the company's own operations. Net Insight requires its main suppliers to carry ISO 14001 environmental certification and to comply with EU directives on limiting the use of certain hazardous substances in electrical and electronic products. Net Insight also requires its suppliers to set standards on their subcontractors to comply with the requirements of the RoHS directive.

The Nimbra platform supports wider usage of digital communication. This can contribute to reduced travel thanks to Net Insight's work on enhancing the quality of video communication and videoconferencing systems. Net Insight's remote production solution enables broadcasters to reduce the number of technical staff that travel to various news and sports events by a factor of 5 to 10. For customers, the Nimbra solution cuts power consumption by over 50% compared to other equipment available on the market.

Net Insight complies with global reporting initiative (GRI) sustainability reporting. For 2013, Net Insight is applying application level C in the GRI framework.

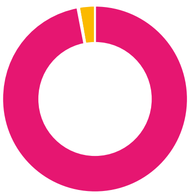
The share

Ownership structure (capital, %)



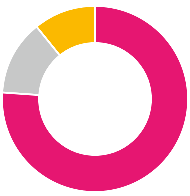
- Swedish institutions and banks, 35.5%
- Other Swedish legal entities, 8.6%
- Swedish physical persons, 32.2%
- Foreign shareholders, 23.7%

Number of shareholders (concentration, %)



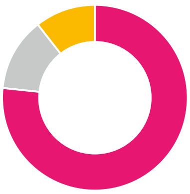
- Sweden, 97%
- USA, 0.3%
- Other, 2.7%

Number of shareholders (capital, %)



- Sweden, 76.3%
- USA, 13.1%
- Other, 10.7%

Number of shareholders (votes, %)



- Sweden, 76.9%
- USA, 12.7%
- Other, 10.4%

Net Insight had its initial public offering in 1999 and has been listed on the NASDAQ OMX Stockholm Stock Exchange (NETI B) since 1 July 2007.

OWNERSHIP

The company had 9,210 shareholders on 31 December 2013, compared to 9,700 in the previous year. Net Insight's three co-founders remain as shareholders with 1.5% (1.6) of the capital and 4.0% (4.1) of the votes. As of 31 December 2013, the 20 largest shareholders account for 60.7% of the capital and 61.3% of the votes. The major shareholders are mainly secure financial institutions and mutual fund managers. Foreign ownership represented 23.7% of capital, compared to 24.4% in the previous year.

PRICE MOVEMENTS

The share price decreased by 8% in the year. The high in the financial year, of 1.83 SEK, was set on 7 January 2013, and the low, of SEK 1.05, was set on 24 June 2013. Net Insight's total market capitalization was SEK 560 million on 31 December 2013, down on the previous year, when market capitalization was SEK 607 million.

TRADING VOLUME—NASDAQ OMX

A total of 121 million shares were turned over for a total value of almost SEK 155 m, corresponding to a turnover rate of 31%, in 2013. An average of 485,000 shares were traded per trading day in the financial year, up 48% on the previous year.

TRADING VOLUME—OTHER

NETI B was traded on a total of two marketplaces apart from NASDAQ OMX: Burgundy and Turquoise. A total of 1 million shares were traded with the total value of nearly SEK 1 million on Burgundy, and 0.1 million shares with a total value of nearly SEK 0.2 million on Turquoise.

EMPLOYEE STOCK OPTIONS

The company has no outstanding employee stock option programs.

SHARE CAPITAL

Share capital was SEK 15,597,320 as of 31 December 2013. There were 1,150,000 class A shares and 388,783,009 class B shares, a total of 389,933,009 shares.

DIVIDEND POLICY

A secure cash position is important in contexts including enabling the company to demonstrate long-term financial sustainability to customers, and partly for enabling initiatives in growth segments. The Board proposes that the AGM does not pay any dividend for the financial year 2013.

SHARE CAPITAL HISTORY

Year	Transaction	Class A shares	Class B shares	No. of shares	Par value (SEK)	Share capital (SEK)
2002	New share issue	3,600,000	65,155,020	68,755,020	0.04	2,750,201
2002	New share issue	3,600,000	133,910,040	137,510,040	0.04	5,500,402
2003	New share issue	3,600,000	179,746,720	183,346,720	0.04	7,333,869
2003	New share issue	3,600,000	225,583,400	229,183,400	0.04	9,167,336
2003	New share issue	3,600,000	253,083,400	256,683,400	0.04	10,267,336
2004	New share issue	3,600,000	284,083,400	287,683,400	0.04	11,507,336
2004	New share issue	3,600,000	286,583,400	290,183,400	0.04	11,607,336
2004	Options redeemed	3,600,000	287,405,345	291,005,345	0.04	11,640,214
2005	New share issue	3,600,000	360,332,660	363,932,660	0.04	14,557,306
2005	Options redeemed	3,600,000	364,157,010	367,757,010	0.04	14,710,280
2007	Options redeemed	3,600,000	367,002,820	370,602,820	0.04	14,824,113
2007	Conversion of class A shares to class B shares	1,900,000	368,702,820	370,602,820	0.04	14,824,113
2008	Options redeemed	1,900,000	377,990,569	379,890,569	0.04	15,195,623
2009	Conversion of class A shares to class B shares	1,300,000	378,590,569	379,890,569	0.04	15,195,623
2009	Options redeemed	1,300,000	388,633,009	389,933,009	0.04	15,597,320
2010	Conversion of class A shares to class B shares	1,150,000	388,783,009	389,933,009	0.04	15,597,320
2011		1,150,000	388,783,009	389,933,009	0.04	15,597,320
2012		1,150,000	388,783,009	389,933,009	0.04	15,597,320
2013		1,150,000	388,783,009	389,933,009	0.04	15,597,320

SHARE CLASSES

As of 31 Dec. 2013

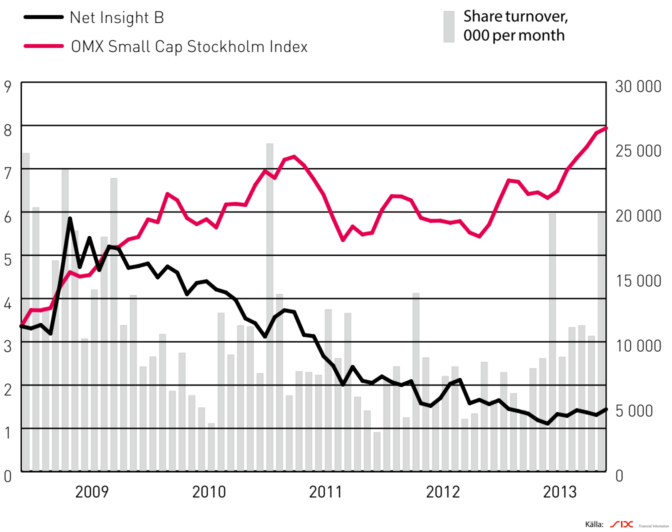
Share class	Shares	Votes	Equity, %	Votes, %
A	1,150,000	11,500,000	0.29%	2.87%
B	388,783,009	388,783,009	99.71%	97.13%
	389,933,009	**400,283,009**	**100.00%**	**100.00%**

OWNERSHIP STRUCTURE, CLASS B SHARE

As of 31 Dec. 2013

Shareholding, no. of shares	Percentage of shareholders	Percentage of share capital
1-1,000	42.7	0.5
1,001-10,000	38.3	4.6
10,001-15,000	3.7	1.4
15,001-20,000	3.2	1.6
20,001+	12.1	91.9
Total	**100.0**	**100.0**

SHARE PRICE MOVEMENTS, 2009–2013



20 LARGEST SHAREHOLDERS, 31 DEC. 2013

	Name	Class A shares	Class B shares	Holdings (%)	Votes (%)	Market value SEK 000
1	Constellation Growth Capital	0	48,052,491	12.3	12.0	69,196
2	Lannebo fonder	0	39,994,472	10.3	10.0	57,592
3	Alecta Pensionsförsäkring	0	24,000,000	6.2	6.0	34,560
4	Swedbank Robur fonder	0	20,138,776	5.2	5.0	29,000
5	Försäkringsaktiebolaget, Avanza Pension	0	16,244,240	4.2	4.1	23,392
6	Nordnet Pensionsförsäkring AB	0	13,922,934	3.6	3.5	20,049
7	Banque Internationale a Lux	0	10,137,498	2.6	2.5	14,598
8	AMF - Försäkring och Fonder	0	9,892,357	2.5	2.5	14,245
9	Lars Gauffin	600,000	2,679,930	0.8	2.2	3,859
10	JP Morgan Bank	0	8,295,621	2.1	2.1	11,946
11	Limhamn Förvaltning AB	0	8,270,000	2.1	2.1	11,909
12	Styrelsen och ledningsgruppen	400,000	3,428,332	1.0	1.9	4,937
13	Nordhus, Otto	0	5,125,350	1.3	1.3	7,381
14	Torlöf Truls Thomas fam o bolag	0	5,016,666	1.3	1.3	7,224
15	Barsum, Rafi	0	4,013,817	1.0	1.0	5,780
16	Robur Försäkring	0	3,616,088	0.9	0.9	5,207
17	Apoteket AB:s Pensionsstiftelse	0	3,416,528	0.9	0.9	4,920
18	Karl Otto Wikander m bolag	0	3,322,915	0.9	0.8	4,785
19	BK Julius Baer & Co Sweden Main AC	0	3,012,528	0.8	0.8	4,338
20	Vob & T Trading AB	0	3,000,000	0.8	0.8	4,320
Total, 20 largest shareholders		**1,000,000**	**235,580,543**	**60.7**	**61.3**	**339,238**
Total, other shareholders		**150,000**	**153,202,466**	**39.3**	**38.7**	**220,610**
Total		**1,150,000**	**388,783,009**	**100.0**	**100.0**	**559,848**
Total no. of shares			**389,933,009**			
Total, no. of votes			**400,283,009**			

Five-year summary

	2013	2012	2011	2010	2009
Income Statement, MSEK					
Net sales	280.8	280.3	294.5	287.7	232.8
Operating earnings	-9.7	2.7	42.8	43.1	34.0
Operating earnings, adjusted for one-time charges, MSEK*	8.9	5.8	42.8	43.1	34.0
Profit/loss after financial items	-7.6	5.1	47.0	43.6	31.6
Net income	-9.2	11.9	49.9	102.8	34.4
Balance Sheet, MSEK					
Fixed assets	231.5	233.8	200.9	159.2	134.6
Current assets	327.5	333.3	368.0	371.6	273.7
Total assets	559.0	567.1	568.9	530.8	408.3
Shareholder's equity	494.2	503.4	491.7	440.6	335.2
Liabilities	63.1	63.7	77.2	90.2	73.1
Total equity and liabilities	559.0	567.1	568.9	530.8	408.3
Key ratios					
Total cash flow, MSEK	17.9	-10.4	-39.6	83.9	0.3
EBITDA, MSEK	-8.6	-21.2	6.3	15.7	8.0
EBITDA, adjusted for one-time charges, MSEK *	10.0	-18.2	6.3	15.7	8.0
Gross margin (%) **	56	60	62	63	76
Capital expenditure, MSEK	48.6	70.3	69.5	53.8	53.3
Return on capital employed (%)	-2	1	10	11	12
Return on equity (%)	-2	2	11	27	11
Operating margin (%)	-3	1	15	15	15
Earnings per share					
- basic, SEK	-0.02	0.03	0.13	0.26	0.09
- diluted, SEK	-0.02	0.03	0.13	0.26	0.09
Dividend per share	0	0	0	0	0
Cash flow per share, SEK	0.05	-0.03	-0.10	0.06	0.00
Equity/assets ratio (%)	88	89	86	83	82
Equity per share, SEK					
- before dilution, SEK	1.27	1.29	1.26	1.13	0.86
- after dilution, SEK	1.27	1.29	1.26	1.13	0.86
Number of employees as of 31 December	142	156	150	133	120
Value-added per employee, SEK 000	1,039	1,072	1,361	1,385	1,377
Share price at 31 December, SEK	1.44	1.56	2.05	3.43	4.75
Number of shares as of 31 December	389,933,009	389,933,009	389,933,009	389,933,009	379,890,569

* For a definition of one-time charges, see net sales and results of operations in the Administration Report (page 22).
** The accounting method for gross margins changed effective 1 January 2010. Amortization of R&D was reclassified from opex to COGS.

DEFINITIONS

Total cash flow Change in cash and cash equivalents in the year.

EBITDA Operating earnings before depreciation and capitalization of development expenditures.

Gross margin Gross profit as a percentage of net sales.

Return on capital employed Operating earnings after financial items plus financial expenses in relation to average capital employed. Capital employed is the balance sheet total less non-interest bearing liabilities including deferred tax liabilities.

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

Operating margin Calculated on profit before net financial items and before taxes.

Earnings per share, basic Profit/loss for the year divided by the average number of shares during the year.

Earnings per share, diluted Profit for the year divided by average number of shares issued during the year (for more information please see under accounting principles).

Cash flow per share Cash flow from operating activities before changes in operating capital divided by average number of shares issued.

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

Equity per share before dilution Shareholders' equity plus undisclosed reserves in assets with an objective market value less deferred tax divided by number of shares during the year.

Equity per share after dilution Shareholders' equity plus undisclosed reserves in assets with an objective market value less deferred tax divided by number of shares during the year.

Value-added per employee Operating earnings plus salaries and fringe benefits relative to the average number of employees.

7 MARCH 2013

Arqiva selects Net Insight to expand its media network

Arqiva Satellite & Media is a media company that provides infrastructure solutions for the global TV market. The company is at the leading edge in networking solutions and services for the digital world and delivers much of the underlying infrastructure of TV, radio, satellite and wireless communication in the UK and Ireland, the rest of Europe and the US.

The media network from Net Insight enables Arqiva to work effectively through a single platform, and enables it to deliver new services to broadcasters cost-efficiently. With its new core network, Arqiva can deliver uncompressed media services between main uplink stations to address the continuously increasing demand for this type of service from customers. By expanding with Net Insight, Arqiva is gaining the flexibility to offer the delivery of ASI, IP, SD-SDI, HD-SDI, 3G-SDI and JPEG2000-compressed versions of SD, HD and 3G-SDI from port to port or media network and in either direction, whether unicast or multicast. By upgrading its media network, Arqiva is improving its offering of uncompressed video services.

Delivery was in the fourth quarter of 2012 and the network went live in the first quarter of 2013.

This new order includes expansion of the original Nimbra network, also delivered by Net Insight, which includes new Nimbra nodes with 160 G switches and 10G trunks, as well as JPEG2000 video access modules. Arqiva now has a total of over 160 Nimbra nodes installed across Europe and the US.

19 AUGUST 2013

Swiss public service broadcaster SRG SSR selects Net Insight for a major sports event in 2014

SRG SSR is building a new, dedicated contribution network for major forthcoming sports events. The network will be used for a winter sports event in Russia, and the European Athletics Championship in Zurich in 2014. This network is based on Net Insight's Nimbra 600 series, and is fully redundant and delivers audio and compressed video services.

The positive experience SRG SSR has had with Net Insight in previous major events was the basis for its decision to continue their successful partnership. With the Nimbra platform in place, SRG SSR can transport live sport at the highest quality, with the reliability Swiss viewers demand.

The Nimbra MSR solution ensures high service integrity and QoS in media networks to satisfy the standards of the professional media industry. The solution also offers SRG SSR complete flexibility and enables a fast response to new network demands.

13 MAY 2013

New customer ViewSat selects Net Insight for its UK fiber network

ViewSat is one of the most expansive players in the global TV and radio transmission services industry. ViewSat, which is headquartered in the UK, delivers services in the Middle East, North Africa, Asia, Europe and sub-Saharan Africa, and operates a number of platforms and satellite broadcasts, complemented by head-ends, a dedicated fiber network and proprietary uplinks to provide high-quality infrastructure for customers' digital satellite broadcasts.

