



Q2 Interim Report
1 April – 30 June 2014

Strong demand for Zenterio solution in commercial scale-up phase.

Key events

- Zenterio accelerates its investment in the delivery capacity of software to its OEM partners
- Deutsche Telekom expands its harmonization program and launches Zenterio OS in one more country
- Zenterio's deployment phase on target for a roll out of its service revenue offer in 2015
- Zenterio raised SEK 115 M in new equity capital and started preparations for an IPO on Nasdaq OMX Stockholm in 2015
- Zenterio shares were listed on the Norwegian OTC under the ticker (ZENT)

Key events after the reporting period

- Zenterio added one additional Tier 1 partner meaning that Zenterio OS now will be pre-integrated with four of the world's eight largest TV-platforms
- Acquisition of 27M Group doubles Zenterio's development capacity

April – June 2014

- Deployed license base
 - Service enabled license base net adds +115,265 to accumulated 499,541
 - Total license base net adds +267,664 to accumulated 1,704,037
- Average monthly service revenue per deployed license (ARPU) 0(0) SEK
- EBITDA SEK -25 M (-15)
- Net profit SEK -34 M (-21)

January – June 2014

- Deployed license base
 - Service enabled license base net adds +203,506 to accumulated 499,541
 - Total license base net adds +381,906 to accumulated 1,704,037
- Average monthly service revenue per deployed license (ARPU) 0(0) SEK
- EBITDA SEK -47 M (-21)
- Net profit SEK -63 M (-32)

Word from the CEO

After a long period of investing into distribution channels and customer integrations Zenterio has now clearly moved into an accelerated deployment phase. This deployment phase is important as it lays the groundwork for our long-term business model of monetizing services across a growing deployed base. Therefore Zenterio will measure our total installed base of software but more importantly the growing base of deployed software that allows monetization of services. We have defined these in the report as service enabled licenses.

In the first six months of 2014 alone, we have nearly doubled the number of accumulated deployed service enabled licenses from the past three years. Reaching 1.5 million deployed service enabled licenses by year-end is now a real possibility.

We are quickly catching up in net adds with companies like TiVO and hope that we during 2015 both surpass them in net adds and accumulated deployed base.

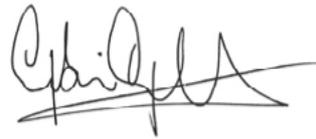
Zenterio has invested heavily up front in a distribution model through partners, which is already proving itself. Zenterio will continue to invest in supporting our main partners to maintain momentum and build reach. Apart from the normal uncertainties associated with emerging markets and locking

down the exact timing of the roll out of some of our customers, Zenterio is executing according to plan.

We are excited that we soon are in the position to offer revenue generating services to the accumulated deployed base, which we anticipate to go live during next year. The company is already preparing itself to have a strong initial offer from the start.

During the second quarter, Zenterio successfully closed an investment round that raised approximately SEK 115 million in new capital from Nordic investors. The capital will primarily be used to continue to scale up our delivery capabilities and secure continued rapid growth ahead of a planned IPO on Nasdaq OMX Stockholm in 2015.

We continue our persistent work in order to maintain our independent market position, bring the company to positive results, and reach our long-term goal of becoming a global leader for the delivery of interactive TV services.



Robin Rutili, CEO



Zenterio background

Zenterio stems out of the former Home Communication division of Nokia, and was divested and taken over in 2002 by the software R&D team led by the former Nokia CTO and the general manager of the Home Communication division. The team continues to work for Zenterio and its members are among the most experienced software developers in the world.

Our market

Zenterio has developed a hardware independent operating system which significantly improves TV operators' potential to increase revenue from introducing new customer services, such as on demand video as well as interactive advertising applications, at less cost and better time to market. By reducing development- and roll-out complexity, Zenterio's independent solution helps operators offer their customers a much richer TV-experience where all home media devices (TVs, tablets, smart phones etc.) are integrated in a multi-room and multi-screen environment.

Zenterio's business model

Zenterio's business drivers are made up by the number of deployed Zenterio OS licenses as well as the revenue generated from services per deployed OS (ARPU).

When critical mass is reached through the deployment phase, which generates a software license and maintenance fee, the company will start reselling a package of attractive services from leading application companies.

Zenterio expects to reach critical mass in its deployed license base during 2015 and will at that point launch its first package of services, which will include an advertising solution integrated into the pay-TV operators' user interface. As Zenterio has not launched its initial service revenue package yet, the current average service revenue per user (ARPU) is 0(0) SEK.

Deployment phase

The rate at which Zenterio deploys its OS depends on how many pay-TV operators select the company's software. To reach as many operators as possible, Zenterio has in the last few years partnered with some of the largest consumer electronics companies in the world as well as with major TV solutions providers and system integrators. Partners normally offer Zenterio OS as part of their total offering to pay-TV operators.