ViewSat selected Net Insight's Nimbra platform and solution, enabling more effective integration with fiber-based video cabling in shared operational plant for network owners. ViewSat will use video access modules and SFP video modules to run services between its uplink stations and a telehouse in London over a Gigabit Ethernet IP link. The Nimbra solution reduces the number of elements in the transmission chain, possible through redundant protection mechanism and Ethernet transport service, Net Insight's 1+1 hitless video protection and 1+1 hitless Ethernet protection. Net Insight's network monitoring tool offers ViewSat's customers greater visibility and control over the services delivered.

29 NOVEMBER 2013

Net Insight secures major order from EBU

EBU owns EUROVISION, the main distributor and producer of TV content, extending from live sports and news to entertainment, culture and music. EUROVISION's fiber network is based on Net Insight's Nimbra platform. EBU will be upgrading its global network with the Nimbra 600 series (MSR).

This new order's total value is nearly EUR 1 million with delivery in the fourth quarter of 2013.

2 DECEMBER, 2013

Net Insight wins order from Russia's leading television and radio broadcast company VGTRK

VGTRK is Russia's state TV and radio corporation with over 80 regional TV and radio networks, broadcasting in all Russia's regions. It is now building a contribution network based on the Nimbra 600 series from the site of a sports event in 2014 to its Moscow studio. Net Insight's solution will transport uncompressed and compressed video securely and robustly with 100% QoS.

Administration report

Net Insight AB (publ) Corp. ID Nr 556533-4397

The Company

Net Insight develops, markets, and sells media rich routing solutions for broadcast, digital terrestrial TV and cable TV networks. Net Insight's network equipment and services allow service providers and network owners to deliver video and media services with 100% quality of service (QoS) and optimum network utilization. Apart from helping to attract and retain customers, the Nimbra platform reduces network complexity, offering network operators lower capital and operating expenditure. Net Insight's customer base includes broadcast and media companies, network owners, telecom operators and cable TV providers. Net Insight has more than 200 customers in 60 countries. Founded in 1997, Net Insight has 142 employees in Stockholm, Singapore, and the US, and is listed (NETI B) on the NASDAQ OMX Stockholm Stock Exchange.

Market

Generally, the broader-based media technology sector featured modest growth in 2013, with primarily, North America achieving somewhat higher growth rates, while Europe was more sluggish. Operators and network owners remained cautious regarding investment, with results including delays to project roll-outs. Digitalization of terrestrial TV is continuing in some countries, including Brazil, which has reported the delayed roll-out of a nationwide network.

The consolidation trend among network operators and network owners continues, as do efforts to optimize network operation. One clear trend is the growth of broadband TV (over-the-top, OTT), creating more traffic in operator networks, although revenues lie outside operators' control, which to date, has affected interest in investing in these networks for greater quality. As quality standards and the share of live broadcasts in OTT offerings increase, so does the need for technology such as what Net Insight offers in contemporary networking solutions.

The migration to IP/MPLS has maintained its brisk rate, also raising demands for QoS, managing network complexity and monitoring service standards.

Net Insight has good positioning to exploit the IP/MPLS trend, and the requirements for being able to manage increasingly complex networks through its Service Aware Media Network (SAMN) solution, which also enhances QoS over existing IP/MPLS networks, while also enabling operators to deliver, monitor and protect each media service individually on demand right across IP networks, which without Net Insight's technology would otherwise be a major challenge.

The distribution of video in 4K Ultra HD format was also a hot topic in the sector in the year, even if large-scale installations are unlikely for another year or so. At the IBC expo, Net Insight demonstrated how operators can transport live content in 4K format with currently available Nimbra equipment.

Customers

The company's customers continued to expand and upgrade their networks in the year. The EBU, the Eurovision Broadcasting Union, made significant investments in its global network in terms of increased reach and capacity in the year. Arqiva continued expansion of its Nimbra-based core network in the UK and internationally. Net Insight secured a promising order from OBS in the year, which utilizes the Nimbra platform for Carrier Ethernet data services. Data services are becoming more important for the production and routing of TV and video, where the Nimbra platform delivers a uniquely secure routing of data and video that guarantees zero packet loss. Net Insight also secured two orders for contribution networks from Russian accounts linked to the Sochi Winter Olympics. Accordingly, VGTRK, the state TV and radio corporation and Rostelecom, Russia's largest telecom operator, joined Net Insight's customer base.

Several DTT operators also placed expansion orders in the year. Net Insight also secured an order from MediaCorp in Singapore in the third quarter for the construction of its DTT network in DVB-T2 standard. This order was secured in partnership with Nera Telecommunications Ltd., Net Insight's partner in Singapore.

The introduction of Nimbra VA 210 brings access to a new market. One major North American cable operator selected the company's Nimbra VA 210 solution for video routing from six broadcasters over the public Internet to replace traditional satellite broadcasting with QoS unaffected. This enabled a cost saving for the cable operator.

In addition to the publicly announced orders, Net Insight secured a large number of network expansion and upgrade deals in all regions where the company is active. A significant portion of these orders will offer equipment and functionality for transport over IP networks including JPEG 2000 technology, which confers high image quality but requires far less bandwidth.

Net Insight now has over 200 customers in 60 countries.

Shareholders

For a list of the company's major shareholders, see page 17.

Geographical reach and partnerships

Net Insight currently has employees on four continents. To increase its geographical reach, the company has some 50 collaboration partners represented in every continent of the world. Our collaboration partners are resellers and integrators, as well as collaboration partners that sell proprietary equipment that complements Net Insight's portfolio. Partners sales are 39% (43) of total.

Marketing

Net Insight's marketing activities include PR, publishing white papers, advertising in selected trade journals and participation at trade shows with the aim of increasing awareness of the company and its solutions. The Big Broadcast Survey conducted by market researcher Devoncroft indicated that recognition of Net Insight had increased somewhat since the 2012 Survey, primarily in APAC and the Americas. The company participated in 21 trade shows in the year in all major regions including CABSAT MENA (Dubai), NAB (USA), CommunicAsia (Singapore), IBC (the Netherlands) and SET Broadcast & Cable (Brazil). Net Insight was recognized as climber of the year for its IR site and the company's Annual Report 2012 was ranked 15th of 130 companies on the Large and MidCap lists of NASDAQ OMX Stockholm Exchange.

The company received recognition including the following awards for its products and solutions in the year. The Nimbra 640 Multiservice Access Gateway won the Beijing International Radio, TV & Film Equipment Exhibition (BIRTV) award for high-quality video transport and was recognized as an Outstanding Product. BIRTV is the most influential trade show in the Asian TV sector. Net Insight also gained an honorable mention in Broadband Technology Report's 2013 Diamond Technology Reviews for the Nimbra VA 210, which is for unique usability, unique purpose or technical advance.

Products and development

Net Insight developed its product portfolio in several key segments in 2013. One of these was monitoring and alarms, i.e. measuring and verifying the quality of traffic at every stage, from the quality of incoming signals, the quality of various routing links between nodes and the quality of the signal transmitted to the next link in the chain. This enhanced management provides network owners with great potential to identify potential faults and rectify them early.

The Nimbra 390, the fourth generation of the 300 series, with notable improvements and enhancements in terms of quality routing over IP, Ethernet functionality and synchronization over IP in segments such as venue production and contribution, and distribution of DTT and DAB/FM were also launched in the year.

The Nimbra VA 210, showcased at the NAB expo in the USA in April, attracted great interest in the year, and was fully integrated into the Nimbra Vision monitoring system.

Net Insight introduced dynamic trunk functionality, enabling operators to adapt bandwidth use in networks according to needs at any time, and also to the space available. This functionality confers greater flexibility in using extant infrastructure more effectively.

A new 10 GB Ethernet access module was introduced, which enables greater transmission speeds over Ethernet. One key function in transporting uncompressed HDTV over IP, and to link multiple servers and larger head-ends.

Patents

Net Insight's innovative technology delivers unique benefits in real-time image processing, high reliability, secure data transmission and GPS-independent synchronization. To protect these and other unique benefits, Net Insight has filed 30 patent applications to date, of which 27 have been approved and registered.

Net sales and results of operations

Net sales were SEK 280.8 million (280.3) in the 12-month period. In comparable currency terms, this is a year-on-year increase of 1.5%. Net sales had a positive SEK 1.2 million (-1.8) effect from revaluation of foreign currency accounts receivable.

EMEA region represented SEK 185.2 million (180.8) of total sales. Several key customers upgraded and expanded their networks in the year including EBU and Arqiva. Net Insight also secured its first orders from Russian customers. There was brisk growth in North and South America in the year, which increased by SEK 16.7 million to SEK 72.0 million (55.3). Primarily, this growth is sourced from North America and the expansion of contribution networks, mainly on existing accounts, but also from new business customers. However, the APAC region did not maintain the strength of the previous year, with sales of SEK 23.6 million

(44.2). First and foremost, China and Korea did not match the previous year's major roll-outs of contribution networks.

Net sales in the Broadcast & Media Networks (BMN) business area were 80% (76) of total sales, DTT were 17% (22) and cable TV were 3% (2). Hardware sales were SEK 192.1 million (197.8), software licenses were SEK 31.9 million (30.3) and support and service revenue was SEK 52.9 million (49.9). The above figures include other revenue of SEK 3.9 million (2.2), which primarily consists of the revaluation accounts receivable held in foreign currency and lease revenue.

Net Insight took two significant one-time impairment losses in the fourth quarter of 2013. The first was primarily on the impairment of component stocks for SDH-based trunk modules, and was taken due to a change in product mix towards Ethernet/IP-based trunk modules. The total inventory impairment loss is SEK 13.0 million. The second impairment loss is due to bad debt in EMEA, which affected profit/loss by SEK 5.6 million. As a result of this, cost of goods sold was charged with SEK 11.4 million, and sales and marketing expenses were charged with SEK 7.3 million. In 2012, SEK 3.0 million was expensed in the comparative period for a efficiency and cost reduction program executed in the fourth quarter.

As is shown in the consolidated key figures on page 18, gross margin was 55.8% (59.7), with the decrease fully attributable to the one-time impairment losses taken in the fourth quarter. Adjusted for them, gross margin was 59.8% (59.7). The adjusted gross margin excluding amortization of R&D expenditures was 76.2% (73.7).

Operating expenses for the full year were SEK 166.2 million (164.6). Adjusted for one-time items, operating expenses were SEK 158.9 million (161.6). Sales and marketing expenses were SEK 104.8 million (104.6). Adjusted for the bad debt expense in the fourth quarter, sales and marketing expenses were SEK 97.5 million (104.6). The decrease is mainly due to fewer employees and consultants and lower commissions to partners. Administration expenses were SEK 22.9 million (27.1). The decrease is due to fewer employees and consultants in the year, and a temporary decrease in employees in the third quarter. Development expenses were SEK 38.4 million (29.9). The increase relates to the lower share of capitalized development projects. Total development expenditures were SEK 86.1 million (96.9).
The decrease relates to fewer development resources as a result of the efficiency and cost reduction program executed in the fourth quarter of 2012.

Operating earnings adjusted for one-time charges was SEK 8.9 million (5.8), corresponding to an operating margin of 3.2% (2.0). The increase is attributable to lower operating expenses.

Operating profit/loss was SEK -9.7 million (2.7), or an operating margin of -3.4% (1.0).

EBITDA, which is shown in the consolidated key figures on page 18, was SEK -8.6 million (-21.2). Adjusted for one-time charges, EBITDA was SEK 10 million (-18.2). The improvement is partly due to a stronger adjusted gross margin of 76.2% (73.7), generating improved operating earnings before amortization of capitalized R&D, and partly due to lower expenses mainly because of the rationalization and cost-cutting program executed in the fourth quarter of 2012.

The net income/loss was SEK -9.2 million (11.9), corresponding to a profit margin of -3.3% (4.2).

Cash flow and financial position

Cash flow for 2013 was SEK 17.9 million (-10.4). The cash flow is mainly a result of reduced accounts receivable balances due to large payments from customers, and a lower level of operating expenses. Cash and cash equivalents at year-end were SEK 203.7 million (185.9).

Shareholders' equity was SEK 494.2 million (503.4), with an equity/assets ratio of 88.4% (38.8)

Investments

Investments in tangible fixed assets were SEK 0.9 million (2.2) in 2013, and depreciation of tangible fixed assets was SEK 1.5 million (1.3).

Investments in other intangible assets were SEK 0.0 million (2.4) and amortization was SEK 1.1 million (1.3). Capitalization of development expenditures was SEK 47.6 million (65.7). The amortization of capitalized development expenditures was SEK 46.1 million (39.2).

At year-end, the net value of capitalized development expenditures was SEK 184.1 million (183.2).

Human and organizational resources

At year-end, Net Insight had 142 employees (156). Parent company Net Insight AB had 132 employees (146), Net Insight Intellectual Property AB had 5 (5) and US-based subsidiary Net Insight Inc. had 5 (5).

There were a number of changes to senior management positions in the year. After 11 years, of which over seven as CEO, Fredrik Trägårdh left the company at the end of the second quarter to take up a senior position with Ekman & Co AB. In October, he was succeeded as CEO by Fredrik Tumegård. Mr. Tumegård joins Net Insight from a position as VP of NEC Northern Cluster. In December, the company reported that Executive Vice President and Director of Product Development Anders Persson would be leaving the company after 13 years. Marie Kjellberg, Vice President of Human Resources, left the company in the third quarter and was replaced by Marina Hedman.

Seasonality

In the past three calendar years, average seasonality has been fairly modest. Of annualized sales, the first quarter represented 24%, the second quarter represented 26%, the third-quarter 23% and the fourth quarter 27%.

Risk and Sensitivity Analysis

Since a number of external and internal factors influence Net Insight's operations and earnings, the company relies on a continuous process of identifying existing risks and assessing how each risk should be managed. The risks the company is exposed to include customer dependence, technology development, and financial risks. Financial risks are described under the accounting policies section and in the notes.

Market-related risks

Competition and technology development

Net Insight operates in a dynamic industry characterized by rapid technological progress and intense competition. Failing to keep pace with technological progress or making incorrect technological investments would exert a negative impact on revenues. Net Insight's Board and management considers the risk of an unexpected forward leap in technology rendering the company's products obsolete as low. The risk of making erroneous technological investments is also considered low. The skills and competence of Net Insight's development staff combined with comprehensive market research, close competitor monitoring, and close collaborations with large customers help keep Net Insight well informed and up to date on relevant technology and market trends.

Political risks

The majority of Net Insight's sales are to customers located in the Nordic countries, Western Europe and the US. Net Insight does not consider the countries in which it currently does most of its business as presenting any significant political risks. Geographical expansion is preceded by a risk identification process that evaluates payment instruments and commercial conditions to mitigate risks as far as possible.

Risks related to the operations

Product liability, intellectual property rights, and litigation

While potential defects in Net Insight's products could lead to claims for compensation and damages, the Board's opinion is that the company has adequate product liability insurance cover, so direct risks are considered limited. Products also undergo extensive testing and verification in the development process and in the shipping process before products are sent to customers. Since Net Insight continuously seeks to protect its corporate name, trademarks and brands, it is well prepared for any infringement litigation through insurance cover and with the help of internal expertise in its corporate legal department and external legal consultants.

Neither Net Insight nor its subsidiaries are currently involved in any litigation processes, legal or arbitration procedures.

Customer dependency and contract risks

If one of Net Insight's larger customers became insolvent or changed supplier, this would have a manageable impact on Net Insight's earnings. The growing customer base and the relatively high cost to customers to change suppliers limits this risk significantly. Currently, Net Insight's largest customer represents 10% of Net Insight's sales. The risk of a major customer becoming insolvent is also limited, as Net Insight's customers are generally well-established media and telecom operators in the private and public sectors. To further limit customer risks, Net Insight continuously endeavors to exceed customer expectations in terms of the technological performance and quality of the company's products as well as the level of customer service.

Risk assessment summary

The following table assesses the likelihood of Net Insight being affected by the various operational risks described in this section and their impact. The assessment does not claim to be exhaustive but merely serves as an illustration.

Risk	Probability	Impact
Product fault leading to product liability	Low	Low
Intellectual property dispute	Low	Low
Major customer becomes insolvent	Low	Medium
Major customer leaves Net Insight for competitor	Medium	Medium
Net Insight's technology becomes outdated	Low	High
Net Insight makes incorrect technology investment	Low	High
Adverse political changes in politically unstable countries	Medium	Low

Guidelines for remuneration for senior executives

The most recently adopted guidelines for remuneration of senior executives are described in note 7 and apply until the AGM on 8 May 2014. A new proposal will be submitted to the AGM 2014:

The Board of Directors of Net Insight AB's proposal for resolution on guidelines for remuneration and other employment terms of senior executives

The Board of Directors proposes that the AGM resolves to approve the Board of Directors' proposal for guidelines for determining remuneration and other employment terms for senior executives as follows.

Senior executives' terms and remuneration, and general remuneration principles

The company offers salaries and remunerations in line with market practice, as verified by external compensation database, based on a fixed and a variable component. Remuneration to the CEO and senior executives consist of base salary, variable remuneration and pension benefits. "Senior executives" refers to the ten persons, including the CEO, which constitute the group management and members of the board of directors with whom an employment or consultancy agreement has been entered into. The division between fixed and variable remuneration is in proportion to the respective manager's responsibility and authority. The variable remuneration is based on a combination of revenue, results and activity targets.

For the CEO, the Global Head of Sales and the VP New Segment Sales the annual variable remuneration is capped at 100 per cent and for other senior executives at 20-60 per cent of the base salary. 70 per cent of the variable remuneration is based on measurable financial targets. For the Global Head of Sales a compensation model where the variable remuneration is 100 per cent based on financial targets is applied. Certain senior executives (as invited by the board of directors) participate in a synthetic share program in which up to half of the outcome of the variable compensation is put in escrow and paid out in the fourth year following the vesting period. At the time of payment, a multiplier will be applied to the amount held in escrow to reflect the share price development during these three years. The multiplier is calculated based on the ratio of the average share price for two eight-week periods, where the first period commences on the same day as the year-end report is made public during the year following the first year of the vesting period, and the second period commences on the same day as the year-end report is made public during the year when payment shall occur (i.e. three years between the periods). The average share price is calculated as the average of the daily closing share prices for each eight-week period. The multiplier is limited to a maximum value of five and minimum value of zero point five.

To the extent a board member conducts work, in addition to the board work, on behalf of the company or another group company, consultancy fee and/or other remuneration could be payable.

Almost the entire personnel have some kind of variable remuneration. Reservation of all variable remuneration as well as social charges is made in the accounts.

Pension liability

The company's pension liability towards the CEO amounts to 30 per cent of the fixed annual salary, excluding variable remuneration. For other senior executives the pension liability amounts to between 15 and 25 per cent of the annual salary. All contributions to pension plans are defined.

Redundancy payment

The company and the CEO have a reciprocal notice period of six months. Upon termination by the company, a redundancy payment corresponding to 12 monthly salaries is obtained. Any salary or other remuneration that the CEO obtains from employment or other business conducted under the 12 monthly salaries. Any salary or other remuneration that the deputy-CEO obtains from employment or other business conducted under the 3 months period following the termination is set off against the redundancy payment. The company and the other group managers have a reciprocal notice period of 3-6 month.

The board shall have the right to deviate from these guidelines if special reasons exist.

Parent company

Sales in the 12-month period were SEK 374.3 million (372.7) and net income/loss was SEK -103.9 million (-45.3). The loss for the period primarily relates to impairment of shares in a wholly owned subsidiary and had no effect on consolidated earnings. At year-end, the parent company had 132 employees (146).

Cash and cash equivalents were SEK 167.5 million (144.3).

Dividend

Net Insight is currently a well-capitalized company with a positive cash flow. A strong cash position is important in contexts including the company being able to demonstrate long-term financial sustainability to customers, and partly to be able to make investments in growth segments. The Board of Directors is proposing to the AGM that no dividend is paid for the financial year 2013.

Proposed appropriation of earnings

The following funds are at the disposal of the parent company (SEK 000):

Share premium reserve	51,296
Retained earnings	611,467
Net income	-103,940
Total	**558,823**

The Board of Directors proposes that funds be appropriated as follows:

Brought forward:	558,823

Regarding the group's and parent company's results of operations and financial position otherwise, refer to the following Balance Sheets, Income Statements and Cash Flow Statements with the associated notes. The Corporate Governance Report is on page 60.

Group

Consolidated Income Statement

SEK 000	NOTE	2013	2012
Net Sales	5	280 798	280 291
Cost of goods sold	9,11	-124 316	-112 956
Gross earnings		**156 482**	**167 335**
Sales and marketing expenses	7,10,11	-104 794	-104 606
Administration expenses	7,9,10,11,12	-22 934	-27 050
Development expenses	7,8,9,10,11	-38 423	-29 929
Other expenses	7,11	0	-3 027
Operating earnings	6	**-9 669**	**2 723**
Profit/loss from financial investments			
Financial income	13	2 618	3 738
Financial expenses	13	-571	-1 365
Total profit/loss from financial items		**2 047**	**2 373**
Profit before tax		-7 622	5 096
Tax	14,15	-1 617	6 788
Net income		**-9 239**	**11 884**
Net income attributable to equity holders of the parent		**-9 239**	**11 884**
Basic earnings per share	16	-0.02	0.03
Diluted earnings per share	16	-0.02	0.03

Consolidated Statement of Comprehensive Income

SEK 000	NOTE	2013	2012
Net income		-9 239	11 884
Other comprehensive income			
Items reclassifiable to profit or loss subsequently			
Exchange rate differences		-14	-420
Other comprehensive income for the year, after tax		**-14**	**-420**
Total comprehensive income for the year		-9 253	11 464
Total comprehensive income for the year attributable to equity holders of the parent		**-9 253**	**11 464**

Consolidated Balance Sheet

SEK 000	NOTE	31 dec 2013	31 dec 2012
ASSETS			
Intangible assets			
Capitalized expenditures for development	17	184 072	183 150
Goodwill	17	4 354	4 354
Other intangible assets	17	1 340	2 460
Tangible fixed assets			
Equipment	18	4 354	4 937
Financial assets			
Deferred tax asset	15	37 102	38 719
Deposits, long term	19	263	208
Total fixed assets		**231 485**	**233 828**
Current assets			
Inventories	20	42 604	50 044
Accounts receivable	21	70 653	85 298
Current receivables	21,23	4 076	5 301
Prepaid expenses and accrued income	21	6 439	6 819
Cash and cash equivalents	22,23	203 731	185 855
Total current assets		**327 503**	**333 317**
Total assets		**558 988**	**567 145**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	24,25	15 597	15 597
Other paid-up capital		1 192 727	1 192 727
Translation difference		-1 954	-1 940
Accumulated deficit		-712 218	-702 979
Total shareholders' equity		**494 152**	**503 405**
Long-term liabilities			
Other provisions	26	2 943	3 612
Total long-term liabilities		**2 943**	**3 612**
Current liabilities			
Accounts payable	23	14 535	20 145
Other liabilities	23,26,27	13 656	9 720
Accrued expenses	28	33 702	30 263
Total current liabilities		**61 893**	**60 128**
Total liabilities and shareholders' equity		**558 988**	**567 145**

Consolidated Cash Flow Statement

SEK 000	NOTE	2013	2012
Operating activities			
Profit before tax		-7 622	5 095
Depreciation and amortization	9	48 720	41 772
Other items not affecting liquidity	29	17 365	2 232
Cash flow from operating activities before change in working capital		**58 463**	**49 099**
Change in working capital			
Increase (-)/decrease (+) in inventories		-3 927	-13 691
Increase (-)/decrease (+) in receivables		8 985	37 991
Increase (+)/decrease (-) in current liabilities		2 975	-13 650
Cash flow from operating activities		**66 496**	**59 749**
INVESTING ACTIVITIES			
Investments in intangible assets	17	-47 639	-68 075
Investments in tangible assets	18	-926	-2 218
Increase (-)/decrease (+) in long-term receivables		-55	189
Cash flow from investment activities		**-48 620**	**-70 104**
Change in cash and cash equivalents for the year	30,31	17 876	-10 355
Cash and cash equivalents at beginning of year	30,31	185 855	196 210
Cash and cash equivalents at end of year		**203 731**	**185 855**

Consolidated Statement of Changes in Shareholders' Equity

SEK 000	Share capital	Other paid-up capital	Translation differences	Accumulated deficit	Total shareholders' equity
1 January 2012	15 597	1 192 727	-1 520	-715 088	491 716
Comprehensive income					
Net income	0	0	0	11 884	11 884
Translation difference	0	0	-420	0	-420
Total comprehensive income	**15 597**	**1 192 727**	**-1 940**	**-703 204**	**503 180**
Transactions with equity holders					
Employee stock option program:					
Value of employee service	0	0	0	225	225
Total transactions with equity holders	**0**	**0**	**0**	**225**	**225**
31 December 2012	**15 597**	**1 192 727**	**-1 940**	**-702 979**	**503 405**
1 January 2013	15 597	1 192 727	-1 940	-702 979	503 405
Comprehensive income					
Net income	0	0	0	-9 239	-9 239
Translation differences	0	0	-14	0	-14
Total comprehensive income	**15 597**	**1 192 727**	**-1 954**	**-712 218**	**494 152**
31 December 2013	**15 597**	**1 192 727**	**-1 954**	**-712 218**	**494 152**

Parent Company

Parent Company Income Statement

SEK 000	NOTE	2013	2012
Net sales	5	374 325	372 665
Cost of goods sold	9,11	-148 485	-100 394
Gross earnings		**225 840**	**272 271**
Sales and marketing expenses	7,10,11	-88 426	-93 073
Administration expenses	7,9,10,11,12	-40 452	-36 382
Development expenses	7,8,9,10,11	-85 438	-195 539
Other expenses	7,11	0	-3 027
Operating earnings	6	**11 524**	**-52 723**
Profit/loss from financial investments			
Profit/loss from participations in group companies	13	-109 743	0
Financial income	13	2 020	2 596
Financial expenses	13	-571	-1 367
Total profit/loss from financial investments		**-108 294**	**1 229**
Profit/loss before tax		**-96 770**	**-51 494**
Tax	14,15	-7 170	9 195
Net income		**-103 940**	**-42 299**

Parent Company Statement of Comprehensive Income

SEK 000	NOTE	2013	2012
Net income		-103 940	-45 326
Other comprehensive income			
Items reclassifiable to profit or loss subsequently			
Comprehensive income for the year		-103 940	-42 299
Comprehensive income for the year attributable equity holders of the parent		**-103 940**	**-42 299**

Parent Company Balance Sheet

SEK 000	NOTE	31 dec 2013	31 dec 2012
ASSETS			
Intangible assets			
Other intangible assets	17	1 340	2 460
Tangible fixed assets			
Equipment	18	4 354	4 937
Financial assets			
Participations in group companies	24	117 427	117 427
Deferred tax asset	15	19 134	26 304
Deposits, long term	19	263	208
Total fixed assets		**142 518**	**151 336**
Current assets			
Inventories	20	42 604	50 044
Current receivables			
Accounts receivable	21	70 653	85 298
Receivables from group companies		331 003	423 507
Current receivables	21	3 542	6 095
Prepaid expenses and accrued income	21	6 364	6 745
Cash and cash equivalents	22	167 499	144 332
Total current assets		**621 665**	**716 021**
TOTAL ASSETS		**764 183**	**867 357**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Restricted equity			
Share capital	24,25	15 597	15 597
Statutory reserve		112 822	112 822
Non-restricted equity/accumulated deficit			
Share premium reserve		51 296	51 296
Retained earnings		611 467	656 793
Net income		-103 940	-45 326
Total shareholders' equity		**687 242**	**791 182**
Provisions			
Other provisions	26	2 542	3 433
Total provisions		**2 542**	**3 433**
Current liabilities			
Accounts payable		14 362	19 653
Liabilities to group companies		15 278	15 278
Other liabilities	23,27	11 246	6 344
Other provisions	26	2 273	3 126
Accrued expenses and deferred income	28	31 240	28 341
Total current liabilities		**74 399**	**72 742**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**764 183**	**867 357**
Pledged assets	30	0	0
Contingent liabilities		None	None

Parent Company Cash Flow Statement

SEK 000	NOTE	2013	2012
Operating activities			
Profit/loss before tax		-96 770	-54 521
Depreciation and amortization	9	2 628	2 563
Other items not affecting liquidity	29	145 703	64 279
Cash flow from operating activities before change in working capital		**51 561**	**12 321**
Change in working capital			
Increase (-)/decrease (+) in inventories		-3 927	-13 691
Increase (-)/decrease (+) in current receivables		-25 813	39 148
Increase (+)/decrease (-) in current liabilities		2 327	-12 713
Cash flow from operating activities		**24 148**	**25 065**
INVESTING ACTIVITIES			
Investments in intangible assets	17	0	-2 375
Investments in tangible assets	18	-926	-2 217
Increase (-)/decrease (+) in long-term receivables		-55	189
Cash flow from investing activities		**-981**	**-4 403**
Change in cash and cash equivalents for the year			
Cash and cash equivalents at beginning of year	30,31	23 167	20 662
Cash and cash equivalents at end of year	30,31	144 332	123 670
Operating activities		**167 499**	**144 332**

Parent Company Statement of Changes in Shareholders' Equity

SEK 000	Share capital	Statutory reserve	Share premium reserve	Accumulated profit or loss	Net income/loss	Total shareholders' equity
1 January 2012	15 597	112 822	51 296	734 224	-77 656	836 283
Comprehensive income						
Transfer of previous year's net income	0	0	0	-77 656	77 656	0
Net income	0	0	0	0	-45 326	-45 326
Total comprehensive income	**15 597**	**112 822**	**51 296**	**656 568**	**-45 326**	**790 957**
Transactions with equity holders						
Employee stock option program:						
Value of employee service	0	0	0	225	0	225
Total transactions with equity holders	**0**	**0**	**0**	**225**	**0**	**225**
31 December 2012	**15 597**	**112 822**	**51 296**	**656 793**	**-45 326**	**791 182**
1 January 2013	15 597	112 822	51 296	656 793	-45 326	791 182
Comprehensive income						
Transfer of previous year's net income	0	0	0	-45 326	45 326	0
Net income	0	0	0	0	-103 940	-103 940
Group contribution	0	0	0	0	0	18 889
Tax effect of group contribution	0	0	0	0	0	-4 156
Total comprehensive income	**15 597**	**112 822**	**51 296**	**611 467**	**-103 940**	**687 242**
31 December 2013	**15 597**	**112 822**	**51 296**	**611 467**	**-103 940**	**687 242**

Notes

Note 1 General information

Net Insight develops and sells network equipment for fiber optic networks that transport voice, data, and video. With the Nimbra product family, traffic in networks can be transmitted with 100% quality of service while fully utilizing the network's capacity, resulting in major operational and capital expenditure savings for customers. The company sells primarily in Europe, North and Latin America, Asia and the Middle East to television broadcasters, production companies, cable TV, and telecommunication operators. Net Insight was founded in 1997 and has 142 employees in Sweden, the US, and Singapore. Net Insight had its initial public offering on the Stockholm Stock Exchange in 1999 and has been listed on NASDAQ OMX Stockholm since 1 July 2007. Parent company Net Insight AB, corporate identity number 556533-4397, is a Swedish limited liability company whose registered office is in Stockholm.

Note 2 Summary of critical accounting policies

The principal accounting policies applied in the preparation of these consolidated accounts follow. These policies were consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation of the financial statements

The consolidated accounts were prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS), and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission. The Swedish Financial Accounting Standards Council's recommendation RFR 1, Supplementary Accounting Rules for groups, was also applied. The consolidated accounts have been prepared under the historical cost convention, except regarding financial assets and liabilities (including derivatives), which have been recognized at fair value through profit or loss.