Being selected to become a global partner validates the strength of Zenterio and its software capabilities as well as the partners' trust in Zenterio's technical capability and capacity to scale. Because of the complexity, specific product requirements and initial high costs involved in launching projects, each partner often only selects one or a very limited number of global partners for supplying client software. This dynamic results in long term partnerships with a strong product commitment to Zenterio OS once selected and integrated.

Zenterio has been investing significantly to manage the first wave of customer projects coming out of these partnerships. Zenterio expects to continue investing in new growth opportunities through partnerships.

Deployed base business update

After the H1 2014 period, Zenterio announced yet another Tier 1 partnership with the global TV solutions provider Viaccess-Orca. Zenterio is thereby selected as client OS partner to a leading provider of IP video and broadcasting solutions with more than 20 years of experience and customers in 35 countries. Zenterio is confident of a good start to the partnership and expects business already in 2014 with Viaccess-Orca.

Furthermore, Zenterio has seen an increase in the product commitment by several of its original equipment manufacturer (OEM) partners and is building up its delivery capability to meet the increased demand.

Three years ago, Deutsche Telekom initiated a harmonization program to streamline the technology used to distribute TV across all of its nine European markets offering pay-TV services. An important part of this was to harmonize its very fragmented base of client OS. At the end of Q1 2014, and as part of this pan-European program, Zenterio announced the launch of the first solution for Deutsche Telekom in Hungary. Deutsche Telekom had previously deployed another Zenterio solution in Slovakia. The program's

development has continued during Q2 and Zenterio is currently engaged in projects together with three of Deutsche Telekom's major TV-platform vendors spanning more than 4 countries.

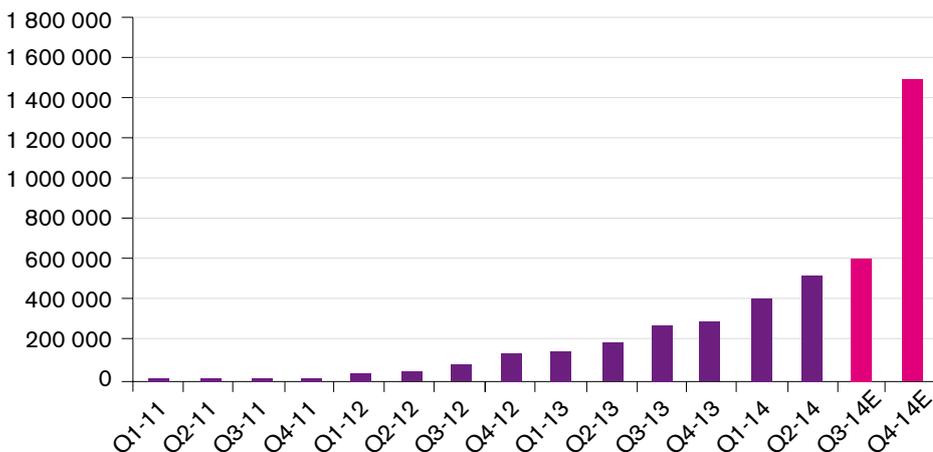
Zenterio expects its business with Deutsche Telekom to continue to grow over the coming years and that Deutsche Telekom will serve as a very important reference for Zenterio's partners to point at going forward.

The Zenterio service enabled license base has grown from 0.3 million licenses at year-end 2013 (accumulated over 3 years), to 0.5 million licenses per June 30, 2014.

Throughout 2014, Zenterio has been very active in several regions transitioning from analogue to digital TV broadcasting.

Overall, Zenterio expects an accelerated growth rate for H2 2014. The company expects to reach 1.5 million deployed service enabled licenses by year-end. Roll out with new customers during H2 2014 is expected to lay the groundwork for strong performance in 2015.

Service enabled installed licence base



Service revenues

Zenterio will start to offer operators advertising solutions, applications and services such as Netflix, HBO Go and YouTube, running on the Zenterio OS. The revenue model from such reseller agreements will be recurring on a monthly basis and reported as average service revenue per user (ARPU) in Zenterio's reporting. As Zenterio has yet to launch its initial service revenue package, the current average service revenue per user (ARPU) is 0(0) SEK. With current deployment base

growth Zenterio will begin offering these services during 2015.

Service revenue business update

During H1 2014, Zenterio initiated discussions with several pay-TV operators about services they wish to launch in the first phase of their service package. An example of this is Zenterio's commercial arrangements to offer an advertising and application solution together with one of world's largest OEMs.

Zenterio is also engaged in discussions with both local and global content providers, which are anticipated to be completed before year-end.

Zenterio will invest in several service revenue concepts and continue working with its current pay-TV operator customers to develop an attractive service offering.