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates and management's judgments in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated accounts are disclosed in note 3.

Changes in accounting policies and disclosures

A number of new standards and amendments to interpretation statements and standards are effective for annual periods beginning after 1 January 2013, and have been applied in preparing these consolidated financial statements. None of these had a significant effect on the consolidated financial statements, except the following:

- Amendments to IAS 1, 'Presentation of Financial Statements', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to present items in 'other comprehensive income' OCI in two groups. The division is based whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments) or not.
- Amendment to IFRS 7, 'Financial Instruments: Disclosures', regarding disclosures relating to the net accounting of assets and liabilities. This amendment includes requirements for new disclosures to facilitate comparisons between entities that prepare their financial statements in accordance with IFRS and those that prepare their financial statements in accordance with US GAAP.
- IFRS 13, 'Fair Value Measurement,' is intended to make fair value measurement more consistent and less complex by the standard providing a precise definition and common source in IFRS for fair value measurement for all classes of asset and liability, financial and non-financial. These standards do not extend the application for when fair value should be applied but offer guidance on how it should be applied when other IFRS already require or permit fair value measurement.

An amendment has been made to IAS 36, 'Impairment of Assets,' regarding disclosures of the recoverable amount of non-financial assets. This amendment removes the requirement for disclosure of recoverable amount for cash-generating units that had been introduced in IAS 36 on the inception of IFRS 13.

Although this amendment is not mandatory for the group before 1 January 2014, the group has decided to apply the amendment effective 1 January 2013.

There are no IFRS or IFRIC interpretation statements that apply for the first time for the annual period beginning 1 January 2014 or later and that are expected to have a significant effect on the group.

2.2 Consolidation

Subsidiaries

Subsidiaries are all companies (including partnerships and special purpose companies) for which the group is entitled to govern financial and operational strategies in a manner usually pursuant to shareholdings that amount to more than half of the voting rights. The occurrence and effect of potential voting rights that are currently utilizable or convertible are observed in the assessment of whether the group exercises control over another company.

A subsidiary is included in the consolidated accounts as of the date that control is transferred to the group. A subsidiary is de-consolidated from the date that control ceases. The purchase method of accounting is used to report the group's acquisition of subsidiaries. The purchase cost of an acquisition comprises the fair value of assets provided as payment, issued equity instruments. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed when they occur. Identifiable acquired assets, assumed liabilities, and contingent liabilities in a business combination are initially valued at fair value as of the date of acquisition.

The access that consists of the difference between the cost and fair value of the group's share of identified and acquired net assets is recognized as goodwill. If the purchase cost is less than the fair value of the acquired subsidiary's net assets, the difference is reported directly in the Income Statement.

Intragroup transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the CEO, who is responsible for allocating resources and assessing the performance of the operating segments and making strategic decisions. Segment information is presented in three geographical regions: EMEA, APAC, and the Americas.

2.4 Translation of foreign currencies

A. Functional currency and reporting currency

Items included in the financial statements for the different units in the group are valued in the currency used in the economic environment in which the respective companies are primarily active (functional currency). In the consolidated accounts and parent company's accounts, Swedish kronor (SEK) are used, which is the parent company's functional currency and the parent company's and the group's reporting currency.

B. Transactions and balance sheet items

Foreign currency transactions are translated to the functional currency at the rates of exchange ruling on the transaction date or valuation where items are re-measured. Exchange gains and losses arising on payment of such transactions and in translation of monetary assets and liabilities in foreign currencies are reported as follows in the Income Statement:

- Translation of accounts receivable are reported as net sales.
- Translation of accounts payable are reported as cost of goods sold.
- Translation of monetary assets and foreign subsidiary debts to the parent company are reported as net financial items.

C. Group companies

The results of operations and financial position of foreign subsidiaries that have a different functional currency to the reporting currency are translated to the group's reporting currency as follows:

- Assets and liabilities on the Balance Sheet are translated at the closing rate on the reporting date.
- Income and expenses are translated at the average rate of exchange for the month.
- All exchange rate differences that arise are reported as a separate component of equity and in the Statement of Comprehensive Income.

2.5 Tangible fixed assets

The company's tangible fixed assets are recognized at cost less deductions for accumulated depreciation and impairment. All expenditure directly attributable to acquisition of the asset is included in cost. Additional costs are included in asset carrying amounts or recognized as a separate asset only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. The straight-line depreciation method is applied to all types of assets over their estimated useful lives, which is three to five years for equipment. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate. Gains and losses on disposal are recognized in the Income Statement within other gains/losses.

2.6 Intangible assets

A. Costs arising in development projects are recognized as intangible assets when it is likely that the project will be successful in terms of its commercial and technical potential and when the expenses can be measured reliably. Costs directly linked to the development of products to be sold are recognized as intangible assets. They are capitalized when criteria are satisfied during the development phase. Development expenses include internal employee expenses arising through the development of products and a reasonable proportion of direct and indirect costs. Other development expenses are reported as incurred. Development expenses that were previously reported as a cost are not reported as an asset in an ensuing period.

Capitalized development expenditures with a limited useful life are amortized on a straight-line basis from the time commercial manufacture commences. Amortization is over expected useful life, which is five years.

An impairment test is conducted at the end of each period, and if an asset's carrying amount exceeds its estimated recoverable amount, the asset is impaired to its recoverable amount.

B. Goodwill consists of the amount by which the purchase cost exceeds the fair value of the group's share of the acquired subsidiary's identifiable net assets at the time of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets and has an indefinite useful life. Goodwill is tested at least annually to identify any impairment requirements and is reported at cost less accumulated impairment losses. Gains or losses on disposal of a unit include residual carrying amounts of the goodwill pertaining to the disposed unit.

2.7 Impairment

Non-financial assets that have an indefinite useful life are reviewed annually for potential impairment requirement and are not subject to amortization. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is applied in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Financial instruments

The group classifies financial assets in the following categories; financial assets at fair value through profit and loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

A. Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

B. Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Balance Sheet.

C. Recognition and measurement

Ongoing purchases and sales of financial assets are recognized on the trading date—the date the group undertakes to purchase or sell the asset. These investments are initially recognized at fair value plus transaction costs for all financial assets not measured at fair value through profit or loss. Financial assets measured through profit or loss are initially recognized at fair value and transactions expense through profit or loss.

Financial assets are de-recognized from the Balance Sheet when the right to receive cash flow from the investment have expired or transferred and substantive risks and rewards of ownership are transferred. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss category are presented in the Income Statement within net sales—net in the period in which they arise.

2.9 Accounts receivable

Accounts receivable are initially reported at fair value and subsequently measured at amortized cost using the effective interest method. A provision for impairment of accounts receivable is applied when there is objective proof and other indications that the group will not be able to recover all amounts due under the receivables' original terms. The reserved amount is recognized in the Income Statement under the sales and marketing expenses item.

2.10 Accounts payable

Accounts payable are initially recognized at fair value and thereafter at amortized cost using the effective interest method.

2.11 Inventories

Inventories are reported at the lower of the purchase cost and the net selling price. The purchase cost is determined by using FIFO. The net selling price is the estimated selling price in the operating activities less applicable variable selling expenses.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash, bank balances, and other investments with maturity dates of less than three months.

2.13 Share capital

Ordinary shares are classified as equity. Transaction costs that can be directly attributed to the issue of new shares or options are reported in group equity as a deduction from the issue funds. In the parent company, this transaction cost is reported in the Income Statement.

2.14 Employee benefits

A. Bonuses

The company reports a liability and an expense for bonuses based the achievement of targets for sales, profit performance and market-related targets.

B. Pension commitments

The company only has defined contribution pension plans, which are expensed as needed. The company has no obligation after pension premiums are paid.

C. Share-related benefits

The group has utilized share-related compensation plans in which payment is made in shares. The fair value of the service that entitles employees to granting of options is expensed. The total amount to be expensed during the vesting period is based on the fair value of the granted options, excluding potential impact from non-market-related terms for vesting, e.g., profitability and sales growth targets. Non-market-related terms for vesting are observed in the assumption about how many options are expected to be redeemable. The company revises its assessment of how many shares are expected to be redeemable on each reporting date.

The revision's potential impact on the original assessments is reported in the Income Statement divided over the remainder of the vesting period, and corresponding adjustments are made in equity.

D. Compensation on termination

Compensation on termination is paid when an employee's employment is terminated prior to normal retirement age or when an employee voluntarily resigns from employment in exchange for such compensation. The group reports severance pay when it is demonstrably obliged either to terminate employees according to a formal detailed irrevocable plan, or to provide compensation upon termination resulting from offers made to encourage voluntary resignation from employment.

2.15 Provisions

Provisions are made when a legal or informal obligation arises as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The company makes provisions for warranty costs that will probably arise. The product warranty provision is based on historical outcomes and is set in relation to the company's sales. If there are several similar commitments, it is likely that an outflow of resources will probably be required upon settlement for this entire group of commitments. A provision is reported, although the probability of an outflow for a special item is insignificant.

2.16 Revenue recognition

Revenues from goods and services sold excluding value added tax and discounts, and after elimination of intra-group sales in the group. Revenues are recognized as follows:

A. Sales of goods

Revenues mainly consist of hardware sales. The revenues relate exclusively to the parent company and are reported on delivery when risk and ownership rights transfer to the buyer. In cases where the sale involves significant installation or integration as well as final acceptance from the customer, revenues are recognized on acceptance.

B. Revenue from licenses, support, and services

Service agreements are recognized as revenue on a straight-line basis over the term of the contract.

2.17 Lease arrangements

A lease in which a significant portion of the risks and benefits of ownership are retained by the lessor is classified as an operating lease. When assets are leased through operating leases, the asset is reported in the Balance Sheet in the relevant asset class. Lease revenue is recognized on a straight-line basis over the term of the lease.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Income Statement. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated accounts. Deferred income tax is determined using tax rates (and laws) that were enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be offset.

Deferred income tax and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on net basis.

2.19 Cash Flow Statement

The Cash Flow Statement has been prepared according to the indirect method. The reported cash flow only includes transactions involving deposits or payments. Cash and bank balances are classified as cash and cash equivalents, as are short-term financial investments, which are only exposed to an insignificant risk of value fluctuation and:

- are traded on the open market for known amounts, or
- have a remaining duration of less than three months from their purchase date.

2.20 Accounting policies—parent company

investments in subsidiaries are recognized at cost less impairment. Cost is adjusted to reflect changes to compensation resulting from contingent consideration arrangements. This cost also includes direct expenses relating to the investment.

The parent company's annual accounts were prepared in accordance with RFR 2 and the Swedish Annual Accounts Act. The parent company follows the group policies stated above with the exceptions stated below. These policies were applied consistently for all years reported unless otherwise stated.

Segment reporting

Net sales are reported by geographical market.

Reporting format
The Income Statement and Balance Sheet are formatted according to the Swedish Annual Accounts Act.

Lease arrangements
All lease agreements, whether financial or operating leases, are recognized as operating leases in the parent company.

Shares and participations in subsidiaries
Shares and participations in subsidiaries are reported at historical cost after deducting for potential impairment. If there is an indication that the shares or participations are impaired, the recoverable value is calculated, and if it is below historical cost, the impairment is taken.

Group contributions and shareholders' contributions
The company reports shareholder contributions as an increase in the value of shares and participations. Shares and participations are then tested for impairment. Group contributions are recognized based on economic substance. Group contributions received that are equivalent to dividends are recognized as dividends from group companies in the Income Statement. A group contribution that is equivalent to a shareholders' contribution is reported, taking into account the current tax effect, according to the principle for shareholders' contributions stated above.

Note 3 Financial risks
Net Insight is exposed to various financial risks: market risk (including currency risk, fair value interest risk, cash flow interest risk, and price risk), credit risk, and liquidity risk. Foreign currency risk is predominant and the Board assesses that Net Insight is primarily exposed to the following financial risks:

3.1 Currency risk
Currency risk is defined as the risk of decreasing earnings and/or monetary flows due to changes in exchange rates. Net Insight has a strongly multinational character with most of its sales denominated in EUR and USD. Components are mainly purchased in Swedish kronor (SEK) but are linked to USD through currency clauses that are regularly adjusted. Currency risks are managed according to the finance policy adopted by the Board. The risk of transaction exposure is managed by regularly updating the price lists in EUR and USD, matching ingoing and outgoing in the same currency, and hedging larger contracts in foreign currency. As of December 31, 2013, Net Insight had forward exchange agreements of USD 1.8 million (2.1) and EUR 3.8 million (1.3).

If the SEK had appreciated/depreciated by 5% against the EUR with all other variables constant, year-2013 revenue would have been SEK 8.2 million lower/higher. If the SEK had appreciated/depreciated by 5% against the USD with all other variables constant, year-2013 revenue would have been SEK 5.3 million lower/higher. The division of sales exposure in EUR/USD was unchanged in 2013 on 2012.
As of December 31, 2013, Net Insight had unsecured accounts receivable of USD 3.7 million (3.8) and EUR 0.1 (3.3) million.

3.2 Liquidity risk
Liquidity risk means that Net Insight cannot sell a financial instrument at market price or only subject to significantly increased costs. Net Insight's policy is to only invest cash and cash equivalents in banks or financial institutions with a credit rating of at least P1 or A+ (Moody's or equivalent). Liquidity may not be invested for more than 12 months, and the investment terms must at all times reflect the capital requirements of the company. All reported accounts payable are due within one year and show the undiscounted amount. As of December 31, 2013, accounts payable were SEK 14.5 million and cash and cash equivalents were SEK 203 .7 million, and accordingly, this risk is low.

3.3 Management of capital
Capital risk
The group's capital structure objectives are to secure continuous operations, generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep capital down. The purpose of this is to maintain or adjust the capital structure, repay capital to shareholders, issue new shares, or sell assets to reduce liabilities. The group's target is for a minimum equity/assets ratio of 65%.

3.4 Interest risk

Interest risk is the risk that the value of a financial instrument varies due to changes in market rates. Net Insight's interest risk is low because its need for external financing has been limited. Cash and cash equivalents are normally invested with a fixed-interest period from two weeks up to six months.

3.5 Credit risk

Credit risk means that a party in a transaction with a financial instrument cannot fulfill its commitment. The company's customers are generally large, well-established, highly solvent companies spread over several geographical markets. There is no significant concentration of credit risks either geographically or on any particular customer segment. To limit the risks of potential credit losses, the company's credit policy includes guidelines and regulations for credit checks on new customers, terms of payment, and procedures for handling unpaid claims.

Note 4 Critical accounting estimates and judgments

Estimates and judgments are evaluated on an ongoing basis, based on historical experience and other factors, including expectations of future events that are considered reasonable in the prevailing circumstances.

The group makes estimates and assumptions about the future, but the resulting accounting estimates seldom equal the related actual outcomes. The estimates and assumptions that entail a significant risk of material adjustments in carrying amounts for assets and liabilities during the following financial year are discussed below.

A. Impairment testing of inventories

Estimates of future sales volumes are conducted on purchasing when purchasing inventories. Estimates of net sales value of surplus volumes are calculated when there is an inventory surplus. Net Insight AB has three different categories of inventories: finished goods inventories, component inventories and other inventories. Individual assessment for obsolescence is conducted for finished goods inventories, and standard provisioning is made for other inventories.

Net Insight estimates that its component inventory will cover needs for several years, to ensure production. This estimate may result in a greater risk of obsolescence because demand is controlled by the market and can fluctuate with technology changes. As of 31 December 2013, the total inventory reserve was SEK 27.7 million (15.8).

B. Impairment testing of goodwill

Each year, the group examines whether goodwill is impaired, in accordance with the accounting policy reviewed in 2.7. The recoverable amount of the company's cash-generating units has been measured by computing value in use. Some estimates are necessary for these computations (note 17).

C. Impairment testing of capitalized development expenditures

Costs arising in development projects are reported as intangible fixed assets when it is probable that the project will be successful in terms of its commercial and technical potential and when the costs can be measured reliably. At each reporting period, the company assesses if capitalized development expenditures should be impaired. This means that a complete review of these products is conducted in terms of economic life and product profitability. The products' estimated useful life is five years.

D. Deferred tax

Deferred tax assets pertaining to loss carry-forwards are recognized to the extent that it is probable that future taxable profit will be available against which unused tax losses can be applied. In 2013, Net Insight utilize deferred tax assets of SEK 1.6 million (-14.4). The capitalization is based on expected positive long-term performance.

Note 5 Net sales and segment information

Management determined the operating segments based on reports reviewed by the CEO, who makes strategic decisions. The CEO reviews the business from the geographical perspectives of EMEA, the Americas, and APAC. The operating segments are measured in terms of regional contributions defined as gross earnings less marketing expenses. In the regional contribution report, centralized marketing and sales expenses are allocated based on net sales. There has been no transaction between the segments and the segment report to the CEO does not contain any information on assets and liabilities. The segment information provided to the CEO for the year ended 31 December 2013 is as follows:

Segment Report

MSEK	2013 EMEA	2013 APAC	2013 AM	2013 Total	2012 EMEA	2012 APAC	2012 AM	2012 Total
Net sales	185	24	72	281	181	445	55	280
Regional contribution	36	-1	16	51	45	4	14	63
Regional contribution, %	20%	-3%	22%	18%	25%	8%	26%	22%
Regional contribution	36	-1	16	51	45	4	14	63
Administration expenses				-23				-27
Development expenses				-38				-30
Other expenses				0				-3
Operating earnings				-10				3

Net sales are reported by product group, but do not qualify as a reportable operating segment (IFRS 8), as no other measures are reported.

Net sales by product group

SEK 000	2013	2012
Hardware	192 182	197 828
Software licenses	31 870	30 324
Support and services	52 874	49 917
Other revenue	3 872	2 222
Total	**280 798**	**280 291**

All invoicing is from the parent company, where all revenues are reported. The following table illustrates the division of net sales:

Net sales, group

SEK 000	2013	2012
Sweden	10 391	18 234
EMEA excl. Sweden	174 830	162 556
North and Latin America	71 995	55 275
APAC	23 582	44 226
Total	**280 798**	**280 291**

Net sales, parent company

SEK 000	2013	2012
Sweden	97 680	110 608
EMEA excl. Sweden	174 830	162 526
North and Latin America	71 995	55 275
APAC	29 820	44 226
Total	**374 325**	**372 635**

Revenues of SEK 29 million are for a single external customer. These revenues relate to the EMEA segment.

Services received in the form of continued development of products and for administrative services to the subsidiary by the parent company have been invoiced internally since 2004. The subsidiary invoices the parent company a monthly license fee for using intellectual property. During the year, invoices to the subsidiary amounted to 87,289,000 SEK (92,374,000). This invoicing relates to continued development of products licensed to the parent company and administrative expenses incurred by Net Insight AB on NIIP AB's behalf.

Internal transactions

SEK 000	2013	2012
Sales to Q2 Labs	441	441
Sales to NIIP AB	86 848	91 933
Purchases from Net Insight AB Singapore branch office	6 238	0
Purchases from NIIP AB	72 454	73 807
Net Insight Inc.	11 281	10 813

Note 6 Exchange rate differences

Operating exchange rate gains and losses are included in operating earnings.

	Group		Parent company	
Exchange rate differences of operations, SEK 000	**2013**	**2012**	**2013**	**2012**
Exchange rate gains	11 475	17 930	11 475	17 930
Exchange rate losses	13 634	16 385	13 634	16 385
Net exchange rate differences	-2 159	1 545	-2 159	1 545

Hedge accounting is not applied because the effect of exchange rate fluctuations has been recognized directly through profit or loss.

Note 7 Employees

Average number of employees, salaries, other benefits, and social security contributions..

	2013		2012	
	Average no. of employees	**Of which men**	**Average no. of employees**	**Of which men**
Group (incl. subsidiaries)				
Sweden	134	92%	146	88%
Singapore	4	100%	4	100%
US	5	100%	5	100%
Parent company				
Sweden	128	92%	141	88%
Singapore	4	100%	4	100%

At year-end, Net Insight had 142 (156) employees. Parent company Net Insight AB had 132 (146) employees. Net Insight Intellectual Property AB had 5 (5) employees and US subsidiary Net Insight Inc. had 5 (5) employees. Sickness absence was 1.6% (1.7) of total scheduled working hours of the company. 0.5% (0.3) of all sickness absence was consecutive absence of more than 60 days, i.e. sickness absence excluding long-term absence amounted to 1.1% (1.4). Women's absences amounted to 0.8% (0.6) of total scheduled working hours in the company. In the 30−49 age group, sickness absence was 1.6% (1.5) of total scheduled working hours, while in the 50−65 age group, sickness absence was 0.1% (0.2). The other age groups include fewer than 10 people, and accordingly are not reported separately.

Number of Board members and senior executives

	31 December 2013	Of which men	31 December 2012	Of which men
Group (incl. subsidiary)				
Board members	10	70%	10	90%
Chief Executive Officer and other senior executives	7	71%	8	75%
Parent company				
Board members	6	50%	7	86%
Chief Executive Officer and other senior executives		71%	8	75%

Compensation and other benefits

Board of Directors, SEK 000	2013	2012
Lars Berg (Chairman)	400	400
Cecilia Beck-Friis	175	0
Crister Fritzson	175	0
Gunilla Fransson	175	175
Anders Harrysson*	230	175
Regina Nilsson	175	0
Clifford H. Friedman	0	175
Bernt Magnusson*	0	193
Arne Wessberg	0	175
Total	**1 330**	**1 293**

* Some Board members invoiced their Director's fees to the company. This has been cost neutral to the company in accordance with an AGM resolution in 2013.

The above amounts are fees for the parent company as approved by the AGM 2013 (2012).

In addition to his Board position, Anders Harrysson, rendered consulting services to Net Insight AB in 2013, and invoiced the company 120,000 SEK.

Group

Senior executives and other employees received the following compensation.

2013

SEK 000	Basic salary	Variable remuneration	Other* benefits	Pension expense	Share-based payment	Total
Fredrik Tumegård (CEO)	500	132	0	151	0	783
Fredrik Trägårdh (former CEO)	1 386	235	0	614	0	2 235
Anders Persson (Executive Vice President)	1 635	98	0	458	0	2 191
Other senior executives (5)	4 703	1 240	0	1 133	0	7 076
Other employees	81 209	11 909	642	12 226	0	105 986
Total	**89 433**	**13 614**	**642**	**14 582**	**0**	**118 271**

Fredrik Trägårdh resigned as CEO on 30 June 2013.
Fredrik Tumegård became CEO on 1 October 2013.

2012

SEK 000	Basic salary	Variable remuneration	Other* benefits	Pension expense	Share-based payment	Total
Fredrik Tumegård (CEO)	2 350	470	0	1 560	17	4 397
Anders Persson (Executive Vice President)	1 635	196	0	440	16	2 287
Other senior executives (6)	5 465	1 586	0	1 261	42	8 354
Other employees	83 557	9 057	673	12 282	150	105 719
Total	**93 007**	**11 309**	**673**	**15 543**	**225**	**120 757**

** Other benefits mean health insurance*.

In 2012, the Board of Directors decided to pay 955,080 SEK as a catch-up for the contracted pension plan for the period 2002 to 2005, paid as an additional pension premium for the CEO. The amount is included in the CEO's pension expense as stated above.

2013

SEK 000	Basic salary	Variable remuneration	Other* benefits	Pension expense	Share-based payment	Social security contributions	Total
Sweden	84 512	12 249	0	14 582	0	30 771	142 114
US	4 921	1 365	642	0	0	442	7 370

2012

SEK 000	Basic salary	Variable remuneration	Other* benefits	Pension expense	Share-based payment	Social security contributions	Total
Sweden	88 205	9 808	0	15 543	225	32 728	146 509
US	4 802	1 501	673	0	0	475	7 451

** Other benefits mean health insurance.*

In accordance with the guidelines for remuneration adopted at the annual general meeting in 2013, the board of directors has deviated from the guidelines in relation to remuneration to a board member for consultancy services at a value of SEK 120,000, board fee aside. The reason for the deviation is the board member's profound knowledge within sales and organization and instant availability, which were two of the main criteria for selecting a consultant.

The following principles are valid to the AGM 2014, when the proposal on new principles will be presented for resolution.

Terms and conditions, as well as remuneration, for senior executives, and general principles governing remuneration

The company offers market salary and benefits based on a basic and variable component, which are reconciled with an external salary database. Remuneration to the CEO and other senior executives consists of basic salary, variable remuneration, stock options and pension benefits. Senior executives means the seven people that make up executive management jointly with the CEO. The division between basic salary and variable remuneration is proportional to the executive's responsibility and authority. The variable remuneration is based on a combination of revenues, earnings and activity targets.

For the CEO, the yearly variable remuneration is maximized at 100%, and for other senior executives excluding the Global Head of Sales, 30-60% of basic salary. 70% of variable remuneration is based on measurable financial targets. The Global Head of Sales has a remuneration model of variable remuneration based exclusively on net sales.

Up to half of all the variable remuneration of some senior executives, accrued in 2012, 2013 and 2014 is locked up, and will be not be paid out earlier than April 2015. A multiplier is used for the accumulated locked-up amount. This multiplier is dependent on the satisfaction of strategic targets set by the Board of Directors.

Almost all staff have some form of variable remuneration, and all staff are offered the opportunity to participate in the employee stock option program, assuming they are employed when the employee stock option program is introduced.

All variable remuneration, including social security contributions, is provisioned in the accounts.

Pension obligations

The company's pension commitments to the CEO amount to 35% of basic yearly salary excluding variable components. For other senior executives, the pension commitment is between 20 and 30% of yearly salary. All pension plans are defined contribution.

Severance pay

There is a mutual notice period of six months between the company and the CEO. Severance pay of 18 months' salary is due on termination by the company. Potential salary or other compensation the CEO accrues in new employment or the CEO conducts during the term of the following 18-month notice period should be deducted from severance pay. The Executive Vice President is eligible for severance pay of 3 months' salary on termination by the company. Potential salary or other compensation the EVP accrues in new employment or the EVP conducts during the term of the following 3-month notice period should be deducted from severance pay. A mutual noticed period of 3-6 months applies between the company and other senior executives.

The Board of Directors is entitled to depart from these guidelines in special circumstances.

Share-based payment

As of 31 December 2013, the CEO held 0 employee stock options, the EVP held 0 employee stock options and other senior executives held 0 employee stock options. The year-2009 employee stock option program expired on 28 May 2013, and accordingly, the closing balance in the following table is 0.

	Employee stock options, 2009
Former CEO	
Opening balance	485 000
Expired in the year	-485 000
Closing balance	0
Value	0
Executive Vice President	
Opening balance	435 000
Expired in the year	-435 000
Closing balance	0
Value	0
Other senior executives	
Opening balance	1 060 000
Expired in the year	-1 060 000
Closing balance	0
Value	0

The expense for the financial year 2013 for the year-2009 employee stock option program was 0,000 SEK (225,000).

Consultative and decision-making process

Remuneration to the CEO for the financial year 2013 was decided by the Board of Directors. Remuneration to other senior executives was decided by the Remuneration Committee after consulting with the CEO.

Transactions with related parties

There were related party transactions with subsidiaries only in 2013, as specified in note 5.

Employee stock option programs

The AGM resolved on an employee stock option program in 2009. The AGM 2009 resolved to issue employee stock options that conferred entitlement to purchase class B shares to all employees of the group with the grant date of 28 May 2009. For outstanding employee stock options, one-third is accrued one year after the grant date and a further one-third each in the ensuing two anniversaries. There are three operational targets for the year-2009 employee stock option program. Granting of employee stock options depends on the results of these operational targets. For full granting, all three operational targets must be satisfied. The three operational targets are, 1) availability of IP trunk for N680 at a specific time, 2) at least five customers must have installed IP-trunk for N680 at a specific time, 3) The module to be used for JPEG compression must be available at a specific time. All three operational targets were achieved. On termination of employment, the employee stock options normally expire and can no longer be exercised. The employee stock options were granted free of charge and may not be transferred. The terms and conditions, exercise price and number of granted and outstanding options are stated in the following table. The employee stock option program is intended to serve as an incentive for employees of the group, and thus contribute to the group's continued progress. The employee stock option program expired on 28 May 2013, and as of 31 December 2013, there were no employee stock option programs.

Employee stock option plan 2009

Expiry 28 May 2013	2013	2012
As of 1 January	6 246 666	6 246 666
Granted	0	0
Forfeited	0	0
Exercised	0	0
Expired	-6 246 666	0
As of 31 December	0	6 246 666
Available to exercise	0	6 246 666
Total number of options	0	8 500 000
Exercise price	0	5.70
Number of shares per option	0	1.00

No employee stock options were exercised in 2013 and 2012.

Social security contributions

Wholly owned subsidiary Net Insight Consulting AB holds 0 (2,000,000) share warrants that can be used to avoid a potential future cash flow effect of social security contributions that may arise due to employee stock option programs.

Note 8 Development expenses

Development expenses mainly consist of salaries, product development, component purchases, patent applications, licenses and other expenses related to development work.

Note 9 Depreciation and amortization of tangible and intangible assets

	Group		Parent company	
Depreciation and amortization, SEK 000	**31 Dec. 2013**	**31 Dec 2012**	**31 Dec. 2013**	**31 Dec 2012**
Capitalized expenditures for development work	46 092	39 209	0	-47 215
Other intangible assets	1 120	1 287	1 120	1 287
Equipment for leasing	0	0	0	0
Equipment	1 509	1 276	1 509	1 276
Total	**48 721**	**41 772**	**2 629**	**-44 652**

Note 10 Operating leases

The nominal value of future leasing fees including rent for premises for non-terminable leases is allocated as follows:

SEK 000	Group	Parent company
2014	7 084	7 084
2015	363	363
2016	216	216
2017	20	20
2018	0	0
Total	**7 683**	**7 683**

Lease expenses for the year amount to 6,866,000 SEK (6,290,000) for the year for the parent company and group. No individual contract has a term of three years or more, apart from premises rental contract renewed in 2009, which has a term of 60 months.