Financial development, January – June

Sales amounted to SEK 25 M (35), whereof hardware revenues SEK 6 M (20) and license and integration revenues SEK 19 M (15). The decline in hardware revenues is a function of a phase out of the hardware offering to the benefit of a more clear focus on the delivery of Zenterio's operating system.

During the period, Zenterio expanded its delivery capacity to match the growing inflow of new business opportunities. As a consequence, operating costs increased to SEK 81 M (54) as a result of higher staff cost, both from in-house and external consultants.

Overall, operating loss amounted to SEK -60 M (-31). The development is in line with the overall plan and the result correlates with investments taken in new customers and partners. With the acquisition of 27M Group, announced in July 2014, Zenterio doubles its software engineering capacity.¹

The Group's cash and cash equivalents on 30 June 2014 amounted to SEK 58 M (SEK 1.8 M on 31 December 2013). The unutilized overdraft facility amounts to SEK 6 M. In addition to this, SEK 25 M out of a SEK 37 M loan facility from an American investment fund

remains unutilized. In May 2014, the Company raised SEK 115 M in new capital through the issue of new ordinary shares with most of the capital coming from Nordic institutional investors. The capital will primarily be used to finance continued rapid growth ahead of an IPO on Nasdaq OMX Stockholm's main market as well as repayment of a SEK 15 M loan. The repayment was conducted in May 2014. The shareholder equity of the Group per 30 June 2014 amounted to SEK 116 M.

¹ 27M will be consolidated from 1 September 2014 and is consequently not part of this financial report.

Selected consolidated financials

Selected consolidated financials

Zenterio prepares financial statements in accordance with the Swedish Annual Accounts Act and recommendations and statements from Swedish Accounting Standards Board and FAR/SRS.

Profit and loss statements

Consolidated statement of comprehensive income, TSEK	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
License and consulting	5,808	6,095	18,371	14,967
Sales of hardware	6,328	8,662	6,328	19,634
Activated work for own account	7,813	6,805	15,530	13,617
Other income	239	419	605	542
Total income	20,188	21,981	40,834	48,760
Cost of sales	-5,704	-7,174	-7,047	-15,712
Depreciation and amortization	-6,771	-5,458	-13,041	-10,575
Other operating cost	-39,471	-29,987	-80,739	-53,911
Total operating costs	-51,946	-42,619	-100,827	-80,198
Operating result	-31,758	-20,638	-59,993	-31,438
Financial items	-2,151	-368	-3,171	-807
Result for the period	-33,909	-21,006	-63,164	-32,245

Balance sheets

Consolidated balance sheet, TSEK	30 Jun 2014	31 Dec 2013	31 Dec 2012
Assets			
Total non-current assets	74,454	71,575	63,726
Current assets			
<i>Inventory etc.</i>			
Raw materials	0	0	2
Advances to suppliers	4,797	0	7,717
<i>Current receivables</i>			
Other current receivables	21,628	19,305	18,049
Cash and cash equivalents	57,860	1,814	3,810
Total current assets	84,285	21,119	29,578
Total Assets	158,739	92,694	93,304

Consolidated balance sheet, TSEK	30 Jun 2014	31 Dec 2013	31 Dec 2012
Shareholders' Equity and Liabilities			
Total shareholders' equity	115,937	51,312	64,852
Total non-current liabilities	8,385	168	289
Total current liabilities	34,417	41,214	28,163
Total Shareholders' Equity and Liabilities	158,739	92,694	93,304

Cash flow statements

Consolidated cash flow statement, TSEK	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
Cash flow from operations before change in WC	-37,310	-15,751	-50,224	-22,224
Cash flow from operations after change in WC	-32,063	-9,925	-46,303	-8,045
Cash flow from investment activity	-8,198	-6,858	-15,914	-13,670
Cash flow from financing activity	92,181	17,096	118,244	19,496
Cash flow for the period	51,920	313	56,027	-2,219
Cash and cash equivalents at the beginning of the period	5,930	1,280	1,814	3,809
Exchange gains/losses on cash and cash equivalents	10	-1	19	2
Cash and cash equivalents at the end of the period	57,860	1,592	57,860	1,592

Key figures

Key figures	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
Service enabled license base, closing balance	499,541	187,309	499,541	187,309
Total license base, closing balance	1,704,037	1,209,204	1,704,037	1,209,204
ARPU, TSEK	0	0	0	0
EBITDA, TSEK	-24,987	-15,180	-46,952	-20,863
Net profit, TSEK	-33,909	-21,006	-63,164	-32,245
Number of shares, closing balance	44,778,135	31,740,256	44,778,135	31,740,256
Average number of employees	94	82	95	81

Other

Assurance

This interim report provides a fair and true view of the company's business, financial position and results of operations and describes risks and uncertainties that the company faces.

Stockholm September 2014
The board of Zenterio AB (publ)

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