Note 11 Expenses by nature

	Group		Parent company	
SEK 000	**2013**	**2012**	**2013**	**2012**
Goods for resale:				
Cost of goods sold	78 224	73 747	148 485	147 609
Amortization of capitalized development expenses	46 092	39 209	0	-47 215
Expense type:				
Payroll and payroll-related expenses	151 826	155 364	136 950	141 414
Sales and marketing expenses	14 089	14 795	33 178	20 367
Travel and entertainment expenses	9 905	10 369	7 914	8 425
Office expenses	11 214	11 975	10 746	11 486
Other administrative expenses	1 534	2 074	1 369	1 850
External services	16 451	24 995	11 899	13 553
Development expenses, gross	6 252	8 259	9 741	17 164
Capitalization	-47 639	-65 700	0	111 281
Depreciation and amortization	2 519	2 481	2 519	2 481
Total expenses	**290 467**	**277 568**	**362 801**	**428 415**

Note 12 Fees and reimbursement

	Group		Parent company	
Audit services and other assignments, SEK 000	**2013**	**2012**	**2013**	**2012**
PwC				
Auditing	310	310	310	310
Audit business in addition to audit engagement	249	50	249	50
Tax consultancy	191	63	191	63
Other	0	168	0	168
Summa	**750**	**591**	**750**	**591**

Note 13 Financial income and expenses

	Group		Parent company	
SEK 000	**2013**	**2012**	**2013**	**2012**
Financial income				
Interest income	2 612	3 313	2 014	2 171
Exchange rate differences	6	425	6	425
Group contributions received	0	0	18 889	0
Financial income	**2 618**	**3 738**	**20 909**	**2 596**
Financial expenses				
Interest expenses	-187	-189	-187	-191
Exchange rate differences on current receivables	-384	-1 176	-384	-1 176
Impairment of participations in group companies	0	0	-128 632	0
Financial expenses	**-571**	**-1 365**	**-129 203**	**-1 367**
Net financial income/expense	**2 047**	**2 373**	**-108 294**	**1 229**

Note 14 Income tax expense

	Group		Parent company	
Group, SEK 000	**2013**	**2012**	**2013**	**2012**
Current tax:				
Current tax on profits for the year	0	0	0	0
Tax on acquisition of sub-group	0	0	0	0
Total current tax	**0**	**0**	**0**	**0**
Deferred income taxes recoverable (note 15):				
Loss carry-forwards	-1 617	6 788	-7 170	9 195
Total deferred tax asset	**-1 617**	**6 788**	**-7 170**	**9 195**
Tax	**-1 617**	**6 788**	**-7 170**	**9 195**

Difference between reported tax expense and tax expense based on applicable tax rate, SEK 000	Group		Parent company	
	2013	**2012**	**2013**	**2012**
Reported income before tax	-7 622	5 096	-96 770	-54 521
Tax at applicable tax rate	1 677	-1 340	21 289	14 339
Effect of foreign tax rates	0	0	0	0
Tax effect of non-deductible expenses and non-taxable revenues	-3 294	-5 504	-28 459	19
Effect of altered tax rate	0	-7 568		-5 163
Un-reported effect of loss carry-forwards	0	21 200	0	0
Tax on net income according to Income Statement	-1 617	6 788	-7 170	9 195

Note 15 Deferred tax asset

Deferred tax assets on deductible deficits

	Group		Parent company	
SEK 000	**2013**	**2012**	**2013**	**2012**
Opening balance	38 719	31 932	26 304	17 109
Direct against shareholders' equity	0	0	0	0
Reported in Income Statement	-1 617	6 788	-7 170	9 195
Closing balance	**37 102**	**38 719**	**19 134**	**26 304**

Deferred tax assets are recognized for deductible loss carry-forwards to the extent it is likely that they can be utilized through future taxable profits. Net Insight reversed deferred income taxes recoverable of 1,617,000 SEK (-14,358,000). Capitalization is based on expected long-term positive progress. Loss-carry forwards are largely held by Net Insight AB, and consist of Swedish loss carry-forwards with indefinite useful lives.

Loss carry-forwards for which deferred tax is not reported

	Group		Parent company	
SEK 000	**2013**	**2012**	**2013**	**2012**
Loss carry-forwards	9 499	9 499	0	0

Note 16 Earnings per share

Earnings per share have been computed by dividing net income by the weighted average number of registered shares.

	2013	2012
Net income attributable to equity holders of the parent, SEK 000	-9 239	11 884
Average number of shares	389 933 009	389 933 009
Basic earnings per share, SEK	-0.02	0.03
Diluted earnings per share, SEK	-0.02	0.03

The computation of dilutive earnings per share utilizes the registered number of shares adjusted for share warrants that could have been converted. Fair value has been computed as the average value of the share, which was 1.36 SEK in 2013. A dilution effect arises if the present value of the share warrant is lower than the fair value of the share. The employee stock option program expired on 28 May 2013, and there were no employee stock option programs as of 31 December 2013.

	2013	2012
Net income attributable to equity holders of the parent, SEK 000	-9 239	11 884
Average number of shares	389 933 009	389 933 009
Basic earnings per share, SEK	-0.02	0.03
Diluted earnings per share, SEK	-0.02	0.03

Note 17 Intangible assets

	Group		Parent company	
SEK 000	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Accumulated cost at beginning of year	447 378	381 434	6 245	346 888
New purchases	47 639	68 154	0	2 375
Retirements	-625	-2 210	0	0
Reclassification	0	0	0	-343 018
Total	**494 392**	**447 378**	**6 245**	**6 245**
Accumulated amortization according to plan at beginning of year	-261 768	-221 272	-3 785	-186 726
Amortization for the year	-47 212	-40 496	-1 120	-1 287
Reclassification	0	0	0	184 228
Total	**-308 980**	**-261 768**	**-4 905**	**-3 785**
Residual value according to plan at end of year	185 412	185 610	1 340	2 460

Most amortization of intangible assets in the parent company and group, are in cost of goods sold.
Effective 1 January 2012, capitalization of development expenditures is in Net Insight Intellectual Property AB.

Goodwill

	Group	
SEK 000	**31 Dec. 2013**	**31 Dec. 2012**
Accumulated cost at beginning of year	4 354	4 354
Residual value according to plan at end of year	**4 354**	**4 354**

Critical assumptions

Plans include assumptions on the development and forthcoming launches of current products. Development of current products and forthcoming product launches. Financial plans also include assumptions on price movements, sales growth and cost growth.

Impairment testing of goodwill and I is fixed assets

Goodwill of 4,354,000 SEK arose on the acquisition of Q2 Labs group in March 2004. The recoverable amount of the group's cash-generating unit (CGU) was set based on computations of value in use. These competitions are based on estimated future cash flow based on financial forecasts approved by management that cover a seven-year period. From time to time, the company applies a seven-year period to reflect the long-term approach to customers' purchasing decisions. Cash flow beyond the seven-year period is extrapolated using an estimated growth rate. The final growth rate applied was 3% (3). The growth rate does not exceed a long-term growth rate of the telecommunication market where the relevant CGU operates. The WACC (weighted average cost of capital) applied is 8.5% (8.5) after tax. This reflects the specific risks applying in the segment that the company is active in. A 3% (3) change in WACC does not cause any impairment. A 2 percentage point (two) change in estimated EBITDA does not cause any impairment. A 3% (3) change in estimated gross margin does not cause any impairment. Based on the above, no impairment is considered necessary.

Note 18 Tangible fixed assets

	Group		Parent company	
SEK 000	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Accumulated cost at beginning of year	14 948	12 810	14 366	12 228
New purchases	926	2 138	926	2 138
Reclassification	0	0	0	0
Total	**15 874**	**14 948**	**15 292**	**14 366**
Accumulated depreciation at beginning of year	-10 011	-8 735	-9 429	-8 153
Depreciation for the year	-1 509	-1 276	-1 509	-1 276
Reclassification	0	0	0	0
Total	**-11 520**	**-10 011**	**-10 938**	**-9 429**
Residual value according to plan at end of year	4 354	4 937	4 354	4 937
Depreciation included in COGS	0	0	0	0
Depreciation included in development expenses	-1 028	-834	-1 028	-834
Depreciation included in administration expenses	-481	-442	-481	-442
Total depreciation	**-1 509**	**-1 276**	**-1 509**	**-1 276**

Note 19 Deposits paid

This amount is deposits relating to the opening of a sales office in Singapore.

Note 20 Inventories

	Group		Parent company	
SEK 000	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Products in process	150	700	150	700
Finished goods	42 454	49 344	42 454	49 344
Total	**42 604**	**50 044**	**42 604**	**50 044**

The expensed inventories are included in COGS and amount to 70,476,000 SEK (65,184,000). Inventories with a value of 70,286,000 SEK (65,869,000) were impaired to an estimated net realizable value of 42,604,000 SEK (50,044,000). Impairment of inventories for the year amounts to 11,788,000 SEK (2,718,000) and is recognized in COGS.

Note 21 Accounts receivable and other receivables

	Group		Parent company	
SEK 000	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Accounts receivable	84 642	95 599	84 642	95 599
Provision for impairment of receivables	-13 989	-10 301	-13 989	-10 301
Accounts receivable net	**70 653**	**85 298**	**70 653**	**85 298**
Receivables from group companies	0	0	331 003	423 507
Current receivables	4 076	5 301	3 542	6 095
Prepaid expenses and accrued income	6 439	6 819	6 364	6 745
Carrying amount of accounts receivable and other receivables	**81 168**	**97 418**	**411 562**	**521 645**

The group reported 3,984,000 SEK (2,801,000) as bad debt in 2013. An age of analysis of overdue accounts receivable and related reserves follows.

Overdue invoices, SEK 000	**2013**	**2012**
Less than 3 months	18 537	13 002
3-6 months	1 212	8 465
More than 6 months	18 746	15 718
Total	**38 495**	**37 185**

Change in doubtful debt reserve, SEK 000	**2013**	**2012**
As of 1 January	-10 301	-9 289
Reversed unused amounts	0	6 488
Used reserve	3 983	2 801
Reserve for doubtful debt	-7 671	-10 301
As of 31 December	**-13 989**	**-10 301**

Group's accounts receivable and other receivables, carrying amount/currency, SEK 000	**2013**	**2012**
SEK	7 627	12 819
USD	36 556	34 168
EUR	36 325	49 493
SGD	248	376
AED	412	562
Total	**81 168**	**97 418**

Current receivables contain the following major items:

	Group		Parent company	
SEK 000	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
VAT claims	2 354	2 428	1 821	3 262
Other	1 722	2 873	1 721	2 833
Total	**4 076**	**5 301**	**3 542**	**6 095**

Accrued income and prepaid expenses include the following major items:

	Group		Parent company	
	31 Dec 2013	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Rent for the first quarter of 2014 (2013)	1 626	1 890	1 626	1 890
Prepaid license/service fees	1 385	1 136	1 385	1 136
Prepaid insurance	2 072	2 102	1 997	2 028
Prepaid trade event	382	545	382	545
Other items	974	1 146	974	1 146
Total	**6 439**	**6 819**	**6 364**	**6 745**

Note 22 Cash and cash equivalents

	Group		Parent company	
SEK 000	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Cash and bank balances	203 731	185 855	167 499	144 332
Total cash and cash equivalents	**203 731**	**185 855**	**167 499**	**144 332**
Of which in blocked account	0	0	0	0

The average interest rate on investments was 1.6% (2.0) in the year.

Note 23 Financial assets and liabilities

Financial instruments by category

	2013			2012		
	Value tier	**Loan receivables and accounts receivable**	**Assets measured at fair value through profit or loss**	**Value tier**	**Loan receivables and accounts receivable**	**Assets measured at fair value through profit or loss**
Assets in Balance Sheet, SEK 000			0			
Derivative instruments	2	0		2	0	719
Accounts receivable and other receivables excluding interim receivables		74 729	0		90 599	0
Cash and cash equivalents		203 731			185 855	
Total		**278 460**	**0**		**276 454**	**719**

Financial instruments by category

	2013			2012		
	Value tier	**Other financial liabilities**	**Liabilities measured at fair value through profit or loss**	**Value tier**	**Other financial liabilities**	**Liabilities measured at fair value through profit or loss**
Liabilities in Balance Sheet, SEK 000						
Derivative instruments	2	0	24	2	0	0
Accounts payable and other liabilities excluding non-financial liabilities		28 191	0		29 865	0
Total		**28 191**	**24**		**29 865**	**0**

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 change in fair value of financial assets measured at fair value through profit or loss is reported in net financial income/expense in the Income Statement.

Financial assets measured at fair value through profit or loss are included in cash flow from operating activities.

Note 24 Participations in group companies

Parent company, SEK 000	Share of equity, percent	Share of vote, percent	No. Of shares	Book value	Equity
Net Insight Inc., registered office: Delaware, USA	100	100	1 000	2 777	7 425
Net Insight Consulting AB, corp. ID. no. 556583-7365 registered office: Stockholm, Sweden	100	100	5 000	500	493
Q2 Labs AB, corp. ID. no. 556640-8570 registered office: Stockholm, Sweden	100	100	142 864	114 050	3 930
Ten Tech AB, corp. ID. no. 556669-4559 registered office: Stockholm, Sweden	100	100	1 000	100	97

Accumulated cost, SEK 000	31 Dec. 2013	31 Dec 2012
Accumulated cost at beginning of year	117 427	18 398
Shareholders' contribution	128 632	99 029
Impairment	-128 632	0
Purchase cost for the period	0	0
Total participations in group companies	**117 427**	**117 427**

Note 25 Share capital

Share capital of 15,597,000 SEK, is divided between 389,933,009 shares, with a par value of 0.04 SEK per share. One class A share is entitled to ten (10) votes and one class B share is entitled to one (1) votes. The division between share classes is as follows:

	No. of shares		Options	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Unrestricted class A shares	1 150 000	1 150 000		
Unrestricted class B shares	388 783 009	388 783 009		
Share warrants 2009/2013			0	8 500 000
Total	**389 933 009**	**389 933 009**	**0**	**8 500 000**

Note 26 Other provisions

Group, SEK 000	Short-term provisions: Warranty provisions	Short-term provisions: Other provisions	Long-term provisions: Warranty provisions	Long-term provisions: Variable incentiv program	Total
As of 1 January 2012					
Opening balance	4 035	338	3 398	0	7 771
– additional provisions	0	0	0	1 802	1 802
– used amount	-103	-4 508	0	0	-4 611
– reversed unused amount	-1 214	4 578	-881	-707	1 776
As of 31 December 2012	**2 718**	**408**	**2 517**	**1 095**	**6 738**
As of 1 January 2013					
Opening balance	2 718	408	2 517	1 095	6 738
– additional provisions	0	630	0	2 667	3 297
– used amount	-55	-796	-40	0	-891
– reversed unused amount	-632	0	-551	-2 745	-3 928
As of 31 December 2013	**2 031**	**242**	**1 926**	**1 017**	**5 216**

Parent company, SEK 000	Short-term provisions: Warranty provisions	Short-term provisions: Other provisions	Long-term provisions: Warranty provisions	Long-term provisions: Variable incentiv program	Total
As of 1 January 2012					
Opening balance	4 035	338	3 398	0	7 771
– additional provisions	0	0	0	1 523	1 523
– used amount	-103	-4 508	0	0	-4 611
– reversed unused amount	-1 214	4 578	-881	-607	1 876
As of 31 December 2012	**2 718**	**408**	**2 517**	**916**	**6 559**
As of 1 January 2013					
Opening balance	2 718	408	2 517	916	6 559
– additional provisions	0	630	0	2 376	3 006
– used amount	-55	-796	-40	0	-891
– reversed unused amount	-632	0	-551	-2 676	-3 859
As of 31 December 2013	**2 031**	**242**	**1 926**	**616**	**4 815**

Warranty provisions have been used to cover potential future expenses due to executed business transactions. Provisions for the variable incentive program had been made to cover likely future compensation.

Note 27 Other liabilities

SEK 000	Group 31 Dec.2013	Group 31 Dec.2012	Parent company 31 Dec.2013	Parent company 31 Dec.2012
Prepayment from customers	34	24	34	24
Prepaid extended warranty, short-term portion	0	0	0	0
Special employer's contribution	387	622	362	487
Tax at source	2 345	2 497	2 230	2 382
Other current liabilities	8 593	3 451	8 593	3 451
Total current liabilities	**11 359**	**6 594**	**11 219**	**6 344**

Note 28 Accrued expenses

	Group		Parent company	
SEK 000	**31 Dec. 2013**	**31 Dec. 2012**	**31 Dec. 2013**	**31 Dec. 2012**
Vacation pay liability	6 778	7 738	5 947	7 172
Social security contribution	5 958	5 606	5 695	5 363
Accrued bonus	11 271	8 812	10 068	7 898
Prepaid revenue from customer	4 813	4 494	4 813	4 494
Other	4 883	3 613	4 717	3 414
Total accrued expenses	**33 702**	**30 263**	**31 240**	**28 341**

Note 29 Items not affecting liquidity

	Group		Parent company	
SEK 000	**31 Dec. 2013**	**31 Dec. 2012**	**31 Dec. 2013**	**31 Dec. 2012**
Translation difference	-14	-420	0	0
Provisions	-1 878	216	-1 561	-35
Adjustments—employee stock options	0	225	0	225
Retirements	625	2 211	0	0
Impairment of equities	0	0	128 632	0
Impairment of accounts receivable	7 264	0	7 264	0
Impairment of inventories	11 367	0	11 367	0
Other items	1	0	1	64 089
Total	**17 365**	**2 232**	**145 703**	**64 279**

Note 30 Pledged assets

This amount is blocked bank balances of 0 SEK (zero).

Note 31 Cash flow statement

Cash and cash equivalents at the beginning and end of the year are bank balances are both years. Of total cash and cash equivalents of the group in 2013, 80,000 SEK (779,000) are cash and cash equivalents of subsidiary Net Insight Inc.

Note 32 Operating leases

Operating leases where the group is lessor. Future minimum lease payments relating to non-cancellable operating leases are allocated as follows:

SEK 000	**2013**	**2012**
Within 1 year	0	0
Between 1 and 5 years	0	0
Total	**0**	**0**

Note 33 Post balance sheet events

No events significant to the company occurred between the end of the reporting period on 31 December 2013 and the date of signing these annual accounts.

The Consolidated Income Statement and Consolidated Balance Sheet will be submitted to the AGM on 8 May 2014 for adoption.

The Board of Directors and Chief Executive Officer declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and give a true and fair view of the group's financial position and results of operations. The annual accounts have been prepared in accordance with generally accepted accounting policies and give a true and fair view of the parent company's financial position and results of operations.

The Administration Report for the group and parent company gives a true and fair view of the progress of the group's and parent company's operations, financial position and results of operations, and state the significant risks and uncertainties factors facing the parent company and companies in the group.

Stockholm, Sweden, 13 February 2014.

Lars Berg
Chairman

Cecilia Beck-Friis
Board member

Crister Fritzson
Board member

Gunilla Fransson
Board member

Anders Harrysson
Board member

Regina Nilsson
Board member

Our Audit Report was presented on 13 February 2014.
PricewaterhouseCoopers AB

Mikael Winkvist
Authorized Public Accountant

Auditors' report

To the annual meeting of the shareholders of Net Insight AB (publ), Corporate identity number 556533-4397

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Net Insight AB (publ), for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 20 - 56.

Responsibilities of the Board of Directors and the Chief Executive Officer for the annual accounts and consolidated accounts

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory Administration Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive Officer of Net Insight AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Chief Executive Officer are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Chief Executive Officer is liable to the company. We also examined whether any member of the Board of Directors or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated with in accordance with the proposal in the statutory Administration Report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year..

Stockholm, Sweden, 13 February 2014.
PricewaterhouseCoopers AB

Mikael Winkvist
Authorized Public Accountant

Board of Directors

Lars Berg (1)
Chairman of the Board since 2001 and **Board member** since 2000.
Born: 1947. Lars Berg holds a Bachelor of Business Administration degree from the Gothenburg School of Economics.
Main assignment: European Operating Partner, Constellation Growth Capital, New York. Other significant Board assignments: Board member of Ratos, Tele2 and Norma Group (Frankfurt). Chairman of the Board of KPN/OnePhone (Düsseldorf). Previous positions include executive positions with Mannesmann, heading up the Telecom Division, President and CEO of Telia, and various executive positions within the Ericsson Group. Independent of the company and management, dependent of the company's major shareholders. European Operating Partner, representing Constellation Growth Capital.
Shareholdings in Net Insight: 1,086,332 class B shares.
Attendance at Board meetings in 2013: 6/6

Gunilla Fransson (4)
Board member since 2008
Born: 1960. Gunilla Fransson holds a Licentiate of Technology in Nuclear Chemistry from the Royal Institute of Technology, Stockholm (KTH). Gunilla is Business Area Manager of Saab Security & Defense Solutions and a member of Saab AB's executive management. She possesses over 20 years' experience of the telecom sector, formerly holding several senior positions in the Ericsson group. She is a Board member of the Swedish National Space Board, Permobil AB and Teleopti. Independent of the company and management, independent of the company's major shareholders.
Shareholding in Net Insight: 4,000 shares.
Attendance at Board meetings in 2013: 6/6

Cecilia Beck-Friis (2)
Board member since 2013.
Born: 1973. Cecilia Beck-Friis studied the Executive Management Program at IFL at the Stockholm School of Economics and Marketing & Sales at Berghs School of Communication. Currently active as Executive Vice President of the TV4 group and a Board member of MMS AB (Mediamätning i Skandinavien).
Cecilia previously held several executive positions in the TV4 group, as Digital Media Director, and Business Area Manager of Niche Channels TV4 AB, Executive Vice President of TV4 Vision AB and Business Area Manager of Licensing & Publications for TV4 AB. Independent of the company and management, independent of the company's major shareholders.
Shareholdings in Net Insight: 0 class B shares.
Attendance at Board meetings in 2013: 5/6

Anders Harrysson (5)
Board member since 2010
Born: 1959. Anders Harrysson holds a M.Sc. in Engineering Physics from Linköping Institute of Technology. Anders Harrysson was previously Chief Executive Officer of Birdstep Technology ASA. Anders has more than 20 years' international experience from senior positions in the IT industry, including 14 years at IBM with several years at the European Headquarters in Paris and the group's headquarters in the US. Between 1998 and 2010, he was Vice President at Sun Microsystems with responsibility for its activities in Northern Europe. Anders is also a Board member of Precise Biometrics AB and Chairman of Aditro Group AB and Ewalie AB. Independent of the company and management, independent of the company's major shareholders.
Shareholdings in Net Insight: 8,000 class B shares.
Attendance at Board meetings in 2013: 6/6

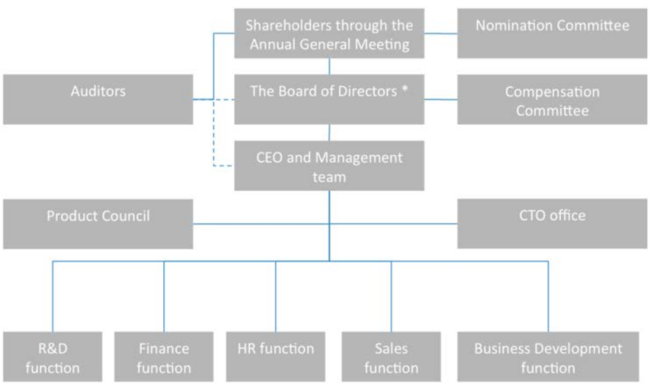
Crister Fritzon (3)
Board member since 2013
Born: 1961. Crister Fritzon is a graduate in Marketing Economics from the Nordic School of Marketing and of the Executive Management Program at INSEAD. CEO and President of SJ AB and Board member of Systembolaget. Former CEO and President of Teracom Group, Boxer, Executive VP Global Marketing & Sales Allgon Systems and previously held several senior positions within Motorola. Independent of the company and management, independent of the company's major shareholders.
Shareholdings in Net Insight: 0 shares.
Attendance at board meetings in 2013: 4/6

Regina Nilsson (6)
Board member since 2013
Born: 1961. Regina Nilsson holds a Bachelor of Science from the University of California, Irvine, US, and an MBA in Corporate Strategy from Pepperdine University, Malibu, US. Currently active as Global Account General Manager of Hewlett-Packard. Regina was previously active as a Senior Industry Consultant at Teradata Corporation US, Principal Consultant at Nokia Siemens Networks, CEO of Namastech AB, Managing Principal of Ericsson Business Consulting, Associate Partner at IBM Business Consulting Services and Management Consultant for Gemini Consulting. Independent of the company and management, independent of the company's major shareholders.
Shareholdings in Net Insight: 0 shares.
Attendance at Board meetings in 2013: 5/6

The Board's Corporate Governance Report

Net Insight AB (publ) is a public limited company with its registered office in Stockholm. Net Insight's shares are listed on Nasdaq OMX Nordic Exchange Stockholm. The basis for governance of the Company and Group includes its Articles of Association, the Swedish Companies Act and the regulations of the Nasdaq OMX Stockholm AB rules for issuers, including the Swedish Code of Corporate Governance, applicable from 1 February 2010.

Corporate Governance at Net Insight



* The Board of Directors in its entirety also handles audit matters

Introduction

The Articles of Association describe the business of the company, its share capital, the number and classes of share, allocation of votes, the number of directors and auditors, notices of, and matters to be dealt with at, the Annual General Meeting (AGM), and the requirement that this meeting be held in Stockholm. In the period between AGMs, Net Insight's (publ) Board of Directors is the highest decision-making body in the Company. The duties of the Board are regulated by the Swedish Companies Act and the Articles of Association. The current Articles of Association were adopted at the AGM held on 28 April 2009. The full Articles of Association are available at www.netinsight.net.

AGM

The AGM of Net Insight AB publ was held on 25 April 2013. The company's Nomination Committee is responsible for proposing a chairman for the AGM. Lars Berg was elected Chairman of the Meeting. The AGM made the following resolutions:

- Adoption of annual financial statement, appropriation of profits and discharging the Board members and CEO from liability
- The number of Board members should be six.
- Lars Berg, Gunilla Fransson and Anders Harrysson were re-elected as Board members. Cecilia Beck-Friis, Crister Fritzson and Regina Nilsson were elected as Board members.
- Lars Berg was re-elected Chairman of the Board.
- PriceWaterhouseCoopers AB was elected as the company's auditors.
- The AGM decided that Directors' fees should amount to SEK 1,275,000, to be allocated with SEK 400,000 to the Chairman of the Board and SEK 175 000 to each of the other Board members not employed by the company. Remuneration to the auditor, PriceWaterhouseCoopers, to be on approved account.
- The AGM resolved to approve the proposed procedures for appointment of the Nomination Committee and the Board of Directors' proposal regarding guidelines for remuneration and other terms of employment for senior executives.

The complete minutes of the AGM, as well as the supporting documentation, are available at: www.netinsight.net/agm

Nomination Committee

The Nomination Committee is responsible for submitting nominations for the Chairman and other members of the Board, as well as fees and other compensation to each member for their Board duties. The Nomination Committee is also responsible for submitting proposals for the election of the auditor and audit fees. The members of the Nomination Committee should be appointed, or the method for appointing the members should be decided, at the AGM. In accordance with AGM resolution, Net Insight's Nomination Committee consists of the Chairman of the Board of Net Insight AB and the company's four largest shareholders as of the last banking day each August, who are then each entitled to appoint a member to the Nomination Committee. The composition of the Nomination Committee was published on 2 October 2013. Net Insight's Nomination Committee for 2014 has the following members: Clifford H. Friedman (Constellation Growth Capital), Lars Bergkvist (Lannebo Fonder), Annika Andersson (Swedbank Robur fonder), Ramsay Brufer (Alecta) and Lars Berg (Chairman of the Board of Net Insight AB and European Venture Partner of Constellation Growth Capital). The Nomination Committee appointed Lars Bergkvist (Lannebo Fonder) as its Chairman. The Nomination Committee held four meetings when minutes were kept in preparation for the AGM 2014.

Board of Directors

The Board administers the company's affairs in the interests of the company and all of its shareholders. The size and composition of the Board ensures its ability to administer the company's affairs effectively and with integrity. The Board's duties include establishing business goals and strategies, deciding on acquisitions and divestitures, capitalization of the company, appointing, appraising, and determining the compensation of the CEO, ensuring that there are effective systems to monitor and control the company's business, ensuring that the necessary ethical guidelines for the company's conduct are established, and appraising the Board's work. The Board's rules of procedure are established annually at the Board Meeting following election, or as required. In addition to the above duties, the rules of procedure stipulate items including Board meeting procedures, instructions for the company's CEO, decision-making procedures within the company, division of responsibilities, and the disclosure of information between the company and the Board. The Board monitors and appraises the CEO's performance, including implementation of the Board's decisions and guidelines annually. The Board held six meetings during the year when minutes were kept, not counting three per capsulam meetings. At these meetings, the Board considered standing agenda items for each Board meeting such as the state of the business, year-end and interim reports, budgets, as well as the appointment of a new CEO in the year. General issues such as the prevailing economic situation, long-term strategies, business plans and partners were also considered. At the Board Meeting following election, the Board considered and adopted the rules of procedure for the Board and instructions for the CEO. Directors' fees totaled 1,275,000 SEK, of which 400,000 SEK was paid to the Chairman of the Board and 175,000 SEK each to the other Board members not employed by the company.

Independence of the Board

All Board members are independent of the company and management. Five Board members are independent of the company's principal owners. Chairman of the Board Lars Berg is not independent of Constellation Growth Capital, the largest shareholder of Net Insight.

For information on Board members and the CEO, see page 59.

Remuneration Committee

The Board's overall responsibility cannot be delegated, but it has instituted a Remuneration Committee charged with consulting on issues concerning salaries, compensation and other terms of employment for the CEO, as well as compensation programs of a broader nature, such as option programs, for final decision by the Board. The Remuneration Committee decides on issues regarding salaries and compensation and other terms of employment for all staff that report directly to the CEO. The Committee reports to the Board on a continuous basis. The Remuneration Committee members are Chairman of the Board Lars Berg and Board member Gunilla Fransson, who replaced Bernt Magnusson. During the year, the Committee held three meetings when minutes were kept, and consulted on the following matters: the CEO's variable remuneration for 2012 to be decided by the Board; a decision on variable remuneration for 2012 for the rest of management; the CEO's business goals for 2013 and compensation structure and the business goals for the rest of the management team.

Audit process and Auditors

Net Insight's Board of Directors has decided against a separate audit committee; instead, the whole Board deals with audit matters. The Board has decided on this approach since it is suitable as long as the company has a relatively uncomplicated business and audit structure. In consultation with the company's auditors, the Board has also proactively discussed new accounting recommendations that may affect future company accounting and reporting. Twice a year, after the third and fourth quarter financial statements, the Group's auditors report their observations from their audit to the whole Board. These meetings also keep the Board informed of the direction and scope of the audit, as well as discussing the coordination of the external audit, internal controls and the auditor's view of risks in the company. During two of these meetings, the auditors present and discuss their views without management being present.

In addition to normal auditing duties, PriceWaterhouse-Coopers AB also provides Net Insight with general accounting and tax consultancy. It is the responsibility of PriceWaterhouseCoopers AB to guarantee its independence as an audit firm in its role as advisor. The legally mandated term of auditors is one year. The company's audit firm, PricewaterhouseCoopers AB, was re-elected at the AGM 2013 for a term lasting until 2014. Mikael Winkvist was appointed as Auditor in Charge.

Attendance in 2013

Attendance by each Board member is presented below.

Name	Attendance at Board meetings	Remuneration Committee
Lars Berg	6/6	3/3
Bernt Magnusson	1/6	1/3
Clifford H. Friedman	1/6	
Gunilla Fransson	6/6	2/3
Arne Wessberg	1/6	
Anders Harrysson	6/6	
Fredrik Trägårdh	2/6	
Cecilia Beck-Friis	5/6	
Crister Fritzson	4/6	
Regina Nilsson	5/6	

The Board's Report On Internal Controls Regarding Financial Reporting

Purpose of internal controls

The purpose of Net Insight's work on internal controls is to:

- Ensure satisfactory compliance with applicable laws, rules and ordinances.
- Ensure that financial reporting gives a fair and true view of the company's financial situation and gives accurate decision-support data for shareholders, the Board and management.
- Ensure the company's operations are organized and managed so financial and operational objectives are realized and that significant risks are dealt with in a timely and appropriate manner.

Roles and responsibilities

Net Insight's Board is responsible for ensuring that internal controls over financial reporting meet the standards of the Swedish Companies Act and Swedish Code of Corporate Governance. For Net Insight, internal controls over financial reporting are an integral part of corporate governance. These controls contain processes and methods to safeguard the group's assets and accuracy in financial reporting, in order to protect owners' investments in the company. The Board adopts rules of procedure yearly, which formalizes the work of the Board and managing issues. The Board issues instructions to the CEO, which stipulate the matters for which the CEO may exercise his authority to act on behalf of the company, subject to the Board's authorization or approval. These instructions are reviewed annually. The Board also issues instructions to the CEO regarding financial reporting. According to his instructions, the CEO is responsible for reviewing and ensuring the quality of all financial reporting, as well as ensuring that the Board otherwise receives the reports it needs to be able to continually assess the group's accounting position. The whole Board considers audit matters.

External reporting

The Board monitors and evaluates quality assurance through quarterly reports on the company's business and earnings trends, and by considering the Group's financial situation at each scheduled Board meeting. On two occasions each year, the company's auditor attends Board meetings to present the outcome of the full year audit and the third-quarter financial statement. On these occasions the Auditor also presents any changes to accounting policies that affect the company. Coincident with the presentation of the full year audit, the auditor also states his view, on the adequacy of the organization and competence of the finance function, without management's attendance.

To support the accuracy of external reporting and risk management, the internal reporting and control system builds upon annual financial planning, monthly reports and daily monitoring of key financial ratios. The group's finance department inspects and monitors reporting, as well as compliance with internal and external regulations.

Besides laws an ordinances, internal policies and guidelines include finance policies, an approvals list, a financial handbook, credit and accounting policy and documented procedures for the most important tasks of the finance department. These policies and guidelines are updated regularly. Identified risks concerning financial reporting are managed through the company's control activities. For example, the IT system has automated controls that manage access rights and signatory authority, as well as manual controls such as duality, in regular book-keeping and closing entries. The business-specific controls are complemented by detailed financial analyses of the company's results and follow-ups against budget and forecasts, which provides overall confirmation of the quality of reporting.

Improvements regarding primary documentation of the financial statement process and improved management of basic customer data were conducted in 2013. All major policies were updated simultaneously, with amendments implemented.

Internal audit

Each year, the Board evaluates whether there is a need to create a dedicated internal audit function. The Board judged that there was no such need in 2013. In its reasoning, the Board stated that internal control is primarily exercised through:

- The central accounting function
- Management's supervisory controls.

These factors, combined with the company's size and limited complexity, means that the Board considers that such a further function would not be financially justifiable at present.

Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of Net Insight AB (publ), corporate identity number 556533-4397

It is the Board of Directors who is responsible for the Corporate Governance Report for the year 2013 (on pages 60-62) and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report, and based on that reading and our knowledge of the company and the group, we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report is different and of substantially less scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, Sweden, 13 February 2014
PricewaterhouseCoopers AB

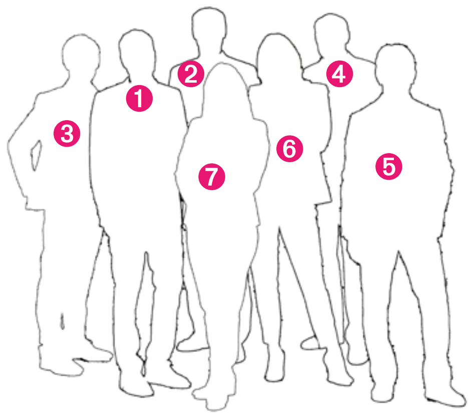
Mikael Winkvist
Authorized Public Accountant

Executive management

Fredrik Tumegård (1)
CEO
Born: 1972.
Fredrik Tumegård holds a University Degree in Electrical Engineering from the Royal Institute of Technology in Stockholm and has also studied Business Administration at the University of Stockholm. CEO of Net Insight since October 2013, formerly held senior positions in marketing and sales for companies including TeliaSonera International Carrier, Huawei Technologies and also previously worked for Eriksson and Transmode. Fredrik Tumegård joined Net Insight from NEC where he was Vice President of Northern Cluster. Fredrik's duties in the NEC group included the roles of Managing Director of NEC UK Ltd.
Shareholding in Net Insight: Fredrik Tumegård and spouse, 75,000 class B shares.

Anders Persson (2)
Executive Vice President and VP Research & Development
Born: 1957.
Anders Persson holds an M.Sc. in Engineering Physics from Chalmers Technical University, Sweden. He has been a Net Insight employee since 2000, and prior to that, had many years' experience of senior management positions in the Ericsson group. His final role prior to Net Insight was as General Manager of the Ericsson Network Design and Performance Improvements function.
Shareholding in Net Insight: 220,000 class B shares.

Thomas Bergström (3)
CFO
Born: 1968.
Thomas Bergström holds an M.Sc. (Econ) from Linköping University, Sweden. Appointed as Net Insight's CFO in August 2009. Prior to this, he had 14 years' international experience from various finance and accounting roles, mainly in the Ericsson group and several other companies in the telecom sector. Thomas joined Net Insight from a position as CFO of Aastra Telecom Sweden.
Shareholding in Net Insight: 35,000 class B shares.



Per Lindgren (4)
Senior Vice President Corporate & Business Development and CTO (founder)
Born: 1967.
Per Lindgren holds a D.Tech. in telecommunication from KTH. As a co-founder of Net Insight, he has been an employee since 1997. Previous experience includes Associate Professor at KTH. Per is CEO of Net Insight Intellectual Property AB.
Shareholding in Net Insight: 400,000 class A shares, 2,000,000 class B shares.

Stig Stålnacke (5)
Senior Vice President Global Sales
Born: 1958.
Stig Stålnacke holds an M.Sc. (Eng.) from Linköping Technical University. Stig was appointed as Senior Vice President and Global Head of Sales of Net Insight in February 2009. Previous long-term experience with Cisco, holding several senior sales positions. Most recently Client Director and Head of Major Telecom Accounts, and a member of Cisco's Swedish management.
Shareholding in Net Insight: 0 shares.

Anna Karin Verneholt (6)
Vice President Marketing
Born: 1967.
Anna Karin Verneholt holds an M.Sc. (Econ.) from the University of Uppsala, Sweden. She joined Net Insight in 2010 and is now VP Marketing. Anna Karin has over 15 years' professional experience of marketing in international environments, primarily in the IT and telecoms sector, and previously held a number of marketing positions in the Ericsson group, including Head of Enterprise Marketing and Communication in the Multimedia business unit.
Shareholding in Net Insight: 0 shares.

Marina Hedman (7)
Vice President Human Resources
Born: 1976.
Marina Hedman holds a B.A. in social sciences, majoring in human resources. Marina has been employed since 2013, and prior to that, had over 13 years' experience in various HR roles, in sectors including consulting, IT and media.
Shareholding in Net Insight: 0 shares.

Glossary

ACCESS NETWORK
That part of the public network closest to end-users. Consists of copper lines in the telephone network and coaxial cable for cable TV. Fiber and wireless solutions are also becoming more widespread.

ASI
(Asynchronous serial Interface). A standardized physical interface for compressed video. Used within the media industry to transport content between geographically remote production units and in cable TV networks.

BACKBONE NETWORK
High-capacity network interlinking geographically remote areas or a number of smaller networks within an area. Also known as a transport network or backbone.

BANDWIDTH
Measure of how much information can be transmitted. Measured in bits per second, bps.

BROADBAND NETWORK
Network with extremely high capacity, at least 2 mbps to each end-user.

BROADCAST
Transmission from a single sender to all possible recipients in a network.

CDN
(Content Delivery Networks) an overlay network of customer content, distributed geographically to enable rapid, reliable retrieval from any end-user location.

CONTENT
Content that is distributed in the network.

CONTRIBUTION
Communication for production and processing of material before it is transmitted to the end-user.

CORE
Larger transport networks between cities and backbone networks.

DTT
(Digital Terrestrial Television). Name for digital terrestrial TV to on regular TV sets equipped with set-top boxes. Also called DVB-T.

DVB
(Digital Video Broadcast) transmission standard for digital video over various media.

DVB-T
(Digital Video Broadcast—Terrestrial). Name of the standard for digital terrestrial TV to regular TV sets equipped with set-top boxes. Also called DTT.

DVB-T2
Second generation of the Digital Video Broadcasting Terrestrial; extension of the DVB-T television standard.

ETHERNET
The most common technology for communication in local area networks, LANs. Transmission speeds of 10/100 mbps,1 Gbps and 10 Gbps.

GIGABIT ETHERNET
Development of the Ethernet primarily used in large LANs and backbone networks. Can process transmission speeds of up to 1,000 mbps.

HD
(High Definition). High resolution.

HDTV
(High Definition TV). High resolution TV.

INTEROPERABILITY
Two devices operating together.

IP
(Internet Protocol) Protocol used for data transmission over the Internet. All Internet traffic is transmitted in IP packets.

IPTV
Television that is broadcast over IP (broadband).

LAN
(Local Area Network). Smaller local networks for datacommunication within a department, building or block.

MPLS
(Multi Protocol Label Switching). Protocol for the efficient management of connections over a package-switched network.

MSR
(Media Switch Router) MSR is a platform specially designed to handle media services.

MULTICAST
Transmits the same message to a large number of recipients without requiring every recipient to be addressed (unicast) or sent to all possible recipients (broadcast).

NGN
Next Generation Networks or Next Generation Network. General concept for the development of networks and/or a standardization framework to enable new services and integrate fixed and mobile services over common infrastructure in future networks.

NODE
A unit that is connected to a network, either as a sender/ receiver, or to connect different networks.

OVER THE TOP (OTT)
Term for service utilized over a network that is not offered by that network operator. For example, viewers using their broadband connection to view TV.

PAY-PER-VIEW
Paying for what you watch. Unlike video-on-demand, the shows or films must be viewed at scheduled times.

POST PRODUCTION
Post production of e.g. TV shows or films.

PROTOCOL
An agreed set of rules for how different network equipment should communicate.

QoS
(Quality of Service). Name for the quality of service (that can be provided by a network). Video requires higher QoS. QoS is achieved in a network either by separating traffic so that interference cannot occur or by prioritization where the highest-priority traffic is sent first.

REAL TIME
Immediate transmission of material without delay.

ROUTER
A unit to guide and forward data packets, over the Internet. for example.

ROUTING
Guiding and forwarding data packets through a computer network.

SDH/SONET
Circuit-switched technology for communication in optical backbone networks. SDH is the European standard and Sonet is the American standard.

SDI
(Serial Digital Interface). A physical standard for professional, uncompressed 270 mbps video. Is used in the media industry to connect sound and image equipment in production sites.

SLA
(Service Level Agreement) is a part of a service contract where the level of service is formally defined.

STREAMED MEDIA
Playing sound and video files on a computer or mobile phone simultaneous with transmission over a LAN or WAN, such as the Internet. Used for playing stored files from websites and for receiving live events over the Internet, for example.

STUDIO QUALITY
The quality obtained if studio production equipment is connected locally. Can be achieved with a low or constant latency over a network with an extremely high QoS.

SWITCH
Used to direct information between different network links and users.

TELEPRESENCE
Next generation videoconferencing solution.

TOPOLOGY
In networks, the topology describes how nodes are linked together, for example, in a ring or star where all nodes are switched directly to a central node, or a mesh, an irregular structure with multiple switches between many nodes.

UPLINK STATIONS
Where the content in a fiber optic network or other terrestrial-based network contacts a satellite network. For example, when programming companies broadcast their content for distribution..

VIDEO-ON-DEMAND
Enables digital delivery of films over a broadband network. The video store on the network means that there is always a copy available for order at any time, even of the most popular movie.

VPN
(Virtual Private Network) Technology for setting up a secure private network within the public network using Internet infrastructure.

Invitation to Annual General Meeting

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held at 10 a.m. on Thursday 8 May 2014 at Net Insight's offices in Stockholm, Sweden. Shareholders recorded in the share register maintained by Euroclear Sweden AB on 2 May 2014, and who have notified the Company by 4 p.m. on 2 May 2014, are entitled to attend, and vote, at the AGM. Shareholders can notify their attendance at the meeting by mail to Net Insight AB, Box 42093, 126 14 Stockholm, Sweden, by telephone to +46 (0)8 685 0400, by fax to +46 (0)8 685 0420 or by e-mail to agm@netinsight.net.

DIVIDEND

The Board of Directors is proposing to the AGM to resolve not to pay any dividend for the financial year 2013.

DISTRIBUTION OF ANNUAL REPORT

The Annual Report 2013 will be published in the week ending 20 April 2014 (week 16) at www.netinsight.net.
Printed versions of the Annual Report are available to order by e-mail: info@netinsight.net, or by telephone: +46 (0)8 685 0400.

FINANCIAL INFORMATION

Interim Report, January–March 30 April 2014

AGM 2014 8 May, 10 a.m.

Interim Report, January–June 22 July 2014

Interim Report, January–September 28 October 2014

Net Insight publishes financial information in Swedish and English. The Reports are available for download from Net Insight's website: www.netinsight.net or to order by e-mail: info@netinsight.net, or by telephone on +46 (0)8 685 0400.

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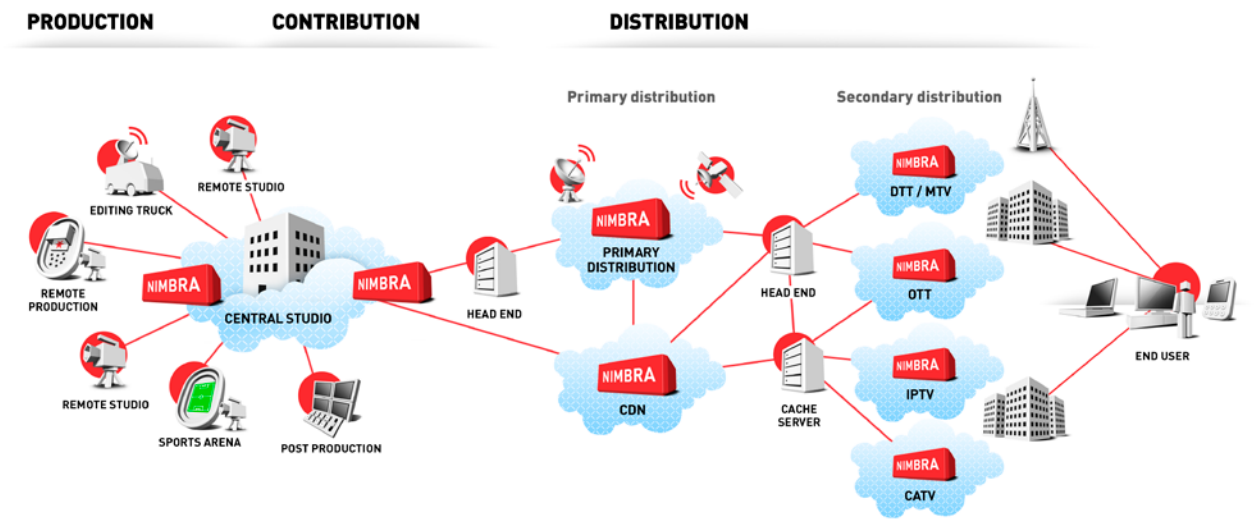
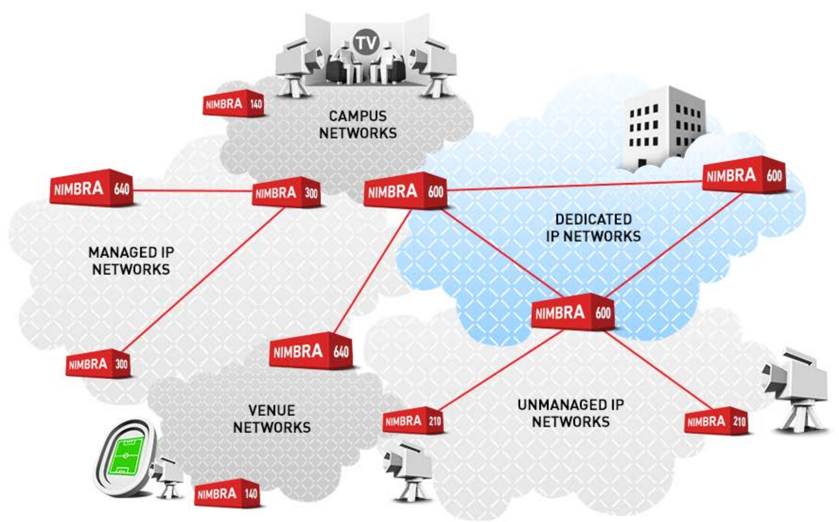
APPLICATIONS: NIMBRA – AN INTEGRATED PLATFORM FOR MULTIPLE SEGMENTS



APPLICATIONS: NIMBRA – END-TO-END SOLUTIONS OVER IP NETWORKS



SWEDEN

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